



Official Journal

of the European Communities

English edition

Information and Notices

Notice No

Contents

Page

*I Information***Court of Auditors**

2001/C 334/01

Special Report No 12/2001 concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment, together with the Commission's replies

[1](#)**EN**

I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 12/2001

concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment, together with the Commission's replies

(pursuant to Article 248(4), second subparagraph, EC)

(2001/C 334/01)

CONTENTS

	Paragraph	Page
SUMMARY.....	I-IX	4
INTRODUCTION.....	1-5	6
Problems associated with employment and policy measures	1-2	6
Scope of the audit.....	3-5	9
COMMUNITY EMPLOYMENT POLICY	6-16	9
European Employment Strategy	6-10	9
Economic and social cohesion policy and employment	11-13	10
Methodology for evaluating the impact on employment	14-16	10
THE IMPACT OF ERDF AID ON EMPLOYMENT	17-77	11
The European Employment Strategy and the ERDF	17-18	11
Coordination within the Commission	19-21	11
Taking employment into account in the RDPs, CSFs, SPDs and OPs	22-45	11
Ex ante evaluation, setting objectives and defining indicators	24-30	12
Mid-term evaluation — reprogramming	31-40	14
Ex post evaluation	41-42	16
Proposals for improving evaluation	43-45	16
Taking impact on employment into account for the programming period 2000 to 2006...	46-48	17
Aid for productive investment	49-77	17
Taking employment into account	49-58	17
Monitoring	59-68	19
Aid per job	69-71	20
Sustainability of jobs	72-77	21

	<i>Paragraph</i>	<i>Page</i>
THE EUROPEAN SOCIAL FUND (ESF) INTERVENTIONS TO COMBAT LONG-TERM UNEMPLOYMENT	78-125	22
Long-term unemployment	79-85	22
Financial and budgetary aspects	86-90	26
The management of policy and actions by the Commission	91-115	28
The European Employment Strategy and the ESF interventions	91-98	28
Financial management of the operational programmes	99-103	28
Evaluation reports	104-109	29
Audit of Article 6 projects	110-115	30
Management in the Member States	116-125	30
Vague definition of 'long-term unemployed'	117-118	30
Low priority of the long-term unemployed and employment aids	119-121	31
Implementation of employment aids	122-125	31
CONCLUSIONS AND RECOMMENDATIONS	126-143	32
ERDF	126-131	32
ESF	132-140	32
General recommendations	141-143	33
ANNEXES I and II		35
The Commission's replies		38

ABBREVIATIONS

CSF	Community support framework
EEPG	European employment policy guidelines
ERDF	European Regional Development Fund
ESF	European Social Fund
FDPMI	<i>Fonds de développement de la petite et moyenne industrie</i> (Development fund for small businesses)
FSI	<i>Fonds spécial d'implantation</i> (F) (Special fund to encourage the setting-up of businesses)
JER	Joint employment report
MEANS	Methods for evaluating activities of a structural nature
MSIF	Merseyside Special Investment Fund (United Kingdom)
NAP	National action plan
OP	Operational programme
RDP	Regional development plan
RIME	Microenterprise assistance scheme
SME	Small and medium-sized enterprises
SPD	Single Programming Document

SUMMARY

I. Increasing employment is one of the central objectives of the European Union. The Court analysed the roles played by the European Social Fund (ESF) and the European Regional Development Fund (ERDF) in the European Employment Strategy. The Court also examined to what extent employment was taken into account when developing evaluation methodology and during the implementation of the measures for the planning period 1994 to 1999, and, more specifically, in the context of the implementation of measures in support of productive investment co-financed by the ERDF. In addition, the Court's audit focused on the implementation of Community measures to help the long-term unemployed, most of which are co-financed by the ESF within the framework of Objectives 1 and 3.

II. The Court's audit identified inconsistencies between the Employment Strategy, and the activities of the ESF and the ERDF:

- since the introduction in 1997 of the European Employment Strategy, the ESF planning timetable has not coincided with the schedule drawn up for taking decisions in the context of the Employment Strategy,
- to combat unemployment, the Employment Strategy focuses, primarily, on preventive measures and does not give sufficient consideration to the curative measures which are required to deal with the problem of long-term and very long-term unemployment,
- the employment guidelines drawn up annually by the Council make no explicit mention of the ERDF, although the impact of the ERDF on employment is not inconsiderable. The same is true, with some few exceptions, of the national action plans (NAPs) submitted by the Member States and the joint employment reports. Because the ERDF, in contrast to the ESF, is omitted, some potential synergies are not being exploited,
- there was found to be a lack of coordination between the interventions co-financed by the ERDF and the ESF. This was due, amongst other things, to differences between the Regulations, the organisational structures, the procedures for aid applications and grants and the timetables, on the one hand, and the large number of operators on the other.

III. There were a number of weaknesses in the regional development plans (RDPs), Community support frameworks (CSFs), Single Programming Documents (SPDs) and operational programmes (OPs), which were drawn up on the basis of very vague instructions from the Commission as regards employment. For Objectives 1 and 3, the formulation of the objectives, both in general terms and in the form of quantitative targets, was often imprecise and did not take every factor into account (jobs created/safeguarded, temporary/full-time jobs, sustainability of employment, accurate data for specific target groups, etc.). In the case of the Objective 2 SPDs for 1997 to 1999, there was some improvement in comparison to the previous programming period. In this particular instance, the measures in support of productive investment financed by the ERDF included specific job-creation objectives. However, support for infrastructure, support for the development of local potential and assistance for the development of human resources, which, together, use up almost 75 % of the funds made available, were allocated without quantified objectives being specified in the CSFs/SPDs/OPs.

IV. The mid-term evaluations ran into both methodological difficulties (lack of uniformity in the concepts applied and absence of clear definitions) and practical difficulties (in particular the absence or unreliability of the necessary data), as well as difficulties with the aggregation of the results in cases where aggregation would have been appropriate. For the long-term unemployed in particular, these reports recommended a more targeted approach. The *ex post* evaluations are in danger of running into the same difficulties as the mid-term evaluations.

V. Contrary to the Commission's guidelines (see paragraph 31), only in exceptional cases was the reprogramming that was carried out for the ERDF-co-financed measures based on analyses of the impact on employment.

VI. However, the initiatives taken by the Commission since 1996, particularly the systematic application of the MEANS ⁽¹⁾ methodology and the introduction of the terms proposed in the Commission working document for the new period 2000 to 2006, should result in an overall improvement in the situation.

VII. As far as aid to productive investment is concerned, it was found that:

- (a) some grant notification letters were vague in respect of the obligation to take employment into consideration, and the employment aspect was not necessarily given due weight in the co-financing decision procedures;
- (b) the penalties attached to failure to comply with the conditions concerning employment were combined with exemptions, which, because they were not precisely formulated, did not favour consistent application of the rules;
- (c) the efforts made and the mechanisms applied by the Member States in order to avoid deadweight and displacement effects, with the aim of increasing the net effects on employment, varied considerably;
- (d) even though most of the rules laid down in the SPDs/OPs and aid schemes audited made no provision for supporting enterprises in difficulty in order to safeguard jobs, or did not contain precise details on this matter, the Court's checks showed that the 'defensive' aspect of the measures is, nonetheless, very important;
- (e) the information obtained by monitoring the employment measures is often poorly compiled (*inter alia*, incorrect or incomplete records, absence of a definition of the concepts used), poorly exploited and not harmonised between the regions. Likewise, data concerning the impact on employment were often unsatisfactory, as the monitoring systems were not yet able to provide the relevant information;
- (f) an examination of the monitoring systems revealed that the number of jobs actually created or safeguarded thanks to co-financed projects was only rarely subject to systematic global monitoring. The databases thus quite often only contained information on job estimates;
- (g) the databases often contained no figures, or contained poorly analysed figures, concerning jobs safeguarded, or they failed to distinguish between jobs created and jobs safeguarded;
- (h) the evaluation of the ERDF's impact on jobs is complicated and even in danger of being distorted by the fact that the co-financing of a national aid scheme enables the national authorities either to apply for co-financing for an eligible project or to finance it entirely from national funds. In addition, the Structural Funds' rules allow problematic measures/projects to be replaced by other measures in order to ensure that the funds are absorbed;
- (i) while several Member States have set ceilings for the amounts of aid per job, others had not set any. In addition, the ceilings set per job created varied greatly (from 4 882 euro, paid in the form of a loan, to 511 292 euro, paid as a subsidy);
- (j) the monitoring periods set in order to avoid jobs being abolished once all the aid has been paid differed greatly from one scheme to another, as this point has never been dealt with in any regulation. The new Regulation laying down general provisions on the Structural Funds ⁽²⁾ and the guidelines on national regional aid ⁽³⁾ stipulate that the granting of such aid is conditional on the maintenance of the investment and the jobs created in the eligible region for a minimum period of five years. However, there is an inconsistency between the Regulation and the guidelines, in that the commencing date for the period is not the same.

⁽¹⁾ MEANS was a European Commission programme aimed at improving the methods for evaluating activities of a structural nature.

⁽²⁾ Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26.6.1999).

⁽³⁾ OJ C 74, 10.3.1998, p. 4.

VIII. As regards ESF measures to combat long-term unemployment, although there have been improvements in the overall EU unemployment situation in recent years, long-term unemployment has not followed the same trend:

- (a) information about the management and control systems relating to successful pilot and demonstration projects (Article 6 of Council Regulation (EEC) No 4255/88 as amended) was not made available to the Commission and Member States, with the result that similar projects were not incorporated in mainstream ESF actions;
- (b) the implementation in the Member States of ESF-co-financed measures in favour of the long-term unemployed lacked a clear definition of target groups and was given a low priority by national and regional administrations and in national regulatory and management provisions, thereby incurring deadweight costs (see also paragraph VII concerning the ERDF) and suffering delays in implementation.

IX. The Court recommends that:

- (a) coordination between the Employment Strategy, on the one hand, and the ESF and the ERDF, on the other, be improved;
- (b) consistent objectives for employment be defined during the programming at the various policy, programme and subprogramme levels, in order to make evaluation of the impact of the job-creation measures easier;
- (c) the Commission ensure that the obligation to take the employment aspect into account is systematically given its due weight in the co-financing process. In addition, the Commission should take into consideration the necessity of steps to avoid deadweight and displacement effects.

INTRODUCTION

Problems associated with employment and policy measures

1. For almost 20 years the average rate of unemployment in the European Union (EU) has virtually never fallen below the 8 % mark. At present, there are approximately 14 million unemployed in the EU. In addition, in relation to the population of working age, the level of employment is low, with an employment rate of 62,1 %. Moreover, there is considerable geographical imbalance in the distribution of unemployment and employment within the EU. The unemployment rates range from 2 % to 13,9 % — i.e. a ratio of 1 to 7 — between Member States and from 2,1 % to

28,7 % — a ratio of 1 to 14 — between regions. The employment rates for the various Member States range from 52,3 % to 76,5 % (see *Tables 1 and 2*). In many regions in the south and on the periphery and in many former industrial regions of the EU, employment rates of less than 50 % are common.

2. The severity of the structural problems affecting employment has gradually become a central preoccupation and at the Essen European Council (December 1994) — for the first time — common guidelines were drawn up with a view to improving the employment situation. Subsequently, at the Amsterdam European Council (1997), it was decided to insert a new title devoted to employment in the Treaty establishing the European Community (see also paragraph 6).

Table 1

Unemployment in the European Union by Member State (figures harmonised by Eurostat)

		2000 ⁽¹⁾	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Belgium	(in 1 000)	342,0	396,4	408,2	398,5	409,3	415,8	415,8	362,2	293,6	262,3	261,3
	(in %)	7,9	9,1	9,5	9,4	9,7	9,9	10,0	8,8	7,2	6,6	6,7
Denmark	(in 1 000)	126,4	149,0	148,3	159,3	192,1	203,0	229,2	291,0	264,9	242,0	220,3
	(in %)	4,5	5,2	5,2	5,6	6,8	7,2	8,2	10,2	9,2	8,4	7,7
Germany	(in 1 000)	3 177,2	3 460,6	3 691,6	3 870,4	3 461,9	3 185,8	3 306,3	3 073,8	2 563,2	2 181,6	—
	(in %)	8,1	8,8	9,4	9,9	8,9	8,2	8,4	7,8	6,6	5,6	—
Greece	(in 1 000)	492,6	521,1	482,7	420,7	410,8	385,8	369,5	351,5	317,5	276,3	254,7
	(in %)	11,1	11,7	10,9	9,8	9,6	9,2	8,9	8,6	7,9	7,0	6,4
Spain	(in 1 000)	2 331,2	2 607,4	3 057,5	3 351,4	3 534,7	3 579,0	3 733,7	3 477,2	2 788,5	2 468,8	2 439,2
	(in %)	13,9	15,9	18,8	20,8	22,2	22,9	24,1	22,7	18,4	16,4	16,2
France	(in 1 000)	2 287,2	2 886,5	3 019,0	3 125,6	3 126,1	2 920,7	3 058,2	2 900,5	2 553,2	2 311,7	2 168,8
	(in %)	9,1	11,3	11,8	12,3	12,4	11,7	12,3	11,7	10,4	9,5	9,0
Ireland	(in 1 000)	74,6	96,3	123,8	152,6	173,8	177,5	203,4	215,6	209,2	196,6	175,8
	(in %)	4,5	5,7	7,6	9,9	11,7	12,3	14,3	15,6	15,4	14,7	13,4
Italy	(in 1 000)	2 465,7	2 648,5	2 746,3	2 689,6	2 663,0	2 640,7	2 531,8	2 327,6	2 084,3	2 051,9	2 113,2
	(in %)	10,5	11,3	11,8	11,7	11,7	11,6	11,1	10,2	8,8	8,6	9,0
Luxembourg	(in 1 000)	3,6	4,2	4,8	4,8	5,1	4,9	5,5	4,5	3,6	2,8	2,7
	(in %)	2,0	2,3	2,7	2,7	3,0	2,9	3,2	2,6	2,1	1,7	1,7
Netherlands	(in 1 000)	189,7	262,5	312,1	395,0	467,6	507,9	517,0	464,0	392,9	397,0	413,5
	(in %)	2,4	3,3	4,0	5,2	6,3	6,9	7,1	6,5	5,6	5,8	6,2
Austria	(in 1 000)	109,3	146,4	171,2	167,2	164,5	148,6	146,6	151,1	—	—	—
	(in %)	2,9	3,8	4,5	4,4	4,3	3,9	3,8	4,0	—	—	—
Portugal	(in 1 000)	214,2	228,3	258,3	330,8	349,0	346,3	330,9	267,2	202,3	200,6	224,2
	(in %)	4,2	4,5	5,2	6,8	7,3	7,3	6,9	5,7	4,3	4,2	4,8
Finland	(in 1 000)	279,5	261,0	285,3	314,4	362,7	381,9	408,3	404,8	292,4	168,5	81,7
	(in %)	10,3	10,2	11,4	12,7	14,6	15,4	16,6	16,3	11,7	6,6	3,2
Sweden	(in 1 000)	283,2	319,1	367,7	437,1	425,6	390,6	411,8	401,0	251,8	143,0	79,9
	(in %)	6,1	7,2	8,3	9,9	9,6	8,8	9,4	9,1	5,6	3,1	1,7
United Kingdom	(in 1 000)	1 630,4	1 765,5	1 829,6	2 026,1	2 346,0	2 493,1	2 736,6	2 989,6	2 866,0	2 537,3	2 021,2
	(in %)	5,5	6,1	6,3	7,0	8,2	8,7	9,6	10,5	10,0	8,8	7,0
European Union	(in 1 000)	14 006,8	15 763,3	16 909,2	17 850,9	18 086,2	17 787,5	18 408,7	17 674,2	15 240,8	13 568,3	—
	(in %)	7,0	9,2	9,9	10,6	10,8	10,7	11,1	10,7	9,2	8,2	—

⁽¹⁾ Provisional data.

Source: Eurostat.

Table 2

Rate of unemployment in the European Union by Member State (figures harmonised by Eurostat)

		1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Belgium	(in 1 000) (in %)	3 955,0 58,9	3 841,0 57,3	3 819,0 57,0	3 767,0 56,3	3 769,0 56,3	3 727,0 55,7	3 724,0 56,0	3 751,0 56,5	3 703,0 55,9	3 609,0 54,4
Denmark	(in 1 000) (in %)	2 692,0 76,5	2 652,0 75,3	2 649,0 75,4	2 599,0 74,0	2 580,0 73,9	2 519,0 72,4	2 516,0 72,4	2 582,0 74,5	2 583,0 74,6	2 598,0 75,4
Germany	(in 1 000) (in %)	35 742,0 64,8	35 194,0 63,7	34 947,0 63,6	35 292,0 64,1	35 461,0 64,7	35 525,0 64,7	35 795,0 65,1	36 208,0 66,6	36 702,0 67,9	28 714,0 66,4
Greece	(in 1 000) (in %)	3 835,0 55,4	3 854,0 55,6	3 725,0 54,8	3 733,0 54,9	3 693,0 54,5	3 660,0 54,1	3 603,0 53,5	3 561,0 53,6	3 523,0 53,1	3 602,0 54,8
Spain	(in 1 000) (in %)	13 658,0 52,3	13 061,0 49,7	12 609,0 48,0	12 226,0 46,6	11 895,0 45,9	11 599,0 45,0	11 731,0 45,7	12 320,0 48,2	12 482,0 49,2	12 414,0 49,1
France	(in 1 000) (in %)	22 661,0 60,4	22 359,0 59,9	22 048,0 59,4	22 065,0 59,7	21 932,0 59,5	21 588,0 58,9	21 760,0 59,6	21 877,0 60,1	21 968,0 60,5	21 725,0 60,8
Ireland	(in 1 000) (in %)	1 559,0 62,5	1 462,0 59,7	1 341,0 56,4	1 276,0 54,9	1 229,0 54,1	1 176,0 52,6	1 122,0 51,2	1 114,0 50,8	1 100,0 51,1	1 101,0 51,9
Italy	(in 1 000) (in %)	20 292,0 52,5	20 051,0 51,8	19 731,0 50,5	19 711,0 50,6	19 649,0 50,5	19 711,0 50,9	19 990,0 51,8	20 318,0 52,3	21 146,0 54,1	20 827,0 53,9
Luxembourg	(in 1 000) (in %)	175,0 61,6	170,0 60,2	168,0 59,9	164,0 59,1	161,0 58,5	163,0 60,2	164,0 61,0	163,0 61,5	161,0 60,7	156,0 59,2
Netherlands	(in 1 000) (in %)	7 552,0 70,9	7 347,0 69,4	7 126,0 67,5	6 874,0 65,4	6 728,0 64,2	6 647,0 63,8	6 580,0 63,5	6 554,0 63,7	6 351,0 62,1	6 202,0 61,1
Austria	(in 1 000) (in %)	3 644,0 68,2	3 593,0 67,4	3 574,0 67,2	3 577,0 67,3	3 630,0 68,4	— —	— —	— —	— —	— —
Portugal	(in 1 000) (in %)	4 566,0 67,4	4 504,0 66,8	4 254,0 63,4	4 192,0 62,3	4 210,0 62,5	4 245,0 62,9	4 283,0 64,3	4 344,0 65,9	4 609,0 67,6	4 438,0 65,5
Finland	(in 1 000) (in %)	2 318,0 67,4	2 163,0 63,4	2 103,0 61,9	2 046,0 60,5	1 994,0 59,7	— —	— —	— —	— —	— —
Sweden	(in 1 000) (in %)	3 998,0 70,6	3 885,0 68,6	3 860,0 68,3	3 926,0 69,7	4 064,0 73,5	— —	— —	— —	— —	— —
United Kingdom	(in 1 000) (in %)	26 898,0 70,6	26 441,0 70,2	26 181,0 69,7	25 757,0 68,7	25 490,0 68,1	25 230,0 67,7	25 052,0 67,3	25 287,0 68,1	25 768,0 69,6	26 322,0 71,1
European Union	(in 1 000) (in %)	153 544,0 62,1	150 577,0 61,0	148 133,0 60,1	147 205,0 59,9	145 255,0 59,9	— —	— —	— —	— —	— —

Source: Eurostat.

Scope of the audit

3. The Court's audit covers two aspects of Structural Funds intervention to combat unemployment: the impact of the European Regional Development Fund (ERDF) on employment and the European Social Fund (ESF) measures to combat long-term unemployment.

4. As far as the ERDF is concerned, the Court examined the role assigned to the ERDF in the context of the European Employment Strategy. Its audit also focused on how employment was taken into account in the programming, organisation, monitoring, control and evaluation procedures for the various Objective 1 measures for the planning period 1994 to 1999. Part of the audit was devoted to the emphasis placed on employment in the implementation of aid schemes in support of productive investment. Checks were carried out in the Commission's departments and in nine Member States (Belgium, Germany, Spain, Greece, France, Ireland, Italy, Portugal and the United Kingdom). In the Member States/regions selected, 92 enterprise support projects under 13 schemes for aid to the productive sector were audited, either by means of file audits (38) or on-the-spot checks (54).

5. The Court also examined 25 ESF projects in five Member States (Belgium, Germany, Greece, Spain and Italy), whose objective was to combat long-term unemployment, to assess the effectiveness of the implementation of the national action plan (NAP) measures. The Commission's (DG Employment) management systems were examined, with a special focus on the Commission's participation in the Monitoring Committees and on evaluation reports. A selection of innovative projects co-financed under Article 6 of the ESF Regulation were examined in order to establish their contribution to the development of new approaches in the programming of ESF interventions in the long-term unemployment field.

COMMUNITY EMPLOYMENT POLICY

European Employment Strategy

6. The Treaty of Amsterdam defined employment as a major challenge in the process of European unification by recognising it as the first priority issue for all Member States of the European Union. It established that employment should become a matter of common concern and should be part of all national and European Union policies (Articles 126 and 127 of the EC Treaty).

7. The extraordinary European Council meeting on employment held in Luxembourg on 20 and 21 November 1997 laid down the principles and the guidelines for the new European policy on employment for the years to come. It adopted, among other things, the European Employment Strategy, based on four pillars ⁽¹⁾, and 19 European employment policy guidelines (EEPG). It established the principle of coordination of Member States' employment policies to implement the EEPG annually (Article 128 of the EC Treaty). The new coordination approach launched at this summit is known as 'the Luxembourg process'.

8. As concerns long-term unemployment, the Nice Council in December 2000 decided in the European Social Agenda to 'combat long-term unemployment by developing active preventive and reintegration strategies based on early identification of individual needs and improving employability' and to 'support in this context, the local and regional dimensions of the employment strategy' ⁽²⁾.

9. The key policy documents involved in the implementation of this process are:

- (a) the national action plans on employment (NAPs),
- (b) the annual evaluation report on the implementation of the national action plans, and
- (c) the joint employment report (JER).

The national action plans are prepared by each Member State in order to implement the guidelines that are adopted by the Council. Each Member State prepares an annual evaluation report on the implementation of its national action plan. The Commission, on the basis of the 15 national evaluation reports and in order to assess progress in the implementation of the European Employment Strategy, drafts the joint employment report. This joint employment report, which contains the Commission and Council recommendations for Member States' national employment policies and reforms to be made, is used each year to prepare the European employment policy guidelines.

10. With regard to coordination of the Employment Strategy with the ERDF and the ESF, see paragraphs 17 to 18 and 91 to 98.

⁽¹⁾ The four pillars are:

- pillar 1: employability, guidelines 1 to 7,
- pillar 2: entrepreneurship, guidelines 8 to 12,
- pillar 3: adaptability, guidelines 13 to 15,
- pillar 4: equal opportunities, guidelines 16 to 19.

⁽²⁾ European Social Agenda I(d) and (e).

Economic and social cohesion policy and employment

11. Economic and social cohesion policy (Articles 158 to 162 of the EC Treaty) is implemented through the various Structural Funds Objectives (Objectives 1 to 6 for the programming period 1994 to 1999) ⁽¹⁾. The aim of the structural measures implemented within this framework is to reduce the disparity between the levels of development of the various regions, especially with regard to investment, employment and unemployment, and to integrate certain target groups into social and economic life.

12. There are four types of instrument:

- support for productive investment, which consists, in the main, of co-financing enterprise assistance schemes, whereby the impact on employment is one of the criteria for granting aid,
- support for infrastructure,
- support for the development of indigenous potential, which consists of aid to companies supplying services to enterprises (in the fields of management, market studies and research, etc.), financing technology transfer, improving access to capital markets, direct aid to investments where no aid scheme exists and small-scale infrastructure projects,
- assistance for the development of human resources.

The ERDF is the main source of finance for the first three instruments and plays a part in the last one. Approximately 25 % of the total ERDF budget (80 000 million euro) was devoted to productive investment in the period 1994 to 1999. The ESF is mainly involved in the context of the development of human resources and the overall budget for the period 1994 to 1999 came to 49 000 million euro.

⁽¹⁾ Council Regulation (EEC) No 2052/88, as amended by Regulation (EEC) No 2081/93 (OJ L 193, 31.7.1993, p. 5) — Article 1: ‘... promoting the development and structural adjustment of regions whose development is lagging behind (hereinafter referred to as “Objective 1”); converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline (hereinafter referred to as “Objective 2”); combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market (hereinafter referred to as “Objective 3”); facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems (hereinafter referred to as “Objective 4”); promoting rural development by: speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy; facilitating the development and structural adjustment of rural areas (hereinafter referred to as “Objectives 5(a) and 5(b)”). Protocol 6 annexed to the Act of Accession of the new Member States (Council Decision of 1 January 1995 adapting the instruments concerning the accession of new Member States to the European Union (OJ L 1, 1.1.1995, p. 11)) is the basis for Objective 6: facilitating the development and structural adjustment of regions with an extremely low population density.

13. Although most of the objectives of the structural measures were connected with employment, directly or indirectly, the actual impact on employment largely depends on the intensity and on the combination of the instruments chosen, which vary according to the socioeconomic situation of the (regions of the) Member States and the preferences of the authorities responsible:

- (a) certain types of impact on employment are direct. This is the case for recruitment assistance and for support for productive investment that is subject to conditions relating to the creation or maintenance of jobs. In the case of aid to productive investment, the direct impact on employment varies according to the nature of the investment, the sectors concerned and enterprises subsidised, and the conditions governing the creation of jobs and tied to the aid;
- (b) other effects on employment are more difficult to define as they are indirect and only become noticeable in the mid to long term. This is often the case with training measures to foster the development of human resources, which are primarily concerned with safeguarding or improving the beneficiaries’ employability ⁽²⁾. Likewise, the expansion of enterprises as a result of investments aimed primarily at increasing productivity often produces positive impacts on employment which are staggered over time. *Annex I* shows a model of the cause-and-effect relationships in respect of the impact on employment of ERDF instruments.

Methodology for evaluating the impact on employment

14. In 1996, the Commission noted that in the absence of a common methodology to evaluate the impact on employment, the information provided by the Member States at the various levels ‘is fairly disparate and so unsuitable for systematic treatment’ ⁽³⁾. In response to this problem, the Commission launched a series of studies and submitted documents, in particular in conjunction with the MEANS programme, which are intended to improve understanding and calculation of the employment effects of the measures ⁽⁴⁾.

15. The method proposed, shown in outline in the table in *Annex II*, sets out firstly to establish an intervention’s gross effect on employment, and then to establish the net effect and overall impact on job opportunities and the effects on unemployment.

⁽²⁾ An individual’s capacity to find or keep a job in a given socio-economic environment.

⁽³⁾ Commission communication ‘Community structural assistance and employment’ (COM(96) 109 final of 20 March 1996, p. 17).

⁽⁴⁾ The findings relating to employment were published in MEANS Journal No 6 of 1996, ‘Évaluer la contribution à l’emploi des Fonds structurels. Conseils pratiques pour les gestionnaires de programmes’ (Evaluating the contribution of the Structural Funds to employment. Practical guidance for programme managers), in the Evaluation and Documents Series, No 1 of May 1997, ‘Mesurer la création d’emplois. Comment évaluer les effets des interventions des Fonds structurels sur l’emploi’ (Measuring job creation. How to evaluate the impact of Structural Fund measures on employment) and in the MEANS compilation, Volume 5 of 1999, ‘Évaluation transversale des impacts sur l’environnement, l’emploi et les autres politiques d’intervention’ (Transversal evaluation of the impact on the environment, employment and other intervention policies).

16. Even if the majority of the factors have been defined, the methodology proposed by the Commission is not precise enough in its treatment of them, in particular when determining the overall effects on the number of job opportunities and on unemployment. However, the Commission deserves credit for having organised a number of already familiar concepts into a coherent overall approach.

THE IMPACT OF ERDF AID ON EMPLOYMENT

The European Employment Strategy and the ERDF

17. In the context of the employment guidelines⁽¹⁾ (see paragraph 2), first adopted in 1998, some of whose objectives⁽²⁾ are closely linked to the ERDF, no mention was made of the instruments co-financed by ERDF aid. The annual review of the guidelines has not brought about any changes in this respect. Furthermore, the guidelines that were adopted for 2000 highlight the European Social Fund's contribution to the Employment Strategy in the course of the new programming period, while the ERDF is not even mentioned. In the meantime, this problem was recognised in the joint employment report for 2000⁽³⁾.

18. As a consequence, generally speaking, neither the NAPs (see paragraph III), nor the reports submitted by the Member States on the implementation of the NAPs contain planned actions or sufficiently explicit information on the ERDF. This finding also applies to the joint employment reports, in spite of the emphasis placed on the necessity of increasing investments in infrastructure, of making access to finance easier for small and medium-sized enterprises (SMEs) and of entering new promising sectors — objectives which the ERDF is already pursuing. This almost complete omission of the ERDF means that substantial potential synergies are not being exploited, or are in danger of not being exploited.

Coordination within the Commission

19. Under the terms of its remit, the Interdepartmental Group on Employment⁽⁴⁾ is the key instrument within the Commission for the development and implementation of the Employment Strategy. An analysis of the work carried out nevertheless shows that the impact of regional development (supported by the ERDF) on employment could be reinforced.

20. The Interdepartmental Group on Employment also drew up the communication from the Commission 'Community policies in support of employment' of 1 March 2000⁽⁵⁾, which states that job creation at regional and local development level should be actively supported.

21. The Objective 1, 5(b) and 6 programmes and the other Community initiatives are not mentioned in this communication, for no apparent reason, although the budgets available within the framework of these Objectives for measures with great job-creation potential are also substantial. For this reason the Commission communication gives a false impression of the potential impact on employment and of the importance of employment for the various Objectives.

Taking employment into account in the RDPs, CSFs, SPDs and OPs⁽⁶⁾

22. The regulations governing cohesion policy for the programming periods 1989 to 1993 and 1994 to 1999 did not explicitly make provision for an ERDF contribution, as a matter of priority, to safeguarding and creating jobs (see Articles 1 and 2 of Council Regulation (EEC) No 2052/88, as subsequently amended). However, an impact on employment is a direct objective of some measures: for instance, the ERDF participates in the financing of productive investment which allows the creation or maintenance of sustainable employment. Moreover, within the framework of the programming and monitoring of the various forms of intervention, the Structural Funds Regulations, generally speaking, require an analysis of the impact on employment of measures in the context of regional development and restructuring plans (see Articles 8 to 12 of Regulation (EEC) No 2052/88, as subsequently amended, and Articles 5, 6 and 8 of Council Regulation (EEC) No 4253/88, as subsequently amended).

23. For the new programming period 2000 to 2006, there is explicit provision for the ERDF, among others such as the ESF, to contribute to the creation of sustainable employment, as part of its general tasks. In addition, ERDF participation in financing measures is usually linked to the fulfilment of criteria relating to employment (see Articles 1 and 2 of Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund).

⁽¹⁾ These guidelines are built around four pillars: 1. 'improving employability', 2 'developing entrepreneurship', 3 'encouraging adaptability of businesses and their employees to allow the labour market to adapt to structural change in the economy' and 4 'strengthening equal opportunities policies'.

⁽²⁾ In the main these are objectives connected with Nos 10 and 11 — making it easier to start up and run businesses, and Nos 12 and 13 — exploiting new opportunities for the creation of jobs, under pillar 2 'Developing entrepreneurship'.

⁽³⁾ COM(2000) 551 final, 6 September 2000, volume 1, p. 6.

⁽⁴⁾ Created on the initiative of the Secretary-General of the Commission and of the Director-General for Employment and social affairs.

⁽⁵⁾ COM(2000) 78 final, 1 March 2000.

⁽⁶⁾ The CSF is the document approved by the Commission, in agreement with the Member State concerned, after evaluation of the plan submitted by the Member State and containing the Member State's strategy and priorities in respect of Structural Fund measures, their specific objectives, participation by the Fund and participation from other financial resources.

The operational programme (OP) is the document approved by the Commission with a view to implementing a CSF, which usually covers several OPs.

The SPD is a single document approved by the Commission which combines elements contained in the CSF and the OP.

Ex ante evaluation, setting objectives and defining indicators

ERDF RDPs, CSFs, SPDs and OPs for Objective 1 (programming period 1994 to 1999)

24. In September 1993, DG Regio submitted and forwarded to the Member States a working document laying down the *ex ante* evaluation framework which was to serve as the basis for drawing up the CSFs, the SPDs and the OPs. However, this document remains vague with regard to employment.

25. The employment aspect of the set of measures proposed in the RDPs that led to the creation or maintenance of jobs was not subjected to general comparative analysis of effectiveness, efficiency, complementarity and substitutability, with the aim of optimising job supply and satisfied job demand.

26. The *ex ante* evaluations of the RDPs carried out on the Commission's initiative generally produced an estimate of the global impact of the RDP on employment, obtained either by applying econometric techniques ⁽¹⁾, or applying macroeconomic or general hypotheses concerning the development of certain endogenous or exogenous factors, but without establishing and estimating the complex causal relationships. In some cases the estimate was not explained at all. In addition, the transition from the RDP to the CSF, which was made in order to take into account, amongst other things, a reduction in the finance in comparison with that provided for in the RDP, was not usually based on priorities explicitly related to the creation of jobs.

27. The following weaknesses appeared from the analysis of nine CSFs and 13 SPDs/OPs:

- (a) the formulation of the overall objectives was often imprecise with regard to the expected impact on employment. The objectives contained in the CSFs/SPDs were mainly economic and were often formulated in general terms. Although, at the level of programmes, subprogrammes, measures and submeasures, the objectives were generally more precise (structural improvement, diversification, adding value, investment aid, etc.), or mentioned specific sectors (tourism, fisheries, trade, craft industry, etc.), the term employment was rarely used or was used only in very cautious formulations;
- (b) the overall objectives with regard to employment were not systematically quantified either. Furthermore, the bases required to define adequate quantified objectives in this field were generally not sufficiently sound for this purpose, with the exception of the Merseyside (United Kingdom) SPD, which is based on a model forecast for the local economy, and the Valenciennes-Douai-Avesnes (France) SPD, which compares an extrapolation of the initial situation with the situation expected following the financial intervention;

- (c) the links between the overall objectives (general formulation and quantified objectives) of the CSFs / SPDs / OPs and the intermediate objectives of the programmes, subprogrammes, measures and submeasures were not always established clearly ⁽²⁾;
- (d) the definition of the employment targets with regard to the various interventions, programmes, subprogrammes, measures and/or submeasures is very selective and is restricted, with some few exceptions, to gross jobs created and/or safeguarded. Thus out of seven OPs/SPDs audited by the Court which contain targets (a total of 289 210 jobs to be created, 165 000 jobs to be safeguarded and 24 413 jobs to be created or safeguarded), only three also give net objectives. In the majority of countries they concentrate on interventions in favour of productive investment;
- (e) supporting measures for productive investments represent an exception to the lack of precision with regard to the expected impact in terms of employment (formulation and quantitative objectives). Although the three other instruments use up almost 75 % of the funds made available (see paragraph 14), scarcely any initiative was taken to include quantified objectives in the CSFs/SPDs/OPs;
- (f) in the majority of cases, there were no objectives for the creation of indirect employment and for the creation of temporary jobs in connection with the works to be carried out (with the exception of Ireland and Merseyside). The problems of the spread across time of the impact on employment were also neglected. Furthermore, a reduction in unemployment or an increase in the rate of employment was scarcely ever mentioned as a desirable objective.

SPDs for Objective 2 (programming period 1997 to 1999)

28. Substantial progress was found to have been made in the quantification of objectives in respect of the impact on employment, in the SPDs for Objective 2 for the period 1997 to 1999, although for some fields and large-scale measures a greater effort to quantify results still needs to be made.

29. The methods for setting and aggregating the objectives indicated were not always clear. Nevertheless, on the basis of the data available, the Commission published a table showing, amongst other things, the expected impact of the SPDs for Objective 2 in the period 1997 to 1999 on the creation of temporary jobs and the creation or maintenance of permanent jobs (see Table 3). However, the Commission pointed out that the figures would require further refinement (which was not carried out) and should be interpreted with caution ⁽³⁾.

⁽²⁾ With the exception of Merseyside, the links between the general targets laid down and those relating to the various interventions, programmes, subprogrammes, measures and submeasures allocated to the various management bodies with a view to defining responsibilities are not always precise or consistent. For example, the Objective 1 CSF for the new *Länder* provides for an overall impact of 700 000 jobs created in the period 1994 to 1999, whereas adding the target figures contained in the various Objective 1 OPs gives a total of 481 000 jobs.

⁽³⁾ See Commission communication (COM(97) 524 final of 14 November 1997, pp. 14 and 15).

⁽¹⁾ The results of which are not always consistent (Spain, Portugal).

Table 3

Expected impact on employment in Member States — Objective 2 SPDs (1997 to 1999)*Costs are indicated in ECU (€)*

	Belgium ⁽¹⁾	Denmark ⁽¹⁾	Germany	Spain	Finland ⁽¹⁾	France	Italy	Luxembourg ⁽¹⁾	Netherlands	United Kingdom	Europe
Temporary jobs ⁽²⁾	120	—	4 100	13 986	—	14 049	6 255	—	20 193	40 350	106 115 ⁽³⁾
Created or maintained jobs	14 457	2 348	114 224	93 500	15 780	147 459	116 359	570	43 762	341 873	874 552 ⁽⁴⁾
Average public (Community + national) cost per gross job	23 172	59 454	15 865	22 450	22 669	30 567	18 646	41 111	25 932	15 096	20 558
Average cost to the Community per gross job	10 259	20 060	7 640	11 116	8 510	13 244	7 318	17 258	10 103	6 992	9 158
Average public cost per gross job for measures targeting job creation	16 177	51 006	11 181	9 159	—	16 811	15 698	21 842	17 484	13 305	13 847
Average cost to the Community per gross job for measures targeting job creation	7 226	24 251	5 466	4 475	—	7 196	6 065	7 107	6 521	6 219	6 154

⁽¹⁾ The estimate of the average cost per gross job at EU level does not include Finland. No data are available on industrial regeneration in Belgium or in Denmark, nor on enterprise infrastructures in Luxembourg.

⁽²⁾ Data on temporary jobs are not available for Denmark and Luxembourg and are included in created or maintained jobs for Finland.

⁽³⁾ The Court estimates the number of temporary jobs at 110 983.

⁽⁴⁾ The Court estimates the number of created or maintained jobs at 885 056.

⁽⁵⁾ Now in euro.

Source: Commission communication (COM(97) 524 final) of 14 November 1997, 'The new regional programmes 1997 to 1999 under Objective 2 of the Community's structural policies — focusing on job creation', Annex 4, p. 58 (with comments concerning certain Court audit findings — see footnotes 3 and 4).

30. The progress made is shown in the table below:

	Number of SPDs (Total analysed: 65) ⁽¹⁾
1. Overall forecast	60
2. At measure level:	
— productive investment	55
— infrastructure and environment	41
— technical assistance	6
3. For temporary jobs	33
4. For permanent jobs created	53
5. For permanent jobs safeguarded	33
6. For net permanent jobs	25

⁽¹⁾ In order to guarantee compatibility of data, the Court's audit did not include the three SPDs which were not included in the Commission communication 'New regional programming for the period 1997 to 1999 for Objective 2 of the Community structural policies — priority for the creation of employment' (COM(97) 524 final, 14 November 1997).

NB: In the case of 19 SPDs, forecasts do not distinguish between the creation and maintenance of jobs.

Mid-term evaluation — reprogramming

Instructions on reprogramming

31. Taking the increasing political importance of employment into consideration, the Commission decided in 1996 to focus particular attention on the mid-term evaluation of the interventions in the programming period 1994 to 1999. The Commission therefore presented, in March 1996, a communication on Community structural interventions and employment ⁽¹⁾ and, in May 1997, adopted its guidelines on priorities for the adjustment of Structural Funds programmes to the end of 1999 (with the exception of Objective 2, for which new programmes were adopted), which emphasise the importance of employment. On this basis it intended to take the necessary political initiatives, in accordance with the objectives of the Structural Funds, to support its various partners in their attempts to ensure that growth resulted in more jobs. A prioritised list of objectives drawn up by the Commission for this purpose is shown in Table 4.

Table 4

Commission guidelines on cohesion policy to increase the job intensity of economic growth for the programming period 1994-1999

A.	Providing the long-term conditions for sustainable economic growth
1.	Giving due importance to non-material investment (a) Necessity of promoting investment in human resources as a matter of top priority (b) Improving business support services, particularly for SMEs (c) Systematic integration of financial services (seed capital, risk capital and other forms of financial engineering) (d) International marketing
2.	Measures to support technological innovation
B.	Increasing the job intensity of economic growth
1.	Devoting particular attention to the employment question when financing infrastructure and productive investment (selection criteria; evaluation, maximising spillover effect on local employment)
2.	Compensating for changes required by the modernisation of the productive sector
3.	Encouraging dynamic reorganisation of work and working time
4.	Fostering environmentally sound growth
C.	Promoting a more active approach to economic and social solidarity, including equal opportunities
D.	Developing and enriching the partnership in the context of structural assistance

NB: Guidelines A(1)(a) and B(3) are not relevant to the ERDF.

⁽¹⁾ See COM(96) 109 final, 20 March 1996.

32. In addition, on the basis of an examination of the programming for the period 1994 to 1999, the Commission proposed to the Monitoring Committees ⁽¹⁾, amongst others, that the room for manoeuvre and flexibility which existed in the context of ERDF programming should be exploited, as a matter of priority, to combat unemployment.

Weaknesses in the approaches adopted for evaluation

33. The work carried out ran into both methodological difficulties (in particular the lack of uniformity in the concepts used and the absence of clear definitions) and practical difficulties (in particular, the absence or unreliability of the necessary data) so that aggregation of the results, in cases where that would have been appropriate, was not possible. No database at central level in the Member States nor at the European Commission indicates, amongst other things, the targets and the results anticipated and achieved by the various measures in terms of employment (see also paragraph 105 with regard to the ESF). Some exceptions exist in the field of aid schemes for productive investment which lay down more or less strict conditions concerning employment. This is why the only data available on the impact on employment frequently concern interventions in support of the productive environment. Amongst other things, this absence of data on the impact on employment makes it difficult to take into account the Commission guideline which requires all expenditure relating to the various forms of intervention to be justified in terms of its contribution to the maintenance or creation of jobs.

34. As far as the approach to be adopted for estimating the impact on employment is concerned, the mid-term evaluation tends to require an analysis based on the volume of aid, the number, quality and sustainability of the jobs actually created or safeguarded. The corresponding method, sometimes referred to as a 'bottom up' approach and applied in the context of certain mid-term evaluations, involves collecting, in the field, the data relating to the impact on employment for each project ⁽²⁾ and aggregating them at project, priority and programme levels.

35. This particular method requires considerable effort, because the programmes entail a large number of operations and may result in double counting ⁽³⁾. In addition, the departments responsible for the implementation of the regional interventions apply their own working methods, which represents an obstacle to the

aggregation of the evaluation work at regional, national and EU levels.

36. Only in the case of Merseyside (United Kingdom) was a system actually introduced to monitor, project by project, the impact on employment (direct and indirect creation of permanent jobs and direct creation of temporary jobs) ⁽⁴⁾ and used for the mid-term evaluation.

37. Nevertheless, given that information of the bottom-up type often does not exist or is of unsatisfactory quality, the results of analyses which follow a deductive method based on the verification of hypotheses on cause and effect (also known as 'top-down' analysis) are the only ones available in such cases for the mid-term evaluation procedures. These results are obtained by applying macroeconomic models, input-output models, counterfactual analysis ⁽⁵⁾ or comparative methods which attempt to convert investments into jobs, measure by measure, on the basis of ratios that are either calculated using large-scale aggregates from the national accounts or are the result of observations from previous periods. With this approach, a certain margin of error is inevitable ⁽⁶⁾.

38. All the models used within the macroeconomic evaluation framework indicate that the Objective 1 CSFs generate net jobs (see Table 5). The models also deal with the impact of the CSFs on employment in different ways: some models show a growth in employment sometimes leading to a reduction in unemployment; with others, the growth in employment is mainly in the field of services and is accompanied by a reduction in industrial employment which is due, in part, to an increase in productivity. In any case, estimating impact on growth and employment with the help of macroeconomic models is only possible for large-scale measures, such as the large Objective 1 CSFs ⁽⁷⁾.

⁽¹⁾ Article 25 of Council Regulation (EEC) No 4253/88, as amended by Regulation (EEC) No 2082/93 (OJ L 193, 31.7.1993, p. 20).

⁽²⁾ In practice, monitoring the impact on employment is carried out on the basis of the descriptive forms for each project with details of the expected impact, to which project-progress data is added.

⁽³⁾ During the on-the-spot check it was found that the positive assessment by the mid-term evaluation concerning the 'Structures d'accueil et immobilier d'entreprises' measure of the Objective 1 SPD Valenciennes-Douai-Avesnes for the period 1994 to 1999 was due, *inter alia*, to the fact that a large plant had been set up. However, this investment was also co-financed by the Enterprise investment measure under the same SPD and the jobs to be created were included in the productive investment statistics.

⁽⁴⁾ No quantification of the jobs safeguarded and of the information required to calculate the net impact was requested. The net impact was nevertheless estimated within the framework of the mid-term evaluation on the basis of macroeconomic assessments.

⁽⁵⁾ Counterfactual analysis: analysis of the situation which would have arisen in the absence of public intervention.

⁽⁶⁾ In Germany, a method based on 'Okun' coefficients which establish a relationship between GDP growth produced by the Structural Funds (+ 3 900 million euro) and employment (increase in the number of people in active employment by 57 000 and decrease in the number of unemployed by 34 000), was used in the context of the evaluation of the CSF for the new *Länder* for the programming period 1994 to 1999. This procedure is, however, controversial in respect of the relevance of the forecasts, as limited and simplified hypotheses must be taken as the basis. In addition, the use of 'Okun' coefficients does not allow the long-term effects and the dynamic aspects of the CSF to be forecast.

⁽⁷⁾ The impact on employment and unemployment of the various models is described in Special Report No 15/98 on the assessment of Structural Fund intervention for the 1989 to 1993 and 1994 to 1999 periods (OJ C 347, 16.11.1998, table 10, p. 29).

Table 5

Mid-term evaluation results — percentage deviations from baseline in 1999 (i.e. the situation without the CSFs)

	Germany (Objective 1)	Greece	Spain	Ireland	Italy (Objective 1)	Portugal (Objective 1)
GDP	3,2	4,8	5,1	3,8	2	4,4
Employment	1,5	2,9	2,4	3,2	1	3,7

NB: The employment figure for Portugal is the reduction of the unemployment rate in percentage points.

Sources: IFO Institut (D), KEPE (EL), Quasar (E), ESRI (IRL), Ministero del Tesoro-Nucleo di Valutazione (I), CISEP (P) and the Communication from the European Commission of 7 January 1999, COM(1998) 782 final, Developing a management culture through evaluation, Mid-term review of structural interventions — Objectives 1 and 6 (1994 to 1999), p. 15.

Reprogramming

39. Some measures benefited from budget reallocations, thereby gaining from the poor implementation rates of other measures, but only in exceptional cases were the resulting negative or positive changes demonstrated by means of comparative analyses of the benefits and costs which took into account, amongst other things, the impact on employment of the revised financial measures. In addition, the increase or decrease of the budget for particular measures rarely went hand in hand with an adjustment of the targets or the quantified objectives to be achieved. Neither the various evaluation reports nor reprogramming dealt with synergies between Community and national aid or between the various Structural Funds.

40. In the case of Merseyside (United Kingdom), much effort was invested in measuring and evaluating the impact of ERDF implementation on employment (see paragraph 36), and this was used as a basis for reprogramming ⁽¹⁾.

Ex post evaluation

41. In Special Report No 15/98 ⁽²⁾, significant shortcomings in the *ex post* evaluations of the CSFs for Objectives 1 and 2 were

⁽¹⁾ The Court found that in implementing the programme the Merseyside authorities had inadvertently used a document which did not correspond to the SPD approved by the Commission and this document also served as the basis for the mid-term evaluation. As a consequence, the objectives for direct and indirect employment to be created and for jobs to be safeguarded were considerably altered. In view of the large differences between the targets set out in these two documents concerning the impact on employment, some of the criticisms, observations and proposals for reprogramming put forward in the mid-term evaluation were not justified.

⁽²⁾ Special Report No 15/98 on the assessment of the impact of Structural Fund intervention for the 1989 to 1993 and 1994 to 1999 periods (OJ C 347, 16.11.1998, pp. 9 to 13).

identified for the period 1989 to 1993. Some of the criticisms also apply to the impact on employment. There is therefore also a risk that such deficiencies will complicate the *ex post* evaluation for the programming period 1994 to 1999.

42. Furthermore, the impact of an intervention on employment can rarely be measured within the duration of a programme. The timetable of the *ex post* evaluations therefore seems badly suited to the spread over time of the impact of programme implementation.

Proposals for improving evaluation

43. In view of the keen interest in the evaluation of the effects on employment, the European Commission (DG Regio) commissioned a study ('Evaluating Structural Funds employment effects'), in order to examine and compare the different steps taken concerning evaluation in the Member States and to draw up proposals for improving and harmonising existing methods, giving particular consideration to the approach proposed by MEANS (see paragraph 14). The final report on this study was submitted in May 2000.

44. The report made the following recommendations, which are corroborated by the Court's findings:

- collecting adequate data is essential, as without them the proposed methodologies are sometimes too theoretical and inapplicable,
- clearer instructions are required at the operational level (for project leaders and intermediate services),
- priority should be given to quantifying the key factors of jobs created and jobs safeguarded, with the exception of those areas where temporary and part-time jobs make up a large proportion of the jobs. In addition, greater weight should be given to assessment of the quality of the jobs,

- aggregation and analysis of data at sectoral and subregional levels are essential, in order to demonstrate more clearly the Structural Funds' contribution to the development of the regions and also to the reduction of interregional and intraregional disparities,
- a common approach should be developed, so as to allow evaluation of the impact on employment of both the ERDF and the ESF and to take account of synergy, as neglecting the latter will lead to incorrect or incomplete assessment of the situation.

45. The proposed solutions, with which the Court agrees, aim to improve current practice and involve the use of a form for recording in a standard format essential information on the impact on employment at project level and, in addition, the gathering of data at measure, priority and programme level and the storage of it in a computerised system.

Taking impact on employment into account for the programming period 2000 to 2006

46. The rules for the new programming period (and in particular Articles 16 to 18 and 34 to 44 of Council Regulation (EC) No 1260/1999) provide for the development and improvement of monitoring, control and evaluation procedures in order to ensure a more effective deployment of the Structural Funds. In this connection the Commission has presented a working paper entitled 'Indicators for monitoring and evaluation: an indicative methodology'. The aim of this guide is to define the terminology used and to translate the various concepts into a format suited to the monitoring and evaluation of structural interventions, to suggest a reference framework consonant with the MEANS methodology and to reconcile the diversity of the monitoring procedures and methods as regards indicators with the need for consistency at Community level, by proposing a set of indicators for the principal areas of financial intervention.

47. Due to the strategic importance of employment, the Commission has proposed that the key indicators 'new jobs' and 'safeguarded jobs' be used for practically all the ERDF areas of intervention.

48. This proposal by the Commission takes into account the salient points recommended in the report 'Evaluating Structural Funds employment effects' referred to above, but does not constitute a real obligation. It is envisaged that this information, which in principle exists at project level, should subsequently be consolidated at measure level, and then at programme level. The information obtained on the basis of this bottom-up approach should ensure efficient monitoring, among other things, and could be used to create databases that provide a more complete picture of the effectiveness of co-financed interventions.

Aid for productive investment

Taking employment into account

Conditions governing the granting of aid

49. Even when aid for productive investment is linked to respect for the criteria concerning job maintenance and creation, the same aid generally also goes towards meeting the economic objectives relating to enterprises' productivity and output and can lead — at least temporarily — to a reduction in the labour factor. In this context, there is also the risk of job creation or job maintenance not being an explicit objective of the financial assistance allocated to the investment. It is therefore necessary for the eligibility of projects and the amount or rate of aid to be made conditional on explicitly specified effects on employment (see also Article 1 of Council Regulation (EEC) No 4254/88, as subsequently amended).

50. The Court found that the rules for nine of the 13 aid schemes on which on-the-spot checks were conducted in the Member States provided for the inclusion of a condition regarding employment in the letters granting aid or in the agreements concluded. In the case of four of the aid schemes examined, the legal bases were vague regarding the obligation to take the employment aspect into consideration. The importance attributed to employment within the framework of these aid measures for productive investment is consequently not very clear or seems limited ⁽¹⁾, with the creation or maintenance of jobs sometimes acting more as an indicator in the context of the decision to grant assistance than as an eligibility criterion.

Failure to comply with conditions regarding employment

51. In those cases where the decision to grant assistance takes into account the expected effects on employment, the audit showed that the data provided by investors were more realistic where there were penalties for non-compliance. Likewise, investors tended to be more guarded if a reduction in employment should prove necessary.

52. The majority of aid schemes provide for exemptions from repayment. However, the fact that the rules on exception are formulated in a very general manner makes it difficult, on the one hand, to apply these rules consistently, given the diversity of potential problems, and, on the other hand, to assess the efficiency and effectiveness of co-financed projects.

⁽¹⁾ In Greece, for example, the rules on appraisal concerning aid for the purchase of machines and equipment (Article 23b of Development Act No 2234/94) do not provide for the possibility of awarding points for employment as part of the decision on the projects to co-finance, while the importance of employment is very limited compared to the other four objectives in the context of the decision on the granting of aid for complete investment projects (Article 23a of Development Act No 2234/94). In Italy, at the time of the classification of requests for aid to SMEs co-financed by the Objective 1 OP for Campania for 1994 to 1999, the impact on employment could only be awarded a maximum of 15 points on a scale of 100 points.

Mechanisms designed to augment the net impact on employment

53. There were considerable differences in the extent to which deadweight and displacement effects were taken into account in order to augment the net impact on employment.

Deadweight effects

54. In-depth analyses of deadweight effects, for example on the basis of indicators designed to assess the self-financing capacity of investments, were only carried out and taken into consideration in the Nord-Pas-de-Calais region (France). However, in the majority of other Member States, investments initiated prior to the submission of the aid application were not considered eligible because it was felt that the incentive effect of the aid on the project in question had not been clearly established. This was the case in Portugal with projects which had been launched over 12 months before the aid application was filed or had already been completed at that time ⁽¹⁾.

55. The problem of deadweight effects was identified and analysed in a number of evaluation reports. However, the estimates of these effects varied from negligible to major importance (in the latter case two thirds of the impact was said to be attributable to deadweight effects). In the vast majority of cases, no proposal was made regarding the way in which this problem could be avoided in the context of the aid application procedure. Moreover, only exceptionally (notably in the Nord-Pas-de Calais region) was a quantification of the adverse impact on the gross employment effect presented.

Displacement effects

56. An investment should not be co-financed if it only displaces existing jobs from competitors and/or destabilises local and regional markets. On the contrary, it should have a positive impact on the development of the eligible region, notably by contributing to net job creation (see also paragraphs 122 to 124 concerning the ESF). In the context of the decision to grant aid, one of the factors taken into account should therefore be the real capacity of enterprises to expand their market share outside the eligible region ⁽²⁾. However, several projects were identified in the fields of craft industry, traditional local commerce, and the provision of basic local services such as restaurants, snack bars and disco-

theques, which had to contend with significant displacement effects ⁽³⁾.

57. Nevertheless, in several Member States (Greece, Spain, Italy), displacement effects were not analysed. In others, 'negative lists' of sectors excluded from any participation in assistance (Belgium and the United Kingdom) or 'positive lists' (Portugal and Germany) indicating strategic eligible sectors, were introduced without the displacement effects of specific projects being taken into account ⁽⁴⁾.

Saving enterprises with a view to safeguarding jobs

58. Most of the rules set by the SPDs/OPs and aid schemes audited by the Court either did not provide for enterprises in difficulty to be given assistance in order to safeguard jobs, or were not clear on this point ⁽⁵⁾. In the case of only two Member States

⁽³⁾ Based on a survey covering 200 enterprises, the mid-term evaluation conducted for the Objective 1 SPD for Merseyside for 1994 to 1999 showed that the significant rate of displacement had resulted in a substantial reduction in the gross impact on employment.

⁽⁴⁾ In Germany, a 'positive list' sets out the activities supposed to fulfil the condition that at least 50 % of the turnover from the sale of goods and services produced at the enterprise's premises should be obtained outside the region. The concept of 'outside the region' is defined on the basis of a radius. However, this radius definition does not exclude the inclusion of the additional income generated by exports to other eligible regions, which is liable to have displacement effects. It is for this reason that the system for granting aid should always provide for a detailed analysis of the markets and of the conditions of competition affecting the investment.

⁽⁵⁾ The explanations concerning the measure under which the Merseyside Special Investment Fund (MSIF) was co-financed provide for an examination of the maintenance of jobs during programme implementation. However, in the SPD, no quantified employment objectives are set for the measure. On the other hand, targets were set for the MSIF in August 1996, but these objectives were not adjusted on account of the mid-term evaluation not taking into account new elements that had been introduced. Furthermore, the employment targets set for the measure in December 1998 following the mid-term evaluation were by no means concerned with safeguarding jobs.

The granting of aid which awards priority to the safeguarding of jobs is not compatible with the rules of the SPD for the Valenciennes-Douai-Avesnes area (France). Even though the Monitoring Committee discussed the relevance of granting aid to enterprises at which jobs were safeguarded, no procedure was launched to obtain a decision amending the SPD. Nevertheless, several projects were approved, within the context of the *Fonds de développement de la petite et moyenne industrie* (FDPMI), or the *Fonds spécial d'implantation* (FSI), whose base documents did not provide for the creation of additional jobs or pointed to a loss of jobs.

As regards the FDPMI and the FSI, the SPD simply states as an objective the creation of 3 000 direct jobs. On the other hand, it does not lay down any quantified objective for the safeguarding of jobs. Although the mid-term evaluation showed the relative importance of the defensive component, no proposal was made to incorporate into the SPD a quantified objective for jobs safeguarded. On the contrary, at the time the recommendations of the mid-term evaluation were implemented, it was clearly stated that the expected result was an increase in the number of jobs for the same amounts of aid.

⁽¹⁾ During its checks, the Court identified two projects where, contrary to the beneficiaries' statements, one (a project in Germany) had been started and the other (a project in Portugal) finished before submission of the request for aid. Moreover, in several cases it was not possible to draw a definite conclusion, on the basis of the files kept by the authorities responsible, on compliance with these rules.

⁽²⁾ For example, although the Objective 1 SPD for the Nord-Pas-de-Calais region required that care be taken to make measures in favour of productive investment more responsive to the real capacities of enterprises to expand their market share outside the Objective 1 area and the Nord-Pas-de-Calais region, the mid-term evaluation showed that exports outside the area only constituted a small proportion of turnover and had not significantly increased in relation to the investment for which aid had been granted.

(Germany and Greece), was it clearly stated that aid could be granted in this field. However, the Court's audits showed that the 'defensive' facet of interventions (which aims to save enterprises in difficulty and safeguard the related jobs) was often very important in the other Member States ⁽¹⁾.

Monitoring

Weaknesses in the monitoring arrangements

59. The employment information generated by the implementation and monitoring of programmes constitutes an important resource, but was often poorly recorded (incorrect or incomplete records and no definition of the concepts used), poorly exploited and not harmonised between regions. Therefore, the data relating to effects on employment often left something to be desired, since monitoring arrangements are not yet sufficiently developed to produce the necessary information.

60. In some cases, the databases established with a view to financial monitoring did not provide for or permit the recording of information on the job situation. Moreover, the databases or systems developed within the framework of national aid schemes did not always provide for identification of the effects on employment of investments co-financed by the ERDF ⁽²⁾.

61. Furthermore, the existing databases sometimes included all the jobs created by a specific project, despite the fact that sometimes only a limited portion of the investments or of the sum total of aid granted was co-financed with ERDF aid ⁽³⁾.

⁽¹⁾ For example, the MSIF was described in the Objective 1 SPD for the region concerned as an instrument designed to support 'winners' in order to enhance employment growth. In reality, due to the difficult economic situation in this region, the MSIF also has an important task to perform in supporting enterprises in difficulty and safeguarding jobs. Most of the loans checked concerned 'safeguard financing'.

⁽²⁾ In Ireland, the gross and net jobs created are calculated on the basis of the annual employment survey, which covers all the enterprises that have received public aid from the various national agencies. However, the available data make no distinction between beneficiaries of ERDF aid and beneficiaries of national aid. The upshot of this is that the statistics concerning the impact of the ERDF on employment include figures relating to investments that have received only national aid.

⁽³⁾ In the three most significant cases detected in the Valenciennes-Douai-Avesnes area (France), it seems unjustifiable to attribute to the ERDF intervention all the 2 420 jobs created, since the contribution under the corresponding SPD for 1994 to 1999, comprising ERDF aid and national co-financing, only represented a very small proportion of the eligible investment. On the other hand, far more aid was financed entirely through national sources outside the SPD. Moreover, in the case of one of the three projects (forecasting the creation of 2 000 jobs), a proportion of the investments, representing 15 % of the overall amount, will be completed outside the eligible period. In Spain, it was found that the information given in the database concerning a co-financed enterprise was based on the total number of jobs at this enterprise, when the ERDF had only contributed to the construction and enlargement of one production plant in an area eligible for Objective 1 funding.

Differences between forecasts and outturn

62. Examination of the monitoring tools showed that the number of jobs actually created or safeguarded by the co-financed projects was only rarely subject to systematic global monitoring. The databases thus indicated, fairly systematically, the total number of jobs estimated in the aid applications, decisions to grant aid or agreements, although the calculation methods used were rarely described clearly. On the other hand, no information was available on the number of jobs actually taken up, which could differ from the number forecast. Consequently, aggregation was based on the forecasts of the contracting authorities and not on actual results.

63. At the time of its audits, the Court found that the jobs actually created or safeguarded only tallied with the forecasts for 13 of the 92 projects. For 43 projects there were negative differences, and for 27 projects positive differences between the outturn and the documents serving as the basis for the aid granted ⁽⁴⁾. Therefore, around 14 % of the 15 524,5 jobs forecast at the time the aid was granted did not materialise.

64. This finding shows the necessity of differentiating clearly, in the statistics, between forecasts, jobs actually created and jobs safeguarded ⁽⁵⁾. Furthermore, setting up a more regular system for gathering information from aid beneficiaries would allow managers to be informed periodically about the state of progress of the projects and the jobs actually created and/or safeguarded.

65. Reference tables developed in France and Italy estimate the number of jobs created or safeguarded, among other things on the basis of the nature and amount of the investments made, but they are no substitute for a project-by-project approach, because the wide variations among the co-financed operations limit the value of the figures obtained.

Problems concerning safeguarded jobs

66. Statistics on jobs do not differentiate between the jobs created and the jobs safeguarded. Therefore, in the majority of these cases, only the initial labour force, the end labour force and the jobs created were indicated. On the other hand, jobs that were at risk of being lost but which were safeguarded due to the granting of aid were not recorded and any jobs already existing at the time of the aid application were often considered to be safeguarded

⁽⁴⁾ No conclusion could be drawn in nine cases because the supporting documents were not available (four cases) or because the projects were not yet far enough advanced (five cases).

⁽⁵⁾ The joint employment report (COM(2000) 551 final of 6 September 2000, p. 109) indicates that the Objective 1(a) funding provided (notably by the ERDF) in Germany will have contributed to safeguarding and creating 480 000 jobs. However, this is only a provisional estimate.

jobs ⁽¹⁾. However, during the on-the-spot checks, several cases were detected where there was no risk of jobs being lost unless aid was granted. Moreover, it also became apparent on this occasion that the statistics contained data concerning safeguarded jobs at companies that were in a state of bankruptcy or had suspended payment.

Consequences of programme flexibility

67. The evaluation of the impact of ERDF aid on employment is influenced by the fact that the co-financing of a national aid scheme allows the national authorities either to apply for co-financing for an eligible project, or to finance the project entirely from national resources. Furthermore, the Structural Funds rules permit co-financed projects to be replaced by other eligible projects at the implementation stage. It is clear that such choices or substitutions may have a beneficial or adverse influence on the evaluation of the effectiveness of a co-financed programme if the projects in question are typified by differences in terms of the aid made available and/or the recorded effects on employment, and may result in a distorted assessment of the effectiveness of an aid scheme.

68. Moreover, reprogramming decisions are often taken with a view to ensuring the take-up of the Community funds made available and take far less account of the impact of measures, including the impact on employment (see paragraph 39). Cases of reprogramming decisions such as these were identified at project level ⁽²⁾ in several Member States, as was the withdrawal from the

Community programming of large-scale measures in Portugal ⁽³⁾ and in Ireland ⁽⁴⁾, without the impact of these measures on employment really being taken into account.

Aid per job

69. While several Member States have introduced rules on maximum aid per job, others have not set any ceilings limiting the amounts that can be granted. This is an advantage in the case of projects with a large capital component and a relatively limited impact on employment. However, the ceilings set per job created range from 4 882 euro, the amount granted as a loan by the MSIF (United Kingdom), to 511 292 euro, which was the amount granted in the form of a subsidy in connection with the Common Task in Germany. Only one Member State (Germany) provided for maximum aid of 255 646 euro per job safeguarded.

70. The aid approved per job created/safeguarded also seemed to vary considerably at the level of the projects audited. Depending on the project, assistance per job ranged from 1 000 euro, granted in the form of a loan, to 600 000 euro, granted in the form of aid,

⁽¹⁾ In Spain, for example, it was found that the authorities responsible operate on the principle that if an enterprise implements two projects co-financed by the ERDF, each project enables all the jobs at that enterprise to be maintained. In the same way, when an enterprise receives two consecutive grants of aid, the jobs created by the first project are presented as maintained jobs in the second project. Consequently, the jobs in question are counted twice over, or in certain cases even more. In one instance, the number of jobs deemed to have been created and maintained was even in excess of the total number of staff at the enterprise.

⁽²⁾ In Spain, a project to open a new open-cast mine and expand copper, lead and zinc mining activities was approved in October 1993, with a view to ensuring a continuation of production up until 2007 and creating and maintaining a specified number of jobs in an area of high unemployment. The viability study showed that mining could only be carried out at a high cost and that it would be very sensitive to international mineral prices. Subsequently, in the requests and decisions to amend the project, the conditions concerning the creation and safeguarding of jobs were watered down and manipulated. The same was true in the case of another mining company which also received aid from the Spanish authorities for the creation and maintenance of a specified number of jobs, even though the Commission (Industry DG) had strongly recommended that this aid should not be granted, due to the critical financial situation.

In Germany, the Court found various eligibility problems concerning a large project that provided for the purchase of a company threatened with closure, with the intention of safeguarding and creating a number of jobs. Based on a decision taken by the authority responsible, this project was withdrawn from the programme and replaced by 51 other projects for which the overall implemented expenditure was comparable, with little consideration for the effects of the respective projects, including those in the field of employment.

⁽³⁾ In Portugal, management of the microenterprise assistance scheme (RIME), which provides start-up assistance for economic activities liable to create jobs by encouraging small-scale investments, was the subject of an infringement procedure initiated by the Commission because the national authorities failed to comply with Article 21(3) of Regulation (EEC) No 2082/93, which stipulates that the beneficiaries of projects should receive all the aid without any deduction. In the wake of this procedure, Portugal submitted, in December 1999, a proposal for reprogramming under which the scheme in question was to be excluded from co-financing (at the end of 1999, the ERDF contribution amounted to around 302 million euro), despite the fact that this scheme was considered to be the main instrument for the creation of jobs supported by the Structural Funds. Furthermore, the Court's audit showed a clear discrepancy between the figures presented by the Portuguese authorities in June 1999 in a RIME brochure (creation of 12 924 jobs since 1994) and the figures used by the Commission in July 1999 (creation of 35 000 jobs since 1996). However, these statistics relate to all the projects covered by the aid scheme and not solely to co-financed actions, the data for which do not exist.

⁽⁴⁾ As a result of Ireland's great success in attracting foreign enterprises and of the political discussions concerning the issue of relocation, the ERDF stopped co-financing the 'Inward investment' aid scheme as of 1 January 1998. However, the 1998 annual report on the Objective 1 OP 'Industrial development 1994 to 1999' still describes the Inward investment subprogramme without mentioning that the ERDF no longer contributes to the co-financing. Furthermore, the annual report states that 16 027 jobs were created with the aid of the OP (a figure which excludes the data from the government department responsible for the Inward investment aid scheme), whereas the Annex gives a figure of 32 023 jobs (which includes these data).

in a manner not apparently connected with the sector concerned or the objectives of the projects ⁽¹⁾.

71. Moreover, there is often a lack of transparency or a great variation in the definitions used to calculate the cost of a job or the aid paid per job (total cost of the investment, total eligible cost, sum total of the public aid disbursed, sum total of the Community aid disbursed, etc.).

Sustainability of jobs

72. In order to achieve durable positive impact on the job market, it is essential for the jobs created or safeguarded to be of medium or long-term duration (see also paragraph 124 concerning the ESF). The rules relating to the co-financed aid schemes are meant to help ensure that the jobs do not evaporate after the aid awarded has been paid in full. Examination of these rules showed that there were significant differences between the monitoring periods stipulated ⁽²⁾, since nothing is laid down in this regard in the Community regulations for the programming periods 1989 to 1993 and 1994 to 1999.

73. In some cases no time limit was set for monitoring the existence, beyond the end of the project implementation period, of the jobs created or safeguarded. Moreover, the Court's audit demon-

strated that there was a need for *ex ante* and *ex post* analyses of sustainability ⁽³⁾.

74. In the case of the other co-financed aid schemes, the maximum monitoring period ranged from two years (FSI in France) to eight years (Common Task in Germany) from completion of the investment ⁽⁴⁾.

75. In view of this kind of diversity, Article 30(4) of the new general Regulation on the Structural Funds (Regulation (EC) No 1260/1999) requires the Member States to ensure that an operation retains the contribution from the Funds only if that operation does not, within five years of the date of the decision of the competent national authorities, undergo a substantial modification that affects its implementation conditions or gives an enterprise an undue advantage, as a result either of a cessation or change of location in a productive activity. One of the reasons for introducing this rule was to prevent enterprises from being able to take advantage of an aid scheme without having any intention of establishing themselves long term in the eligible area (although the rule does not apply to cases of relocation from a site not in receipt of aid to another site in an eligible zone for the sole purpose of receiving aid, nor to cases of job cuts following a reduction in output or a rise in productivity).

76. A monitoring period that begins with the date of the decision is likely to be ineffective, given that the period for carrying out the investment, and creating jobs in consequence, may be quite long. Thus, some aid schemes stipulated that the objectives concerning employment only had to be achieved some years after the end of the investment programme ⁽⁵⁾. Such provisions would, therefore, need to be amended.

⁽¹⁾ The highest amount was granted in connection with FSI for a railway test centre in the Nord-Pas-de-Calais region which was to create only seven new jobs in return for substantial amounts of investment (eligible expenditure of 18,4 million euro). According to the rules on the development premium (*prime d'aménagement du territoire*), which also apply in the case of FSI, the considerable indirect effects that the project had on railway construction in the region could not be taken into account in the context of the aid approval. In consequence the specified ceiling (10 517 euro per job created) was exceeded by a substantial amount. This is also the case for 17 other FSI projects co-financed by the ERDF.

⁽²⁾ In Spain, at the time the 'Regional incentives' aid scheme was launched, the beneficiary only had to guarantee the creation, at the project implementation stage, of the number of jobs stipulated in the decision to grant aid. No period was set with regard to sustainability. However, since this system was abused (the enterprises concerned took on staff for a minimum period simply to qualify for aid), a clause was introduced to the effect that the posts created had to be maintained up to the end of the investment period. In 1999, the obligation to maintain the jobs created for longer than two years after the end of the project was added. The question nevertheless arises of whether this additional period of two years provides a guarantee of the durability of the jobs. During the audit in Spain, for example, it was found that a company had created (at the end of the project) the jobs stipulated in the conditions governing assistance. Over two years later, the number of permanent jobs had been sharply cut, while the remainder comprised 10 staff on temporary contracts, which cast doubt on the sustainability of the jobs created.

⁽³⁾ Appropriate *ex ante* evaluations are needed to prevent job losses of the type experienced in the case of MSIF following completion of the investments or after the closure of enterprises, and to examine the viability of the projects. Furthermore, the Italian authorities stated that great care should be taken when using the available statistics on the impacts on employment of productive investments co-financed by the ERDF within the context of the Objective 1 CSF for the programming period 1989 to 1993 (creation of 11 200 jobs), since they could be subject to a significant downwards revision in the event of certain projects failing.

⁽⁴⁾ In Greece, where the monitoring period is five years, it was difficult to analyse the sustainability of the jobs, due to the lack of mechanisms for reporting and checking on the situation after the end of the investment period.

⁽⁵⁾ For example, in Belgium, the schemes '*Aides à l'investissement en faveur des créations des entreprises*' (Aid for investment in the creation of enterprises) and '*Aides à l'investissement en faveur des mesures d'extension d'entreprises et de créations de petites entreprises*' (Aid for investment in measures for enlarging enterprises and creating small businesses) require that the objectives be achieved two years at the latest after the end of the co-financed investment programme. In Greece, Act No 2601/98 on aid for private investments in the economic and regional development of the country requires that at least 50 % of the jobs be created by the end of the investment programme, 75 % one year after it ends and 100 % two years after it ends. In the same way, an evaluation report on aid schemes to promote productive investment in Ireland established that five years had been needed to convert the jobs approved in 1989 into real jobs.

77. However, the guidelines on national regional aid ⁽¹⁾, adopted by the Commission in March 1998, stipulate that in order to support regional development and reduce the potential negative effects of any relocations, the granting of such aid should be conditional on the maintenance of the investment and the jobs created for a minimum period of five years in the less-favoured region. It should be noted that, in connection with aid for productive investment, the guidelines only cover the jobs created and disregard the jobs safeguarded. Consequently, the two monitoring periods laid down in two separate sets of rules are inconsistent, in that they do not have the same starting point.

THE EUROPEAN SOCIAL FUND (ESF) INTERVENTIONS TO COMBAT LONG-TERM UNEMPLOYMENT

78. This part of the report deals with specific measures financed by the European Social Fund and focused on the problem of long-term unemployment ⁽²⁾.

Long-term unemployment

79. The long-term unemployed target group had already been identified by the Commission and the Member States as a politically sensitive and particularly difficult population to help back into employment. Recognising this priority, the Commission drafted, with effect from the first reform of the Structural Funds, specific guidelines concerning the ESF interventions in this field ⁽³⁾.

80. Although the long-term unemployment situation has generally improved in recent years, long-term unemployment has persisted at high levels despite the sums spent on reducing it by the Member States and the European Union. The long-term unemployment rate in the total working population (see Table 6) remained stable or increased in most Member States up to 1998. Only in 1999 was a certain fall observed. Spain has the highest rate for long-term unemployment as a percentage of the total working population (7,3 %), followed by Italy (6,9 %) and Belgium (5 %). In certain Member States long-term unemployment rates are higher in the group of persons less than 25 years old (e.g. 18,8 % in Italy) (see Table 6).

81. Long-term unemployment as a percentage of total unemployment was, as can be seen in Table 7, in 1999 highest in Italy (61,4 %) and Belgium (60,5 %) and was above 50 % in three other countries (Greece, Germany and Ireland). In seven Member States

(Belgium, Germany, Greece, France, Luxembourg, Austria and Sweden) the trends show an increase in the ratio of long-term unemployment to total unemployment. Table 8 shows the number of long-term unemployed in the EU Member States.

82. The 'very long-term unemployed' (unemployed for more than two years) part of the long-term unemployed population presents a higher risk of social exclusion and withdrawal from the labour market. The largest fractions were in Italy and Belgium, where three quarters of the long-term unemployed have been unemployed for more than two years. In Germany, Spain, Ireland and the United Kingdom the relevant percentage is over 60 % (see Table 8). According to the JER for 1999 ⁽⁴⁾ the number of persons unemployed for more than two years was higher in 1998 than in 1994 (5,2 million against 4,8 million).

83. Combating long-term unemployment was one of the major objectives of the Community support framework 2 ⁽⁵⁾ programmes. The measures targeting long-term unemployment include a wide range of different actions (training, employment aids, guidance, etc). Objective 3 is the main instrument for combating long-term unemployment. In Objectives 1, 2 and 6 there are also measures to combat long-term unemployment, even though the links between measures against social exclusion, unemployment in general and long-term unemployment are not necessarily clear. Also, the Integra ⁽⁶⁾ strand within the Community employment initiative provides assistance for the jobless, including the long-term unemployed.

84. Operations funded through Objective 3 to help people back to work fall into two broad categories:

- vocational training and guidance measures (supply side),
- the development of support, training and employment schemes and employment subsidies (demand side).

85. Council Regulation (EEC) No 4255/88 as amended by Regulation (EEC) No 2084/93, Article 1(1)(a), on the 1994 to 1999 ESF ⁽⁷⁾ provides that Objective 3 ESF interventions should concentrate on assisting the unemployed and persons exposed to long-term unemployment, bringing them back into the labour market through training, counselling and guidance, or employment subsidies. Similar importance is given to the new ESF Regulation ⁽⁸⁾ on the issue of long-term unemployment (Articles 2 and 3).

⁽¹⁾ OJ C 74, 10.3.1998, paragraph 4.14.

⁽²⁾ The Court uses in this part (the ESF and long-term unemployment) the statistics issued by the Community's statistical unit, Eurostat. Long-term unemployed: persons out of work for more than a year. Very long-term unemployed: persons out of work for more than two years (see Table 8).

⁽³⁾ Guidelines concerning European Social Fund intervention in respect of action against long-term unemployment and occupational integration of young people (OJ C 45, 24.2.1989, p. 6).

⁽⁴⁾ COM(1999) 442 of 8 September 1999.

⁽⁵⁾ Programming period 1994 to 1999.

⁽⁶⁾ Strand within the Community Employment initiative with the objective of improving access to the labour market and employability of vulnerable groups (communication to the Member States 96/C 200/06).

⁽⁷⁾ Council Regulation (EEC) No 4255/88 as amended by Regulation (EEC) No 2084/93 (OJ L 193, 31.7.1993, p. 40).

⁽⁸⁾ Regulation (EC) No 1784/1999 of the European Parliament and the Council of 12 July 1999 on the European Social Fund (OJ L 213, 13.8.1999, p. 5).

Table 6

Yearly data of part of the LTU (one year or more) in working population by age

LTU rate

	1999			1998			1997			1996			1995			1994		
	Total	Less than 25 years	25 years and over	Total	Less than 25 years	25 years and over	Total	Less than 25 years	25 years and over	Total	Less than 25 years	25 years and over	Total	Less than 25 years	25 years and over	Total	Less than 25 years	25 years and over
European Union	4,2	5,6	3,9	4,7	6,7	4,4	5,2	8,1	4,8	5,3	8,6	4,7	5,2	8,5	4,7	5,3	8,7	4,7
Eurozone	4,8	6,5	4,5	5,4	7,9	5,0	5,9	9,6	5,4	5,8	10,0	5,2	5,7	9,9	5,1	5,7	9,8	5,0
Belgium	5,0	7,4	4,8	5,7	9,4	5,3	5,7	9,6	5,2	6,0	9,1	5,5	6,1	10,3	5,6	5,9	9,8	5,3
Denmark	1,1	0,6	1,2	1,3	0,6	1,5	1,5	0,7	1,7	1,8	1,1	2,0	2,0	1,0	2,2	2,5	1,5	2,8
Germany	4,4	2,3	4,7	4,8	2,7	5,1	5,0	3,1	5,2	4,3	2,8	4,5	4,0	2,4	4,1	3,8	2,3	4,0
Spain	7,3	9,9	6,8	9,4	13,5	8,6	10,9	16,3	9,8	11,7	18,3	10,4	12,4	19,3	10,9	12,7	20,5	11,0
France	4,4	4,8	4,4	4,8	5,8	4,7	5,0	6,8	4,7	4,8	6,4	4,5	4,6	6,2	4,4	4,7	6,6	4,5
Ireland	2,4	2,9	2,2	3,2	4,0	3,0	5,3	6,5	5,0	6,9	8,5	6,5	7,5	9,4	7,0	9,1	11,9	8,4
Italy	6,9	18,8	5,3	7,1	19,3	5,5	7,9	21,9	5,9	7,7	21,7	5,5	7,4	21,2	5,2	6,9	19,8	4,8
Luxembourg	0,8	1,3	0,7	0,9	1,9	0,8	0,9	2,0	0,8	0,8	2,6	0,6	0,7	1,5	0,6	0,9	1,3	0,9
Netherlands	1,2	0,9	1,3	1,7	1,4	1,7	2,5	2,8	2,3	3,1	4,0	2,9	3,3	4,0	3,1	3,5	4,4	3,2
Austria	1,2	0,8	1,2	1,3	0,9	1,4	1,3	1,0	1,3	1,2	1,1	1,2	1,0	0,9	1,1	1,1	0,8	1,1
Portugal	1,7	1,7	1,7	2,2	2,8	2,0	3,7	5,3	3,3	4,0	6,9	3,4	3,7	6,8	3,1	3,1	5,3	2,7
Finland	2,9	1,6	3,1	3,9	2,5	4,0	4,0	1,7	4,5	5,1	2,7	5,7	5,6	4,7	6,0	6,2	5,8	6,4
Sweden	2,1	1,3	2,2	2,9	2,2	3,0	3,4	2,8	3,4	2,9	2,9	2,9	2,0	2,5	1,9	1,9	2,8	1,7
United Kingdom	1,8	1,8	1,8	2,1	2,3	2,0	2,6	3,2	2,5	3,3	3,9	3,1	3,7	4,3	3,6	4,3	5,4	4,0

Source: Eurostat New Cronos 5/2000.

Table 7

Long-term unemployment as share of total unemployment ratio

	1994	1995	1996	1997	1998	1999
European Union	—	—	48,2	49,0	48,0	46,0
Belgium	58,3	62,4	61,3	60,5	61,7	60,5
Denmark	32,1	28,1	26,5	27,2	27,3	20,5
Germany	44,3	48,7	47,8	50,1	52,6	51,7
Greece	50,5	51,2	56,7	55,7	54,9	54,9
Spain	52,7	54,6	52,9	51,8	50,0	46,3
France	37,5	40,2	38,2	39,6	41,7	38,7
Ireland	64,3	61,4	59,5	57,0	—	55,9
Italy	61,5	63,6	65,6	66,3	59,6	61,4
Luxembourg	29,6	23,2	27,6	34,6	31,3	32,3
Netherlands	49,4	46,8	50,0	49,1	47,9	43,5
Austria	—	27,5	25,6	28,7	29,5	31,7
Portugal	43,4	50,9	53,1	55,6	44,7	41,2
Finland	—	37,0	35,9	29,8	28,1	22,7
Sweden	—	—	19,1	34,2	37,8	29,5
United Kingdom	45,4	43,6	39,8	38,6	32,8	29,8

Source: Eurostat New Cronos 5/2000.

Table 8
Unemployment by duration

(in 1000)

		1999	1998	1997	1996	1995	1994
European Union	Total	—	16 954	17 934	18 051	17 573	—
	<12 months	—	8 820	9 141	9 348	8 933	—
	12 — 23 months	—	3 115	3 410	3 294	3 442	—
	> 24 months	—	5 018	5 384	5 409	5 198	—
Belgium	Total	378	397	378	397	391	400
	<12 months	149	152	149	154	147	167
	12 — 23 months	63	72	74	84	87	88
	> 24 months	166	173	155	159	157	145
Denmark	Total	146	141	152	192	195	222
	<12 months	116	103	110	141	140	150
	12 — 23 months	16	21	24	29	32	44
	> 24 months	13	17	17	22	23	27
Germany	Total	3 445	3 779	3 791	3 403	3 155	3 398
	<12 months	1 662	1 793	1 890	1 775	1 620	1 894
	12 — 23 months	650	785	742	641	663	735
	> 24 months	1 133	1 202	1 159	987	873	770
Greece	Total	—	475	406	411	378	368
	<12 months	—	214	180	178	184	182
	12 — 23 months	—	92	92	97	88	82
	> 24 months	—	169	134	136	106	104
Spain	Total	2 566	3 055	3 355	3 526	3 529	3 754
	<12 months	1 378	1 528	1 618	1 661	1 602	1 776
	12 — 23 months	398	512	604	646	662	837
	> 24 months	790	1 014	1 133	1 219	1 265	1 142
France	Total	3 127	3 099	3 176	3 124	2 958	3 131
	<12 months	1 919	1 806	1 919	1 929	1 769	1 957
	12 — 23 months	520	592	606	534	593	657
	> 24 months	689	701	651	661	595	517
Ireland	Total	—	—	152	171	168	200
	<12 months	—	—	66	69	65	71
	12 — 23 months	—	—	29	31	30	41
	> 24 months	—	—	58	70	73	88
Italy	Total	2 693	2 774	2 796	2 750	2 637	2 533
	<12 months	1 040	1 121	941	945	961	976
	12 — 23 months	490	521	581	561	561	544
	> 24 months	1 163	1 132	1 274	1 244	1 115	1 014
Luxembourg	Total	4	5	4	6	5	6
	<12 months	3	3	3	4	4	4
	12 — 23 months	1	1	1	1	1	1
	> 24 months	1	1	—	1	—	—
Netherlands	Total	248	301	383	438	487	455
	<12 months	140	157	195	219	259	230
	12 — 23 months	46	54	75	81	81	73
	> 24 months	61	91	113	138	147	151
Austria	Total	181	212	193	202	164	—
	<12 months	124	150	138	150	119	—
	12 — 23 months	31	29	27	25	20	—
	> 24 months	27	34	28	27	25	—
Portugal	Total	231	231	305	328	321	308
	<12 months	136	128	136	154	158	175
	12 — 23 months	48	42	80	93	96	84
	> 24 months	47	62	90	81	67	50
Finland	Total	303	326	366	348	360	—
	<12 months	234	234	257	223	227	—
	12 — 23 months	28	42	43	54	63	—
	> 24 months	40	49	66	71	71	—
Sweden	Total	329	383	448	419	360	—
	<12 months	232	239	295	339	288	—
	12 — 23 months	96	144	150	80	72	—
	> 24 months	—	—	3	—	—	—
United Kingdom	Total	1 779	1 775	2 028	2 336	2 464	2 738
	<12 months	1 248	1 193	1 244	1 406	1 390	1 494
	12 — 23 months	211	209	282	337	393	500
	> 24 months	320	373	502	593	680	744

Source: Eurostat New Cronos 5/2000.

Financial and budgetary aspects

86. ESF mainstream assistance to the Member States to combat long-term unemployment is granted to programmes and projects included in the operational programmes (OPs) under various Objectives (1 to 6), Community initiatives and pilot projects. ESF interventions operate mainly in the fields of vocational training, employment aids, educational advice and guidance activities and Article 6 projects (innovative actions).

87. The amount estimated for ESF expenditure from 1994 to 1999 was approximately 48 000 million euro ⁽¹⁾. Objective 3, which is specially designed for the fight against long-term unemployment, absorbs 13 000 million euro, more than 28 % of the ESF resources. Measures to combat long-term unemployment within Objective 3 amount to 5 600 million euro, more than 40 % of the Objective 3 resources. Employment aid within Objective 3 represents 2 100 million euro of the resources. Specific data on the amounts for employment aid and fighting long-term unemployment within Objectives 1, 2 and 6 are not readily available. However, according to data from the Commission for seven and eight Member States respectively, the measures to combat long-term unemployment within Objective 1 absorb 2 800 million euro and employment aid 3 600 million euro and represent 19 % and 18,5 % respectively based on the available data (see

Table 9). It is difficult for the Commission to provide an overall picture of actual actions and expenditure on long-term unemployment at a European Union level since there is no management by policy objective or target group.

88. The 'supply side', that is, initiatives to raise prospects for the long-term unemployed by improving their skills and motivation, represents about 74 % of the ESF spending ⁽²⁾. The 'demand side' initiatives, which represent about 21 %, are mainly concerned with increasing demand for labour, some of these directly through subsidies or other incentives to encourage employers.

89. The employment aid is aimed towards heterogeneous target groups, since most Member States have no specific measures targeting long-term unemployment only. Rather, this target group consists of all unemployed people, irrespective of the duration of their unemployment, as well as those who are threatened with long-term unemployment.

90. Pilot and demonstration projects designed to combat long-term unemployment have been financed through Article 6 of amended Regulation (EEC) No 4255/88. Total appropriations allocated to the Article 6 projects for the period 1994 to 1999 amount to approximately 150 million euro.

⁽¹⁾ Commission: The 11th annual report of the Structural Funds (1999), COM(2000) 698.

⁽²⁾ Fighting against long-term unemployment; European Commission DG V; ISBN 92-828-2958-8, pp. 10 and 14.

Table 9

ESF expenditure during 1994-1999 period

(in million euro)

	ESF Objective 3 expenditure 1994 to 1999 (Structural funds 1996 report)	ESF measures to LTU within Objective 3 ESF (Commission 5/2000)	LTU share of ESF Objective 3 expenditure	Employment aids within Objective 3	Employment aids share of ESF Objective 3 expenditure	ESF Objective 1 expenditure 1994 to 1999 (Structural funds 1996 report)	ESF measures to LTU within Objective 1 ESF (Commission 5/2000)	LTU share of ESF Objective 1 expenditure	Employment aids within Objective 1	Employment aids share of ESF Objective 1 expenditure
Belgium	401 900	249 458	62,1 %	2 283	0,6 %	170 300	58 601	34,4 %	Non-existent	
Denmark	268 100	216 363	80,7 %		0,0 %					
Germany	1 682 100	828 412	49,2 %	11 133	0,7 %	4 092 000	Not available		900 260	22,0 %
Greece						2 638 100	Not available		395 718	15,0 %
Spain	1 480 300	504 398	34,1 %	333 394	22,5 %	6 118 700	1 821 762	29,8 %	1 739 515	28,4 %
France	2 562 400	566 103	22,1 %	1 657 676	64,7 %	525 500			Non-existent	
Ireland						1 953 000	258 080	13,2 %	Non-existent	
Italy	1 300 100	364 500	28,0 %	Non-existent		2 739 000	314 503	11,5 %	93 383	3,4 %
Luxembourg	20 700	7 830	37,8 %	981	4,7 %					
Netherlands	935 300	536 506	57,4 %		0,0 %	40 000	n.a.		1 870	4,7 %
Austria	334 000	121 011	36,2 %	75 794	22,7 %	33 120	11 584	35,0 %	15 108	45,6 %
Portugal						3 160 900	215 420	6,8 %	428 062	13,5 %
Finland	258 400	100 530	38,9 %	25 044	9,7 %					
Sweden	347 700	194 708	56,0 %		0,0 %					
United Kingdom	3 177 500	1 870 422	58,9 %	27 007	0,8 %	747 800	155 744	20,8 %	50 634	6,8 %
Total	12 768 500	5 560 241	43,5 %	2 133 311	16,7 %	22 218 420	2 835 694	19,0 % ⁽¹⁾	3 624 549	18,5 % ⁽¹⁾

⁽¹⁾ The calculation of the percentage is based on the available data.

Source: — Commission June 2000.

— The Structural Funds in 1996 - Eighth annual report.

The management of policy and actions by the Commission

The European Employment Strategy and the ESF interventions

91. In the context of the European Employment Strategy long-term unemployment issues are a key component of the employment guidelines. The Commission services, mainly the Employment DG, are in charge of analysing and assessing the national action plans sent from the different Member States. The outcome of these assessments in the last three years (joint employment report 1998, 1999 and 2000) shows that although long-term unemployment decreased during the period 1996 to 2000 (from 6,3 % to 4,5 %), the share of long-term unemployment remains significant ($\pm 45,2$ % of total unemployed people in 2000).

92. The current four-pillar structure of the guidelines (see also paragraph 7), based on employability, entrepreneurship, adaptability and equal opportunities, provides the basis for an integrated multiannual approach to employment. In order to reduce long-term unemployment, Member States are required, through the employability and entrepreneurship pillars in particular, to develop preventive and employability-oriented strategies ⁽¹⁾.

93. The ESF Regulation and the present structure of the employment guidelines do not provide a specific role for the employment aid mechanism, although this type of measure is co-financed by the ESF and is a key instrument in the fight against long-term unemployment.

94. The employability pillar guidelines (in both 1998 and 1999) state that preventive measures should be combined with measures to promote the re-employment of the unemployed before they become long-term unemployed (preventive approach). These preventive measures are, however, not sufficiently combined with others, such as employment aids to promote the re-employment of the long-term unemployed, thus leaving aside the crucial issue of absorbing the existing stocks of long-term unemployed (curative approach).

95. The subpopulation of very long-term unemployed is not taken into account as such in the present four-pillar structure of the employment guidelines. This is the most difficult target group to reabsorb into the workforce, since it requires optimal coordination of training and employment aid measures together with important incentives to the private sector in order to avoid social exclusion and withdrawal from the labour market. The absence of specific policy and actions targeted on this group has not contributed to the improvement of their situation in the labour market.

⁽¹⁾ These strategies are principally based on:

- (a) an early identification of the individual needs of the unemployed;
- (b) facilitating the start and running of businesses (fiscal and management incentives);
- (c) incentives concerning recruitment;
- (d) life-long learning; and
- (e) training in new technologies.

96. The timetable for the preparation of the employment guidelines for coordinating the preparation of the national action plans with the Member States is not consistent with the ESF annual financial planning. Member States are not informed of the new guidelines and Council recommendations for the coming year until November of the current year. That leaves them with very little time (November to January) to adapt ESF interventions, if necessary, to these recommendations.

97. The implementation of the principles of the national action plan in the existing programmes varies between the Member States. An analysis of the minutes of the Monitoring Committees for programmes in six different Member States (Belgium, Germany, Spain, France, Italy and United Kingdom) showed that specific measures from the national action plan had only been introduced in the current programmes for France and Spain. In Italy it was decided to implement the national action plan strategy in the following programming period. In the United Kingdom, the Monitoring Committee for Objective 3 opened a discussion involving all the members about the way to introduce this strategy into the programmes. In Belgium the reorientation of the programmes was not discussed at all in the Monitoring Committees.

98. Few Member States provide detailed information concerning the way in which the ESF supports the employment guidelines or the national action plans (which is also confirmed by the joint employment report for 1999, page 40). In particular, the focus on preventive measures and the fact that neither the population of the very long-term unemployed nor the instrument of the employment aids is mentioned explicitly in the guidelines indicates that the problem of reducing the current level of long-term unemployment is not sufficiently addressed in the European Employment Strategy.

Financial management of the operational programmes

99. Pursuant to the amended Regulations (EEC) No 2052/88 and (EEC) No 4253/88, the Commission takes part in the management of the programmes at several levels:

- (a) it coordinates the activities (Article 1 of amended Regulation (EEC) No 4253/88);
- (b) it participates in the Monitoring Committees (Article 25 of amended Regulation (EEC) No 4253/88). It confirms any amendments to the financing plans within a period of 20 working days from receipt of notification thereof;
- (c) it should carry out on-going and *ex post* evaluations, pursuant to Article 26 of amended Regulation (EEC) No 4253/88 and the guidelines for evaluations as defined in the Community support frameworks.

100. In order to check whether these conditions are being met, the Court examined changes in the financial planning of a number of selected operational programmes (nine).

101. As regards the coordination of the measures and the Commission's participation at Monitoring Committee level, the Court found that the Member States had different priorities for combating long-term unemployment, especially those relating to recruitment aid ⁽¹⁾ As regards employment aid, it was noted that in Spain the Monitoring Committees had, on several occasions, increased the weight of employment aid in the financing plans. In Belgium following a reorientation of the actions and in Italy due to an underspending of the corresponding amounts, these actions were permanently reduced.

102. Although the Monitoring Committees in the Member States have the authority to change the programmes, the Commission, through its presence on these Committees, should ensure a certain harmonisation of the strategies, taking into account the differences between Member States as regards the labour market.

103. The examination showed that the period of 20 working days within which the Commission should confirm a request for amendment made by a Monitoring Committee (Article 25(5) of amended Regulation (EEC) No 4253/88), was, in general, not respected.

Evaluation reports

104. The Court analysed a number of assessment reports (*ex ante*, mid-term and *ex post*), for the mainstream ESF, drawn up between 1994 and 2000 in respect of projects implemented during the period 1990 to 1998 in seven Member States. The objectives of this analysis were: to draw the main conclusions on the measures undertaken by the ESF in favour of the long-term unemployed, to gauge their usefulness for redirecting ESF management in the latter years of the planning period 1994 to 1999 and to establish the lessons to be learnt for the reform covering the period 2000 to 2006. The assessments revealed that:

- the forms for forwarding balance request data are not suitable for measures other than those relating to vocational training (for example the employment aids),
- the monitoring system is very cursory,
- the indicators are not adapted for each type of measure,

⁽¹⁾ In the United Kingdom, for example, measures in favour of the long-term unemployed in one OP scrutinised had been considerably increased. In France, on the other hand, in axis 1 of one OP (occupational integration of the long-term unemployed), there was a 30 % reduction in 1997 in favour of axis 3 (integration of persons facing exclusion from the labour market) following a change in national policy. Although the Commission departments, in a memorandum to the Member State dated 5 November 1996, had insisted on priority being given to combating long-term unemployment in Objective 3, the Commission approved this change by Decision C(97) 2192 of 9 September 1997. The following year (1998) the Monitoring Committee again modified the financial plan for the programme twice, by transferring the amount of 540 million euro back to axes 1 and 2 of the OP. As regards employment aid, it was noted that in Spain the Monitoring Committees had, on several occasions, increased the weight of employment aid in the financing plans. In Belgium the following reorientation of the actions and in Italy due to an underspending of the corresponding amounts, these actions were permanently reduced.

- it is not possible to aggregate or compare the results,
- the targeting of measures has proved to be very limited in practice,
- the impact of the ESF measures is reduced and there is no targeting which would give them 'added value' over and above the total effort,
- the macroeconomic impact and spin-off effects ⁽²⁾ of the measures jointly financed by the ESF, which are needed in order to assess the direct effects, are rarely to be found.

105. The Court's examination of these reports did not usually uncover either the specific strategy in favour of the long-term unemployed category or the various population types which it comprises. Moreover, there was no thematic approach to assessing the target group.

106. With regard to the impact of the measures, the assessments revealed that the effects had not been very significant, save for two exceptions: when training is specific to a well-targeted population and complies with the strategies of undertakings which employ trainees, and when the training measures are combined with employment aids. Moreover, stagnation in very long-term unemployment was noted. There is a hard core of unemployed people who experience serious problems in returning to work and who may even drop out of the workforce entirely.

107. The reports' most significant recommendations were:

- to give higher priority to the long-term unemployed, and to the very long-term unemployed in particular,
- to readjust measures in favour of people who are no longer in the labour market,
- to promote the overall 'pathways to integration' approach: guidance, advice, monitoring, preliminary training, vocational training, starting work, especially for the most disadvantaged,
- to improve the planning: more focused targeting, which may

⁽²⁾ The following shall be considered spin-off effects:

- the deadweight effect, when the measure will be implemented in any event, with or without Community aid,
- the substitution effect, when the positive effects for the ESF beneficiaries are offset by the negative effects of those who have not been able to benefit,
- the creaming effect, when the least problematic population within a target group is selected in order to guarantee the best result.

increase the 'added value' in relation to overall input; to give shape to the strategy in the operational programmes,

- to improve the selection criteria for beneficiaries and improve the monitoring systems as well,
- to standardise results, using appropriate and operational indicators ⁽¹⁾.

108. The results of these assessments were not sufficiently taken into account in the reprogramming measures (see also paragraphs 100 to 104 on the Monitoring Committees and financial reprogramming and paragraph 39 concerning the ERDF).

109. As for the indicators, the Court, like the evaluations, notes that the joint report on the 1999 national action plans stressed the need for targeted and more appropriate indicators to enable assessments to be made by target group and to harmonise the Member States' approaches in this area.

Audit of Article 6 projects

110. Article 6 of Council Regulation (EEC) No 4255/88, as amended, establishes the aims and conditions of the financing of pilot and demonstration projects. In contrast with mainstream ESF-funded projects (ESF studies), they should be innovative, include exchanges of experience and know-how and should be carried out on the Commission's initiative.

111. The Court selected and audited a number of projects (seven) for long-term unemployed at Commission and Member States level in order to establish what contribution they had made to the development of new and innovative approaches to the fight against long-term unemployment.

112. There is no reliable management system nor proper identification of the projects by target group. As a result of weak management procedures most projects examined had suffered important implementation delays. For most of them the Commission's follow-up was not consistent, and in a number of cases payments were still pending four years after actual closing deadlines. Decisions for extensions of the implementation periods for projects were delayed and were granted retroactively for all of them.

⁽¹⁾ Characteristics which indicators must have in order to be operational. They must be:

- relevant: useful for the administrators in the decision-making process,
- reliable: the indicator's meaning should be the same for all users,
- realistic,
- quantifiable,
- profitable: the gain derived from its use should exceed the cost of its calculation,
- accepted by the person addressed.

113. The absence of a Commission procedure for following up these projects after their implementation, in order to establish their short-term and long-term impact, together with the absence of an overall evaluation report on the Article 6 projects, deprived the Commission of valuable information on the efficiency of these projects. The lack of any policy regarding the dissemination of the results of the projects reduces any positive impact these projects might have and is not in accordance with Article 6(2)(b) of amended Regulation (EEC) No 4255/88 concerning exchanges of experience.

114. Because of these weaknesses, none of the projects audited has been integrated into the mainstream ESF projects. In conclusion, Article 6 projects have not contributed to the objectives of the Regulation, notably that of promoting new approaches in the fight against long-term unemployment.

115. Finally, Article 6 projects were not followed up in a way that would allow the lessons learnt to be applied in combating long-term unemployment through the mainstream ESF.

Management in the Member States

116. The following gives an overview of the common problems that were identified as affecting the management of the programmes in the Member States.

Vague definition of 'long-term unemployed'

117. In order to establish the efficiency of EU employment strategies in combating long-term unemployment, it is important that Member States correctly interpret the term 'long-term unemployed', especially in the case of measures specially designed to finance actions or provide funds for this target group.

118. Several operational programmes included in their specific measures for long-term unemployed not only people who had been unemployed for more than 12 months, but also people who looked as if they might become part of the long-term unemployed ('threatened with long-term unemployment') ⁽²⁾. The absence of a differentiation between these target groups weakens the statistics concerning the impact of the programmes on the long-term unemployed.

⁽²⁾ This definition was used in Italy and in Spain as well in the Objective 1 and Objective 3 programmes. In Greece, the same was noted for some actions within the Objective 1 programme during 1998.

Low priority of the long-term unemployed and employment aids

119. In several Member States there was a gap between the importance of the long-term unemployed in relation to the total number of unemployed and the part of the funds within the operational programmes allocated to measures directed towards the long-term unemployed. Some Member States had no provision for different intervention rates for long-term unemployed and other unemployed beneficiaries ⁽¹⁾.

120. The mechanism of employment aids was only significantly used in one of the five Member States ⁽²⁾, although the impact of this instrument in reducing long-term unemployment is quite important.

121. In one Member State employment aid mechanisms for long-term unemployed were introduced and abandoned without any *ex ante* or *ex post* evaluation ⁽³⁾.

Implementation of employment aids

122. Although the absolute number of jobs created by using employment aids was quite significant, the following observations show that there is still room for improvement in the regulatory

and administrative framework of the Member States concerning the net job creation effect (see also paragraph 56 concerning the ERDF).

123. Some of the employment aid schemes do not legally oblige the companies receiving the aid to increase the total number of employees. This lack allows the payment of an employment aid for employees who would have been hired in any case ⁽⁴⁾ (see also paragraph 54 concerning the ERDF).

124. Weaknesses have also been found in the provisions for durable job creation, in that mechanisms do not require a minimum-period employment contract in respect of the subsidy granted ⁽⁵⁾. Furthermore the monitoring of sanction with regard to the non-respect of a minimum-period employment contract is sometimes too bureaucratic and is therefore a disincentive for employers who might otherwise apply for such aids ⁽⁶⁾.

125. The fact that most of the Member States do not set specific conditions concerning the nature of the jobs to be created by employment aid sometimes leads to deadweight effects ⁽⁷⁾ (see also paragraph 72 concerning the ERDF).

⁽¹⁾ In Belgium, although the percentage of long-term unemployed is about 60 % of all unemployed, in the two OPs selected only 28 % and 14 % respectively of the financial contribution for unemployed people was granted to specific actions to reduce long-term unemployment. In Greece, long-term unemployment represents 57 % of all unemployment, but long-term unemployed participants in the selected OP represent only about 18 % of all participants. In Italy, in general, long-term unemployment represents about 60 % of all unemployment. Nevertheless, the Objective 3 programme in the region of Lazio dedicated only 28 % of the resources to the fight against long-term unemployment. In this region the share of long-term unemployment amounts to as much as 72 %. The same applies to the region of Apulia, where 27 % of subobjective 3 was earmarked for measures to combat long-term unemployment, although long-term unemployment represented 68 % of all unemployment.

⁽²⁾ The Member State was Spain, where the ESF intervention measures operating in the field of employment aid amounted to 63 % and 41 % of the funds programmed in the period 1994 to 1999 for all ESF intervention measures focused on long-term unemployed people in both CSF-Objective 1 and CSF-Objective 3. It should also be noted that during the period 1994 to 1998 the situation of long-term unemployed in relation to the total unemployed continued to deteriorate in all the Member States visited, with the sole exception of Spain, where long-term unemployment was reduced.

⁽³⁾ This concerns Germany, where the region selected used the ESF contribution to complement an existing federal employment aid measure for long-term unemployment. This additional financing was introduced and abolished without any evaluation of the need or the impact.

⁽⁴⁾ In Germany, Spain and certain regions of Italy, the employment aid schemes do not legally oblige companies receiving the aid to increase the total number of employees. At the level of the final beneficiaries, the Court noted, in fact, that in some cases the total number of persons employed by the beneficiary did not increase by the number of employees subsidised.

⁽⁵⁾ In Spain, for example, the mechanism is such that part of the social security expenses of a newly recruited, former member of the long-term unemployed was paid using ESF funds, but in the regulations concerning this mechanism in connection with contracts of indeterminate duration there is no provision for a minimum period of employment. This weakness jeopardises the objective of sustainable job creation. In Italy, a regional authority did not anticipate any follow-up of beneficiaries after the conclusion of the interventions. The obligation for the employment contract to remain in force for a minimum period of two years after the employment aid had been paid (as prescribed in the invitations to tender) was not therefore guaranteed in cases where the beneficiary did not present an application for support for the second year of the employment contract. Furthermore, the employment aid mechanism set up by the region did not guarantee payment of the second year contribution to companies which had received the first year contribution and fulfilled all national eligibility conditions. This is a disincentive for employers to apply for such aids.

⁽⁶⁾ In Germany there was provision for a minimum duration in respect of the contracts. The companies were required to provide periodic documentation for monitoring purposes. As a consequence, many potential beneficiaries refused the employment aid scheme because it seemed to them to be too bureaucratic.

⁽⁷⁾ In Greece, for example, employment aid was paid to hire employees with special qualifications who would have found a job in any case. Another company in the same Member State hired such people in order to train them in maintaining stocks. The training started with the practical part, while the theoretical part was attended later by only a few workers. The company maintained that hiring the workers was essential for its business. On one project audited in Spain the recruitment of temporarily unemployed persons to permanent jobs was subsidised under the scheme, although this recruitment would have been done in any case.

CONCLUSIONS AND RECOMMENDATIONS

ERDF

126. While the employment objective is an important policy issue, it is not easy to assess at its just value the question of the number of jobs created or safeguarded thanks to ERDF aid. In fact, the prime aim of the regional policy supported by the ERDF is to radically restructure production structures in disadvantaged regions. These structural modifications do not always go hand in hand with an increase in available jobs — at least not in the short and/or medium term. Furthermore, the assessment of effects on employment attributable to the ERDF aid allocated to a measure must, in principle, take into account not only its interaction with other national and Community measures, but also the effects linked to general cyclical trends, making it difficult to define the exact impact attributable to the measure in question. Finally, it is not always possible to obtain assurance as to the reliability of either the estimated or the real data concerning the jobs created or safeguarded.

127. The objectives and targets of the RDPs/CSFs/SPDs/OPs in the field of employment are often imprecise as regards anticipated effects. It is therefore doubtful whether the development of employment is as strategic in nature as the many policy decisions concerning the implementation of ERDF interventions imply and the EC Treaty, as amended by the Treaty of Amsterdam, requires.

128. As regards the evaluation of effects in terms of employment, the macroeconomic methods used are not directly capable of producing the desired indicators. Furthermore, the diversity of practices at project and measure level makes aggregation difficult. For these reasons, the Court recommends that the Commission press forward with the efforts that it has been making since 1996 to harmonise evaluation procedures, establish a common framework on the basis of the MEANS methodology, and award increased importance to employment within the framework of the programming period 2000 to 2006.

129. The various top down approaches should give an overall picture of the jobs created and safeguarded, which would be of use for, among other things, the *ex ante* evaluation. However, the use of these methods must be supplemented with that of the bottom-up approach based on the effects on employment identified for each of the co-financed investments, from appraisal of the application to final completion of the projects, taking sustainability into account. Based on these raw data, the net impact should also be calculated, by analysing the deadweight and displacement/substitution effects on the basis of projects' particular characteristics.

130. At present, the databases concerning aid for productive investment are not reliable and are not suitable for analysing the impact of ERDF aid on employment. Nevertheless, they do furnish data concerning the indicators selected for the monitoring and evaluation of Community interventions. Since monitoring and evaluation of programmes are related operations, it is important at all stages of implementation (appraisal of applications, financial and administrative management, technical assistance, checks on completion of investments, analyses of sustainability and closure of the file) to insist that the information received is reliable and comprehensive, and suitable for use in the evaluation process. Making maximum use of the internal information available is therefore a priority objective. Evaluation should be seen not as an isolated task, but as one that requires a sustained effort that calls, not least, for systematic consolidation of relations between statistics producers and beneficiaries.

131. Taking the ERDF into account as part of employment strategy, which is currently not done, could produce important synergies and help to improve the quantitative and qualitative indicators as well as the systems for collecting the data used in impact evaluations. Programme managers would thus have a better basis for gauging the progress achieved in relation to the objectives and targets set for employment, and the Treaty, which gives the European Union the task of promoting a high level of employment, would be respected.

ESF

132. Over the past 10 years considerable efforts to redress the situation have been made by the Commission and the Member States at the regulatory, administrative and financial levels. Some improvement in the general unemployment situation in the EU could be observed towards the end of the 1990s, but in the long-term unemployment field progress has, unfortunately, been slower.

133. The Commission has not been able to provide an overall picture of actual expenditure on long-term unemployment at EU level, since there is no management by policy objective and target groups.

134. The Court identified inconsistencies between the European Employment Strategy and activities of the ESF:

- lack of consistency between the ESF Regulation (provide a role for the employment aid mechanism) and the structure of the employment guidelines in which there is not a specific role for the employment aid mechanism,

- lack of consistency between the employability pillar guidelines regarding the use of a combination of a preventive approach and actual absorption of the long-term unemployed (curative approach). The preventive approach has not been sufficiently combined with the curative approach,
- lack of consistency between the ESF planning timetable and the timetable for decision-taking in relation to the Employment Strategy,
- as few Member States provide detailed information about the way in which the ESF supports the European guidelines or the national action plans, there is a risk that not all elements of the guidelines will be represented in the ESF intervention area.

135. Where the long-term unemployed are concerned, employment aid has proved to be an important means of providing stable employment, since training alone is often not sufficient. The Court found that the tendency is towards a reduction in the employment aids rather than an increase in the implementation of operational programmes, despite the recommendations made in the evaluations.

136. The Court's observations concerning the weaknesses in the planning of the measures, and the absence of proper indicators in particular, are also confirmed by the results of the evaluations and of the Council's recommendations as stated in the joint employment report for 1999.

137. Moreover, there is a need to improve the administration of the employment aid mechanism and related actions at Commission and Member State levels. The Court has also referred in a special report on 'youth unemployment' ⁽¹⁾ to the need for clearer definitions, improved targeting of measures by means of appropriate indicators, strengthening the functioning of the monitoring Committees, together with clearer and better targeted policy guidelines.

138. Information about the management and control systems relating to successful pilot and demonstration projects (Article 6 of Council Regulation (EEC) No 2084/93) was not made available to the Commission and Member States, with the result that similar projects were not incorporated in mainstream ESF actions.

139. In the Member States, the implementation of ESF co-financed measures in favour of the long-term unemployed lacked a clear definition of target groups and was given a low priority by

national and regional administrations, and in national regulatory and management provisions, thereby incurring deadweight costs and suffering delays in implementation.

140. The Court recommends that:

- a better balanced approach in employment measures between the 'preventive approach' and the 'curative approach' be ensured,
- in future, specific activities such as Article 6 projects for ESF be better targeted and more carefully considered for the implementation of mainstream activities,
- the Commission ensure that past assessment reports are sufficiently taken into account in reprogramming measures,
- the administrative procedures be clarified and simplified.

General recommendations

141. The Court recommends that the cohesion between the Employment Strategy, on the one hand, and the ESF and ERDF on the other hand, be improved. In this respect, synergies should increasingly be sought between the interventions co-financed by the ESF and the ERDF.

142. Consistent objectives concerning employment should be defined at policy, programme and subprogramme levels. This would make the *ex ante*, mid-term and *ex post* evaluation work that remains to be done so much more effective. In particular, for every intervention (or group of interventions), the techniques for gathering data on the direct and indirect impact of actions on employment, on the one hand, should be harmonised with the aggregation methods used at the various project, measure, priority and intervention levels, on the other hand. At the same time, the indicators in question should be such that any relationships between the impact achieved and the various levels are as obvious as possible.

143. The Commission should ensure that the obligation to take the employment aspect into consideration is systematically awarded the appropriate importance in the co-financing process. Moreover, the Commission should take any steps necessary to ensure that national mechanisms for preventing deadweight and displacement effects are improved and that the efforts made in this respect are intensified. The same applies to the monitoring periods needed to ensure that the jobs created or safeguarded are sustained.

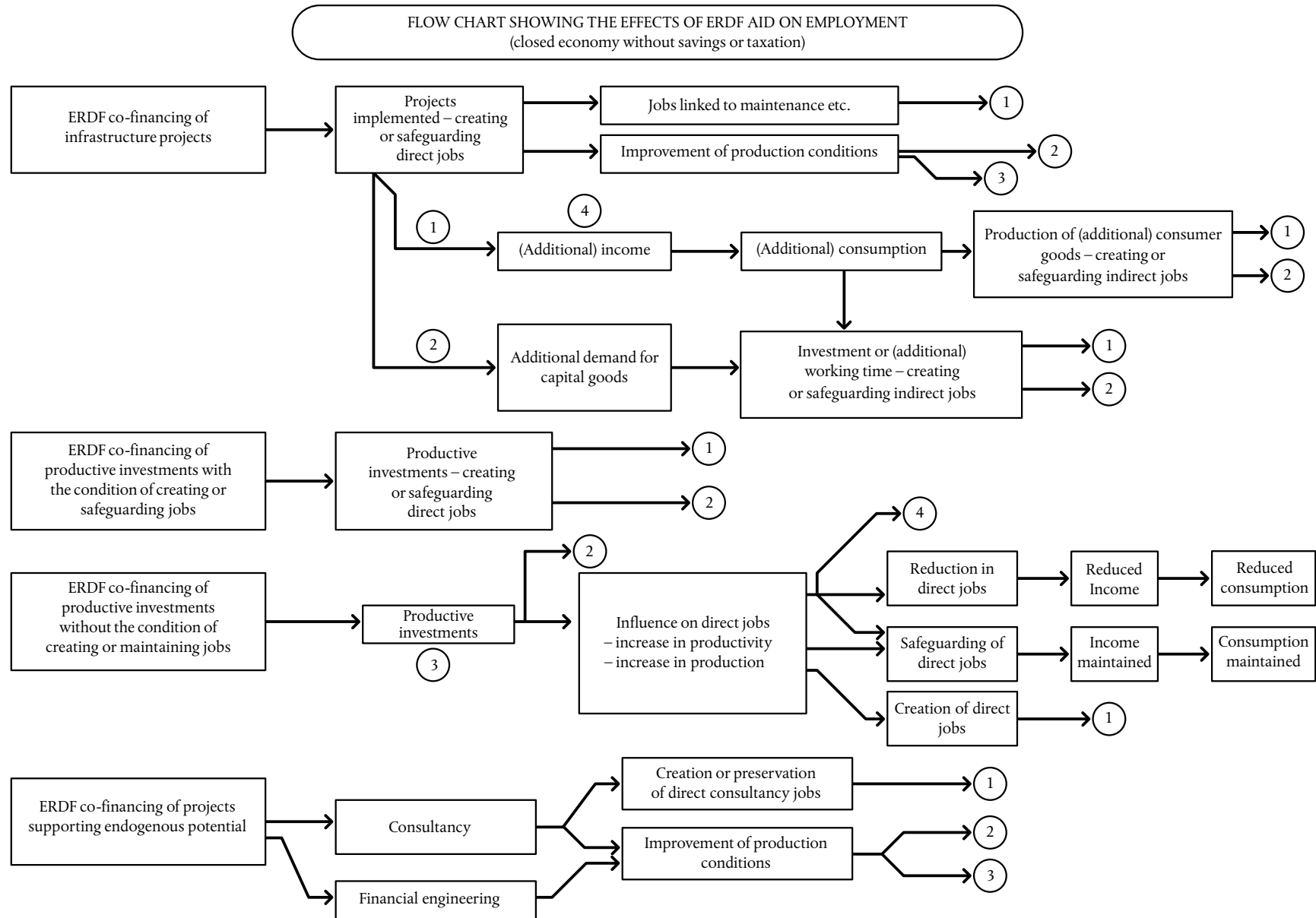
⁽¹⁾ Special Report No 3/2000 on the European Social Fund and the European Agricultural Guidance and Guarantee Fund (Guidance Section) — Measures to assist the employment of young persons (OJ C 100, 7.4.2000, pp. 1 to 26).

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 19 July 2001.

For the Court of Auditors

Jan O. KARLSSON

President



NB: Each number refers to other numbers in the flow chart.

EXPLANATORY POINTS

1. The direct effects of interventions in favour of infrastructure are, in the first place, linked to construction activity and concern, in particular, the creation of temporary jobs. Furthermore, they can also have a direct link with the end results of construction (new staff responsible for the operation and maintenance of the co-financed facility). These effects come at the beginning of the impact chain and are therefore relatively easy to identify and quantify.
 2. The indirect effects arising from an increase in competitiveness and productivity thanks to infrastructure investments are long-term effects generated by complex mechanisms which come almost at the end of the impact chain. These effects are therefore difficult to identify and attribute to specific interventions.
 3. Support for the development of the endogenous potential boosts the injection of non-material capital and makes for an increase in the efficiency and competitiveness of enterprises. The effects on employment in beneficiary enterprises are not clearly defined. Moreover, they come at the end of the impact chain and are therefore difficult to identify and quantify. At service-provider level, the direct effect on employment is somewhat limited, but these are nevertheless jobs for highly-qualified people which have significant global potential.
 4. The development of human resources has a variety of effects on competitiveness and employment. It should be noted that the main difference between the two types of effects generated by the ERDF and the ESF is that, in the case of the ERDF, the effects on employment essentially concern the creation or maintenance of a post that could be taken up by different people, whereas in the case of the ESF, the effects on employment essentially concern the preservation or enhancement of the employability of individuals, either by helping them to maintain a certain level of qualification, or by giving them a better chance of meeting the professional requirements of potential employers and therefore of finding a job.
-

ANNEXE II

Modified methodology proposed by MEANS for assessing the impact of ERDF aid on employment

Nature of the employment	Job created — Job maintained Permanent job — Temporary job Full-time job — Part-time job High-quality job — Low-quality job	
Geographical aspect	Important for the purposes of displacement effects, overspill effects, <i>relocation effects and in-migration, out-migration and commuting effects</i>	
<i>Time scale</i>	Short-term effects, medium-term effects, long-term effects Sustainability of employment	
1. Net direct effects	2. Global effects on job demand	3. Effects on unemployment
Net direct effects = gross direct effects — (displacement effects + involuntary substitution effects + deadweight effects)	Effects on job opportunities = direct effects + multiplier effects + supplier effects — overspill effects — <i>relocation effects</i>	Effects on unemployment = effects on activity rate + <i>effects on in-migration + effects on out-migration + effects on commuting</i>

NB: The amendments made by the Court are shown in italics.

Source: Ernst & Young final report: 'Evaluating Structural Fund employment effects', a study conducted for the European Commission, DG REGIO, and presented in May 2000, Table 1, p. 5, amended on the basis of the results of the audit work.

1. In order to evaluate gross effects accurately, the following must be taken into account:
 - the distribution in time of the effects (risk of not taking into account effects which will arise later and/or risk of taking into account effects that are only short-term),
 - the quality of the jobs,
 - the nature of the jobs, which may be full-time or part-time. The overall quantity of jobs generated can be expressed as the full-time equivalent (FTE).
2. In order to evaluate net effects accurately, the following must be taken into account:
 - the deadweight effect: effect which would have been produced even without any aid,
 - the displacement effect: effect obtained in one eligible area to the detriment of another eligible area,
 - the involuntary substitution effect: effect obtained to the benefit of a direct recipient but to the detriment of a person or organisation not eligible.
3. In order to evaluate accurately global effects on job opportunities, the following must be taken into account:
 - the income multiplier effect: effect arising from the increase in incomes and in consumption,
 - the supplier effect: effect on companies within the eligible area which supply goods and services to the enterprises that are direct recipients of the aid,
 - the overspill effect: effect on companies outside the eligible area which supply goods and services to enterprises that are direct recipients of the aid,
 - the relocation effect: effect arising from the relocation of an enterprise from one region to another.
4. In order to accurately evaluate effects on unemployment, the following must be taken into account:
 - the effect on in-migration (increase) or out-migration (decrease),
 - the effect on commuting.

THE COMMISSION'S REPLIES

SUMMARY

I. In general, the Commission shares the analysis of the Court of Auditors of the weaknesses in previous programming periods in relation to the evaluation of the impact of structural interventions on employment. The Commission welcomes the Court's comments that the action the Commission has taken should significantly improve knowledge of the effectiveness and impact on employment of structural interventions during the programming period 2000 to 2006.

The report refers on a number of occasions to a need for common and harmonised procedures, methods and techniques; however, this is an area where, according to the regulations, the Commission has no mandate. The Commission wishes to emphasise the diverse nature of assistance concerning employment in the Member States and the correspondingly diverse nature of the methodologies used to measure its impact. The improvements foreseen will not harmonise practices across all Member States, since the objective is to enhance the effectiveness and impact of policies within Member States. The greater level of transparency achieved will show where it is possible to aggregate or compare data across Member States, but it will also highlight where such aggregation or comparisons are inappropriate because of different approaches reflecting national or cultural characteristics. The Commission seeks to enhance comparability through the development of a shared understanding and use of common terminology, definitions and approaches, but only where these are appropriate.

II. The role of the ESF in supporting the European Employment Strategy (EES) is reported in the annual national action plans for employment. However, the Commission recognises that it must make more progress to ensure that the ESF is fully integrated into the EES and that there is a clear link highlighting the contribution of other Structural Funds to the Strategy.

In reforming the ESF, the Commission was keen to move away from the target group approach to one based on achieving policy objectives at European level. This gives greater freedom to Member States to define their own priorities and to focus the ESF towards greatest need, in line with national and regional development needs.

The Commission was able to negotiate with Member States some limited changes in the last two years of the programmes to shift resources towards EES priorities '... by reallocations towards preventive action and other EES priorities within the target groups identified for ESF support, due to the flexibility of the programming structure under Objectives 1 and 3.' (joint employment report JER/2000). The EES is the starting point for ESF assistance for the period 2000 to 2006. Analysis of these programmes shows that there is now a much firmer link between the activity funded by the ESF and the four pillars of the EES.

The long-term unemployment situation at any given time determines the balance between the two types of measures. The diversity of situations in the Member States also needs to be taken into consideration.

The guidelines for the employment policies of the Member States are based on the contribution of the Structural Funds as a whole to carrying out the European Employment Strategy.

The programming of structural measures during the period 2000 to 2006 has significantly improved the synergies referred to by the Court, in accordance with the guidelines given by Regulation (EC) No 1260/1999. Synergies between the ERDF and ESF to promote employment have been possible in the context of negotiating the programmes — with measures under one Fund becoming complementary to those carried out by the other.

Consideration should be given to the essential role devolved to the Member States by Regulation (EC) No 1260/1999 in the context of the 2000 to 2006 programming process, in terms of implementing measures co-financed by the Structural Funds and optimising the use of the funds allocated.

III. The regulatory environment in relation to employment for the period 1994 to 1999 differed from that which now exists. The weaknesses which the Court of Auditors has identified in the programming period 1994 to 1999 have been explicitly tackled for the programming period 2000 to 2006, particularly with regard to clarification of the respective responsibilities of the Commission and the Member States in terms of programming. Furthermore, the Commission has provided guidance on how programming should be improved. The establishment of global, specific and operational objectives and the need for quantification at each level have been clearly set out in Commission working documents No 2, 'The *ex ante* evaluation of Structural Fund interventions', and No 3, 'Indicators for monitoring and evaluation: an indicative methodology'. As the Court notes, the process of incremental improvement is evident in the improvements to the programming in Objective 2 SPDs for the period 1997 to 1999 as compared to the previous period.

However, ongoing efforts have been made in the context of the programming period 2000 to 2006 to improve the formulation of objectives and determine relevant indicators. In particular, allocation of a performance reserve halfway through the period 2000 to 2006 implies the existence of reliable objectives and indicators. The programme complements are a significant advance in this regard and should in particular focus attention on the following elements.

Quantification of objectives

Objectives are quantified at global level in the CSFs and at programme level. The programme complement should provide quantified objectives defined at the level for each measure, where the nature of the measure allows for this.

Indicators

- Monitoring and physical implementation (output) indicators corresponding to each OP/SPD measure must be given in the programme complement if they have not been defined in the OP/SPD concerned. These indicators should include those adopted for allocating the performance reserve and those relating to 'effectiveness'. These indicators will be representative, covering at least 50 % of the total cost of the intervention.
- Financial indicators must cover all measures in the OP/SPD.
- Result and impact indicators, used to measure the effects of the intervention, will be available for a significant and sufficiently representative number of measures.

IV. In relation to the difficulties the Court has highlighted regarding the heterogeneity of concepts used and practices, the Commission's work in developing guidance documents and working in cooperation with the Member States is intended to achieve greater understanding and agreement on such methodologies and practices. However, the Commission cannot impose methodologies on the Member States. The regulations require that those responsible for programmes examine and consider the effects and impact of structural

interventions in order to improve their effectiveness and impact in their regional or national context. The primary objective is not to feed into a uniform exercise across the entire territory of the European Union. Where we can aggregate or compare data across Member States, this is useful, but it is not the primary purpose of the programme evaluations undertaken at *ex ante*, mid-term or *ex post* stage.

The results of the mid-term evaluation in relation to measuring the effects on employment reflect the fact that programming in 1994 was not sufficiently focused, making it difficult to measure results. In addition, 1996, the time of the mid-term evaluation, was generally too early in the programming period to measure employment effects. Some useful work was undertaken, however, in refining macroeconomic modelling techniques to enhance forecasts of likely employment effects by the end of the programme period. The *ex post* evaluation of Objective 1 for 1994 to 1999 should demonstrate the appropriateness of the models used and further improvements which may need to be pursued.

The *ex post* evaluations of Objectives 1 and 2 between 1994 and 1999 have been launched and are expected to commence in September 2001 and to be completed within a year. Measuring the effects on employment is a key priority for both evaluations.

V. Reprogramming in general was based on the best quality data available in the Member States at the time. The effect on employment was just one of the criteria for assessing the effectiveness of interventions. Given the lack of comparable data across regions and Member States, it was inevitable that reprogramming at the mid-term review stage could not be based on a comparative analysis in relation to effects on employment.

VI. The Commission welcomes the Court's acknowledgement of the work it has undertaken to promote good evaluation practice in the Member States. The impact of this work will first become evident in the quality of the mid-term evaluations due to be completed by the end of 2003 and in the reprogramming which follows.

VII. The doctrine of State aid is based on evaluation of the maximum acceptable intensity, taking into account requirements in terms of economic or regional development or with a view to achieving a priority Community objective. In the particular case of regional aid, maximum intensity is measured in terms of the value of fixed investments or the costs of the jobs created. Depending on the criterion used in each case, the number of jobs created is taken directly into account.

If the planned number of jobs is not created, the amount of State aid should be reduced in line with the reduction in costs for jobs planned and not created.

- (c) The Commission agrees with the Court's finding and has already taken action as set out below to reduce windfall and displacement effects.
- (d) The Commission authorises aid for rescuing and restructuring enterprises where such aid is the minimum necessary for ensuring the viability of the enterprise and preserving jobs in the long term. Safeguarding employment is also an essential criterion for Structural Fund assistance.
- (e) It is true that the performance of monitoring systems may vary widely; nevertheless, measuring and monitoring the effects on employment cannot in general be done solely through the monitoring system but must also use differentiated evaluation procedures (surveys etc.).

VIII.

- (a) The Commission is prepared to recognise that evaluation, follow-up and mainstreaming of the results of the projects financed in 1994 to 1997 should have been more effective for the purposes of transferring into the mainstream European Social Fund.

Since then, the Commission has improved and is currently improving this transfer of information, namely by developing the description of successful projects on the relevant website.

IX.

- (a) The Commission will continue to promote coherence between the ESF and ERDF through the European Employment Strategy and multifund operational programmes and Single Programming Documents. This work is supported by better programming and evaluation approaches. However, such coherence is ultimately the responsibility of the Member States implementing the programmes supported by the Structural Funds.
- (b) This recommendation has already been implemented in the new regulations for the Structural Funds for 2000 to 2006 and the guidance documents which the Commission has prepared for the current programming period.
- (c) The Commission agrees with the Court's recommendation and has already taken action to reduce windfall and displacement effects, particularly through stronger emphasis on providing indirect support to SMEs. This action was taken on the basis of the Commission's study of the impact of the Structural Funds on SMEs and had the specific objective of reducing windfall and displacement effects.

COMMUNITY EMPLOYMENT POLICY***Methodology for evaluating the impact on employment***

14 and 15. The Court has accurately outlined the Commission's concerns in relation to the absence of a methodology for evaluating the impact of structural interventions on employment, which led to the launching of a range of studies seeking to establish such a methodology.

16. The Commission shares the Court's analysis that the guidance given to date has led to a coherent overall approach on the part of the Member States with the introduction and establishment of a number of key concepts in the area. The Commission agrees that further work remains to be done to develop agreement on precise definitions and methodologies. However, such work must recognise the different approaches taken in different Member States and the need to build on work under way rather than impose a single solution which might undermine the continuation of valuable work already undertaken. The work under way in some Member States represents good practice over many years and also reflects cultural characteristics which should be respected.

One of the conclusions of the latest study undertaken for the Commission, 'Evaluating Structural Fund employment effects' (January 2000), was that improving current practices should be

tackled comprehensively and in stages, taking account of definitions and methodological issues, but also providing guidance on practical issues such as the collection, storage, retrieval and analysis of data. It concluded that 'this is a major undertaking with the need to gain the "buy-in" of partners and, as such, can only realistically be tackled in stages over the lifetime of the new Structural Fund programmes'. The Commission is committed to continuing this work over the programming period 2000 to 2006. The next significant step will be the Commission's *ex post* evaluations of Objectives 1 and 2, which have recently been launched. These large-scale evaluations are expected to be completed by September 2002.

THE IMPACT OF ERDF AID ON EMPLOYMENT***The European Employment Strategy and the ERDF***

17 and 18. It is hard to dispute the observation that none of the employment guidelines, the NAPs or the JER makes explicit reference to the ERDF. However, efforts have been made to put this right. Recital 16 of the employment guidelines 2001 notes that: 'The contribution of the Structural Funds, and in particular the European Social Fund and the Community initiative EQUAL to

the European Employment Strategy in the new programming period should be highlighted, as well as the role of the EIB'.

Coordination within the Commission

19 to 21. These communications should not be read on their own. There were four of them on a yearly basis, and they were all supposed to highlight specific aspects of Community support for employment policy. The 2000 communication mentions at the outset that it describes four broad areas of Community policy particularly relevant to the agenda for the Lisbon Summit.

Secondly, Objective 2 areas receive particular attention because it was considered, in cooperation with the services directly concerned, that support for employment was particularly apparent for this type of objective, especially in the context of the Lisbon strategy which insists on achieving full employment through life-long learning and other developments facilitating readaptation and competitiveness.

Ex ante evaluation, setting objectives and defining indicators

ERDF RDPs, CSFs, SPDs and OPs for Objective 1 (programming period 1994 to 1999)

24 to 27. The regulatory environment in relation to employment for the period 1994 to 1999 was *different to that which now exists*. The weaknesses identified by the Court of Auditors in the programming period 1994 to 1999 relating to Objective 1 have been explicitly tackled for the programming period 2000 to 2006. The establishment of global, specific and operational objectives and the need for quantification at each level have been clearly set out in the Commission working documents No 2 (The *ex ante* evaluation of Structural Fund interventions) and No 3 (Indicators for monitoring and evaluation: an indicative methodology).

26. The Hermin model, funded by the Commission, produced comparable estimates at CSF level across large Objective 1 Member States. This work contributed to the programme negotiations in those countries at the start of the programming period 1994 to 1999.

27.

(a) The Commission understands the Court's criticisms. However, to a significant extent these weaknesses stemmed from weaknesses in programming by the Member States. In

response, the Commission proposed significant changes to the Regulations to clarify the respective responsibilities of the Commission and the Member States in planning, implementing, monitoring and evaluating the Structural Funds. The Member States accepted those responsibilities in adopting the Regulation. In addition, the Commission has produced guidance to the Member States in the form of working documents on *ex ante* evaluation, indicators for monitoring and evaluation, implementation of the performance reserve and, most recently, mid-term evaluation.

A further point to note is that employment was only one of a number of general objectives for the Structural Funds in the period 1994 to 1999.

SPDs for Objective 2 (programming period 1997 to 1999)

28. The Objective 2 programming of 1997 to 1999 enabled some of the lessons from the 1994 programming to be put into practice. Therefore, as the Court of Auditors notes, the programming demonstrates an improvement in the quantification of objectives in relation to effects on employment.

29. The programming period 1997 to 1999 was short, and expenditure under the programme will only be complete at the end of 2001. While some refinement of indicators did take place in some Member States during the implementation period, the *ex post* evaluation of Objective 2 will allow a comprehensive examination of progress made in measuring the employment effects of Structural Fund assistance.

Weaknesses in the approaches adopted for evaluation

33. In relation to the difficulties highlighted by the Court regarding the heterogeneity of concepts and practices, the Commission's work in developing guidance documents and working in cooperation with the Member States aims to achieve greater understanding and agreement on such methodologies and practices. However, the Commission cannot impose methodologies on the Member States. The regulations require that those responsible for programmes examine and consider the effects and impact of structural interventions in order to improve their effectiveness and impact in their regional or national context. The primary objective is not to feed into a uniform exercise across the entire territory of the European Union. Where we can aggregate or compare data across Member States, this is useful, but it is not the primary purpose of the programme evaluations undertaken at the *ex ante*, mid-term or *ex post* stage. The results of the mid-term evaluation in relation to the measurement of effects on employment reflect the fact that programming in 1994 was not sufficiently focused, therefore making it difficult to measure results. In

addition, 1996, the time of the mid-term evaluation, was generally too early in the programming period to measure employment effects. Some useful work was undertaken, however, in refining macroeconomic modelling techniques to enhance forecasts of likely employment effects by the end of the programme period. The *ex post* evaluation of Objective 1 1994 to 1999 should demonstrate the appropriateness of the models used and further improvements which may need to be pursued.

34 to 36. The Court's analysis reflects the serious efforts made in the regions and by the mid-term evaluators to measure employment effects using a 'bottom up' approach, which is particularly necessary in small Objective 1 regions. By definition, such an approach must reflect the specific nature of regions and programmes, and it is not suitable for aggregation at national or EU level. However, it is important not to undermine the usefulness of such an approach. It is essential for measuring the employment effects of the interventions concerned and their context, and it also stimulates improvements to those interventions and their related data-gathering systems.

35. The example in footnote 23 shows the difficulty, rightly referred to by the Court, of obtaining reliable statistics on a small geographical scale (three cantons) which does not correspond to an administrative or economic breakdown. It should be noted that for the period 2000 to 2006, efforts have been made to define a common frame of reference and to organise the collection of statistics.

37 and 38. The alternative to the bottom up approach is the use of 'top down' techniques including macroeconomic modelling, input-output models and counterfactual analysis. As the Court points out, there is an inevitable margin of error in applying such techniques, but the advantage is the generation of more comparable results across regions and Member States. Across large Objective 1 Member States, the Commission has applied the same macroeconomic modelling techniques, using both the Hermin and QUEST models. Because of weaknesses in relation to both the bottom up and top down approaches, the Commission prefers a combination of both as the ideal approach where possible.

Reprogramming

39 and 40. Given the lack of comparable data across regions and Member States and, therefore, the absence of benchmarks in relation to costs, it was inevitable that reprogramming at mid-term review stage could not be based on a comparative analysis of costs and benefits. The lack in some cases of a revision of quantified targets following increases or reductions in financial allocations was clearly a weakness which must be avoided in the mid-term reviews which will take place in 2004.

40. The Commission points out that this work was undertaken on its initiative. The Commission funded it in the interests of developing good practice in the United Kingdom.

Ex post evaluation

41 and 42. The *ex post* evaluations of Objectives 1 and 2 between 1994 and 1999 have been launched and are expected to commence in September 2001 and be completed one year later. Measuring the effects on employment is a key priority for both evaluations. They are not being undertaken until after all expenditure is complete, so it is anticipated that good quality data on the performance of the programmes will be available. It is recognised, however, that an evaluation exercise such as the *ex post* evaluation will not be able to capture the full employment effects of some interventions, which may not be fully evident until some years later. However, the deadline was set down in the Regulations in accordance with good practice in evaluating structural interventions in general.

Proposals for improving evaluation

43 to 45. The Commission agrees with the Court on the usefulness of the findings of the Commission's study on 'Evaluating Structural Fund employment effects'. As mentioned above, this study was the latest in the series contracted by the Commission, all aiming to enhance measurement of the efficiency, effectiveness and impact of structural interventions. The Commission has considered the findings of the study and has discussed them with the Member States. The findings, however, cannot replace the existing framework for the evaluation of the Structural Funds. To the extent that the findings have been accepted, the Commission is working to respond to the recommendations made and the results of the *ex post* evaluations will support this work. The Commission would point out, in relation to the finding of a lack of coherence between the ERDF and the ESF, that all its working documents on programming and evaluation apply to structural interventions co-financed by all Structural Funds, and they therefore provide a framework for such synergies.

Taking impact on employment into account for the programming period 2000 to 2006

46 to 48. The Court has presented the situation in relation to the programming for the period 2000 to 2006. A priority for the Commission in the negotiations has been to ensure systematic application of the principles of quantification of objectives in line with the Commission's guidance contained in its working documents. The existence of the performance reserve creates an additional imperative to ensure that appropriate indicators are quantified. This work is continuing.

Aid for productive investment

Taking employment into account

Conditions governing the granting of aid

49 to 77. The analysis in these paragraphs highlights the inevitable diversity of practice across Member States. The Commission does not wish to prevent this, and indeed welcomes it as it promotes experimentation and the development of best practice in relation to methodologies which are not yet and never will be perfect. The Commission's objective is to help Member States and regional and local authorities to improve methods and techniques, and where common definitions and methodologies are appropriate the Commission promotes their use.

Mechanisms designed to augment the net impact on employment

Deadweight effects

54 and 55. For cases in Portugal, the Commission proposes asking the Member State for elements to enable the importance of these effects to be assessed when terminating the programme. These points should also be analysed in the context of the ex post evaluation.

Displacement effects

57. Legal frameworks for aid systems differ from one region to another.

Monitoring

Weaknesses in the monitoring arrangements

59. The Commission agrees that necessary information on jobs created and maintained should be gathered. However, it should be noted that there is no legal basis for the Commission to impose the application of harmonised methodologies among regions for the collection of data.

61. France: when granting ERDF aid relating only to a part of the investment, there is no differentiation or pro rata for specifying the 'percentage' of the Community contribution to the total of jobs created or maintained.

Differences between forecasts and outturn

62. The Commission has no competence to initiate evaluations at project level. Responsibility for monitoring and examination of

the level of jobs created lies with the Member States. Nevertheless, it must still be recognised that a discrepancy exists between forecasts/estimates and actual achievements. Any improvement in this area depends on the willingness and ability of those responsible to monitor the projects.

With regard to the period 2000 to 2006, improvements in the information held by the Member States can be expected as a result of the obligations imposed by the new regulations.

65. France: for the period 2000 to 2006, the Commission has co-financed a national computerisation programme in France which will enable each region to have its own monitoring software with, in particular, indicators regarding jobs per project. Regardless of basic methodological interrogations and the capacity to provide reliable information on these indicators, hitherto fragmentary data will now be available.

Italy: tables drawn up in Italy, based on the top down approach, already make it possible at times (for example in the case of Law 488/92) to estimate the number of jobs created or maintained at project level. This information is contained in the list of co-financed projects attached to the annual reports.

Problems concerning safeguarded jobs

66. The statistical error referred to by the Court occurred during the first stage of implementation of the Spanish OP.

Following improvements to the monitoring system, double counting of jobs disappeared from the last annual report and will not occur in the final report. Jobs created and jobs maintained by one investment receiving several amounts of aid from the ERDF during implementation of the OP are only counted once (footnote 1 on p. 20).

Consequences of programme flexibility

67 to 77. The flexibility permitted the Member States is based on the Structural Funds Regulation.

The Commission is not responsible for evaluation at project level.

68. The aid referred to in footnote 2 on p. 20 was finally withdrawn from the operational programme following interservice consultations and discussions held during the two meetings of the OP Monitoring Committee in 1999.

Consequences of programme flexibility

70. Concerning the choice of projects, it should be pointed out that the Commission does not intervene in the programming of the projects themselves.

THE EUROPEAN SOCIAL FUND (ESF) INTERVENTIONS TO COMBAT LONG-TERM UNEMPLOYMENT

Long-term unemployment

80. The Court notes that long-term unemployment remains at relatively high levels despite the sums spent on reducing it. This underlines the difficulty faced in finding work for those who have fallen into long-term unemployment.

The management of policy and actions by the Commission

The European Employment Strategy and the ESF interventions

93. It is left to Member States to decide which instruments they want to use in order to meet specific targets.

94. The Commission, through the EES, has encouraged the extension of more preventive active labour market policies to stop people moving into long-term unemployment in the first place.

95. The problem of the very long-term unemployed has been raised in the JER 2000 and is emphasised in the NAP on social inclusion developed by Member States. Based on an analysis of this year's NAPs, Member States appear to have focused more attention on this group.

96. Both the EES and ESF are mid-term strategies or instruments which allow for adjustments in the face of changing circumstances but whose basic direction and objectives remain stable in the mid-term. As there should only be an element of annual fine-tuning, the detrimental effects of any apparent difference in timetables are limited.

98. It is true that not all Member States provide information in their NAPs on ESF support for the employment guidelines. Although there are some more recent examples of Member States

putting this right, this is a matter of concern which deserves more attention in the future.

The scale of the ESF and the nature of labour market problems in Member States influence the content of programmes and the balance of support across the four pillars of the EES. The underlying concern is to concentrate support where it will have greatest effect both in relation to labour market needs and the level of existing financial support for particular activities. Where a Member State already invests heavily in a particular area, the value added by the ESF in that area may not be high.

Financial management of the operational programmes

102. The operational programmes and Single Programming Documents represent and describe the strategies of the Member States. However, they should take account of the objectives and priorities defined by the Commission.

It is in this perspective, and bearing in mind the need for balance between the specific characteristics of each Member State and Community strategy, that the programming documents and their amendments must be analysed.

103. Confirmation of the decision by the Monitoring Committee takes the form of a formal decision by the Commission. Bearing in mind the length of this procedure and the time which may be required for improving the Monitoring Committee proposal in terms of presentation and content, the deadline could prove to be too short.

Evaluation reports

104. To overcome these shortcomings, the Commission has produced precise guidelines for 2000 to 2006 on monitoring and evaluation systems.

Given their diversity, it is not surprising that there are no indicators adapted to all types of measure. Moreover, some types of measure do not lend themselves easily to quantification by means of an indicator.

In the case of strictly comparable measures (which is fairly theoretical), there could in fact be indicators making it possible to carry out these aggregations and/or comparisons. The primary objective of evaluations of ESF priorities and measures remains the assessment of the impact of the measures implemented.

The general finding of 'limited targeting', particularly with regard to the long-term unemployed, is confirmed by the results of the evaluations.

The criteria for success in measuring the impact of the ESF are not expressed principally in terms of the number of jobs created but in an increase in employability, improved integration into the labour market or progression towards employment (in the case of groups far removed from the labour market). In addition, the evaluations have shown that where the targeting was accurate, ESF interventions were more effective.

In the case of Objectives 1 and 3, the macroeconomic impact of ESF measures was not measured; on the other hand, structuring effects of different degrees on systems (training, active labour market policy systems) were identified in a number of cases. Identification of net effects was not general practice in evaluations of Objectives 1 and 3 for the period 1994 to 1999, but is noted in at least six Member States with regard to Objective 3.

108. This finding is a very pertinent one. In terms of the upcoming reallocation of performance reserve and the related mid-term evaluation exercise, the Commission should take special care to ensure that the recommendations made in the mid-term evaluations (in terms of initial programme results) will actually direct the distribution of the performance reserve towards those programmes identified as successful (i.e. achieving all objectives in a cost-efficient way).

Audit of Article 6 projects

110 to 112. The 1994 to 1998 calls for proposals for pilot projects were theme-oriented and hence did not specifically target a group or groups. A database for projects from 1996 onwards managed by the Commission (1994 and 1995 projects were managed by the Member States) was established according to a range of criteria, including target groups, and the long-term unemployed were the beneficiaries of some of these pilot measures. (The database has been available since summer 2000 on the website of the Directorate-General for Employment and social affairs).

112. As regards the Court's references to project management, and to delays in implementation and in making final payments, a distinction should be made between the 1994/1995 projects and projects from 1996 onwards. Member States were and are responsible for the management of the 1994/1995 projects, as well as for passing on information to the Commission. In some cases this has indeed resulted in considerable delays in the closure of projects, since the Commission did not have sufficiently detailed information to calculate the final ESF grant, always having to pass through the relevant national public departments to obtain the necessary

information. The situation is quite different since 1996, and a constant improvement in the management system and the establishment of different tools (handbook for promoters, standardised reporting procedures, seminars, visits to monitor activities and expenditure, external evaluation, intranet) ensures a consistent approach from both the Commission and project promoters when dealing with monitoring, reporting and payment requests.

113 to 115. The Commission recognises that the evaluation and follow-up of the results and impact of the projects supported between 1994 and 1997 may not have been sufficiently active to enable the mainstreaming of information into general European Social Fund measures. However, since 1996 these projects appear on Europa on the ESF website. Also, an overall evaluation of the 1994 and 1995 projects was carried out by an external consultant and, where relevant, a number of 1996 and 1997 projects were included in the capitalisation exercise for projects funded under the 'Third system and employment' programme. The 1996 and 1997 projects have also been publicised in the project directory published by the Commission.

More proactively, since 1998 the Commission has reinforced the monitoring, evaluation and follow-up of Article 6 projects. Projects are accompanied by an ongoing evaluation conducted by external experts, whilst almost half of the projects have already been visited by staff from the managing unit. An interim evaluation report was presented to the ESF Committee last December and the first annual report will follow in December 2001.

The Commission has the impression, however, that in spite of information provided through the ESF Committee and other initiatives as described above, Article 6 projects are treated as a low priority by some of the Member States. This could perhaps be linked to the fact that they are not responsible financially for these projects. Nevertheless, projects are asked to mainstream and publicise their activities as much as possible, and there is evidence that in some cases a project has ended prematurely because it has been 'absorbed' into mainstream activities by the Member State. The Commission is actively considering what steps it can take to ensure a better flow of usable information to the Member States about the results and findings of Article 6 projects in order to capitalise fully on these projects and improve mainstreaming into the European Social Fund.

Management in the Member States

Vague definition of 'long-term unemployed'

117 and 118. The Commission agrees with these comments, but the definition of long-term unemployed rests with each Member State.

118 to 121. There is a degree of flexibility in the implementation of programmes to allow greater sensitivity to national and regional needs and practices.

Programmes had begun before the EES was introduced, and this made it more difficult to fully integrate the statistical and programming demands of the EES into programmes for 1994 to 1999.

Low priority of long-term unemployed and employment aid

120. It is also true that employment aid (particularly recruitment subsidies) is important, but it may have significant windfall effects. The fact that not all programmes make use of employment aid highlights differences in national contexts.

CONCLUSIONS AND RECOMMENDATIONS

ERDF

126. The Commission agrees with the analysis that the ERDF has two primary aims — to enhance the competitiveness of regional economies and to create employment. Sometimes these two objectives have contradictory effects in the area of employment.

A further point is that the Commission's guidance on indicators, together with its insistence on the development of information systems in the Member States, will strengthen the quality of data for the period 2000 to 2006.

127. This was also the Commission's position in relation to the period 1994 to 1999; hence the significant improvements for the period 2000 to 2006.

128. The Commission will continue to promote good practice in evaluation and the use of common definitions and methodologies where appropriate. However, as stated above on a number of occasions, the Commission has no mandate to impose on the Member States methodologies which in many cases would be inappropriate to the specific nature of the interventions being funded. Aggregation of data is not the primary objective in evaluating Structural Fund interventions. Rather, the objective is to establish progress towards economic and social cohesion, to identify improvements which will enhance the impact of the Structural Funds in their national or regional context, and to account for the expenditure of the funds which have been allocated.

129. The Court has clearly outlined the Commission's position. However, the Commission would point out that the bottom up approach cannot involve the same methodology in all cases, given the different interventions and contexts involved.

131. The Commission considers that in the programming period 2000 to 2006 the ERDF is taken into account in the European Employment Strategy and that this is apparent in the programme of interventions.

ESF

132. The scope of the ESF is much wider than the fight against long-term unemployment (LTU), and its impact should not be quantified only on the LTU rate. Moreover, the EU's developing economic situation during the period in question needs to be borne in mind.

134. The Court states that there are inconsistencies between the EES and ESF activities. As noted earlier, the EES arrived a number of years after ESF regulations for the period 1994 to 1999 had taken effect. However, ESF regulations for the period 2000 to 2006 take the EES as its starting point.

135. Employment aid is certainly an important element in systems to combat long-term unemployment, but it frequently comes into play only after a process of integration (training, orientation, individual monitoring, etc.) aimed at improving the employability of job seekers who have been absent from the labour market for a long period.

137. The Commission shares the Court's findings and points out that the evaluations related to priorities and measures as defined in the programmes, and despite shortcomings, particularly with regard to indicators and monitoring systems, they have produced encouraging results and lessons for the period 2000 to 2006.

138. This issue has been considerably improved, for instance through publications on the relevant website.

General recommendations

141. Through the current programmes, the Commission is working towards improvements in this area. Through the annual meetings with Member States and managing authorities, it will review all aspects of programme implementation including the question of coherence between the ESF and ERDF.

142. This recommendation has already been implemented, where appropriate, in the new regulations for the Structural Funds for 2000 to 2006 and the guidance documents which the Commission has prepared for the current programming period. As regards the recommendation to harmonise data collection techniques and aggregation methods, this can only be done where appropriate, i.e. where interventions and their contexts are similar.

143. The Commission agrees with the Court's recommendation and has already taken action to reduce windfall and displacement effects, particularly through a stronger emphasis on indirect support to SMEs. This action was taken on the basis of the Commission's study of the impact of the Structural Funds on SMEs and had the specific objective of reducing windfall and displacement effects.
