Federal Ministry
of Labour and Social Affairs

SUMMARY

Study on the further development of the European Social Fund (ESF) in the 2028-2034 funding period

Summary:

Study on the further development and optimisation of the implementation of the European Social Fund (ESF) in the funding period 2028 – 2034 ("Future Study ESF 2028 ff")

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The contractors had independent scientific responsibility for conducting the analyses and drawing conclusions from the analyses. The Federal Ministry of Labour and Social Affairs assumes no liability for the correctness, accuracy and completeness of the studies.

Contents

Summary

Background and aim of the study

The European Social Fund Plus is an important instrument of European cohesion policy contributing to the promotion of employment, education and social inclusion in Europe. One the one hand, ever new areas of application are being defined and differentiated whilst on the other, the volume of funding is constantly decreasing, making the issue of efficient processing and management increasingly relevant. This is juxtaposed, however, by very high and complex demands placed on the professional administration of the ESF Plus programmes. Efforts to streamline management are countered by new and changed requirements.

Against this backdrop, this study explores the administrative challenges faced by the German programme authorities in implementing the current ESF Plus funding period. The guiding question of the study is how a high quality of programme administration can be achieved without it becoming disproportionate to the available funding. The aim is to develop specific recommendations for improving the legal framework and further developing the administration of the programme, taking into account European and national legal arrangements as well as the priorities of the ESF Plus programmes at Federal Government and *Länder* level and the specific form the implementation structures take.

Methodology

The study was conducted in three phases:

- The first phase was a stocktaking exercise to obtain a basic understanding of the (legal) requirements for programme administration and the functions this gives rise to. Additionally, this phase also included an analysis of the substantive priorities in the ESF Plus programmes at Federal Government and *Länder* level.

- In the second phase, factors that significantly impact programme administration were identified and analysed. Based on the stocktake, the main programme administration functions were identified and narrowed down.

- In the third phase, the findings were assessed and used to draw up recommendations for the European and national levels.

Methodologically, the study was based on a comprehensive analysis of programme documents, for instance the ESF Plus programmes, documents on the management and control systems, the financing plans for the measures funded and other relevant literature. Alongside this, individual and group interviews (mostly lasting several hours) were conducted with representatives of various programme authorities at federal and *Länder* level. Building on these interviews, a standardised survey was conducted at all managing authorities to ensure a uniform basis for assessing the different functions. Finally, an additional survey was conducted at two managing authorities with the aim of estimating management costs.

Key findings

The findings can be summarised as follows:

- **Design of the structures**: The detailed design of the structures has a content-related and an implementation-related aspect. In terms of content, ESF Plus programmes are characterised by heterogeneity when it comes to the specific objectives and the number of priorities that are selected. There is a perceptible correlation between the size of the financial volume and the number of specific objectives selected, but not in relation to the heterogeneity of the funding measures. The Federal Government and *Länder* diverge in their priorities in terms of the content the funding focusses on. However, the programmes do overlap to some extent. There is also a clear correlation between the volume of funding and the number of funding programmes. The implementation of "mass funding instruments" only appears practicable once a certain volume of funding is reached – which at the same time translates into an increasing administrative capacity.

  In terms of implementation, the form the structures take is characterised by a great deal of heterogeneity and individual development trajectories. The number of stakeholders involved varies considerably in some cases. Although there has been a trend in recent years towards a reduction in, for instance, the number of bodies managing the funds, programme administration is still marked by a separation of functions and division of responsibilities. Irrespective of these differences, the analyses indicate that management costs tend to be high compared to the total volume of funding. These are significantly higher than previously reported figures and amount to around 10 or 12 per cent.

- **Implications of the administrative functions**: The sheer scope of the tasks and functions makes professional programme administration very complex. As a result, there are many varying, sometimes piecemeal approaches to reducing the administrative burden in relation to the individual functions of programme administration. There are, however, two key issues that are of particular importance for programme administration.

  First, this is the amount of data that needs to be collected, documented and tracked. In addition to establishing appropriate procedures, IT systems have to be developed to cover all the ESF's particularities. These particularities make the ESF so difficult to connect to other funding logics that independent systems have to be built, or complex interfaces have to be programmed between different systems. It is particularly serious that a large amount of data – but also other requirements - have no discernible control relevance for the German programme authorities. Some of this data is used for reporting to the European Commission, but even here the usefulness of this information is decidedly questionable.

  Second, the audit system as a whole is extraordinarily complex and characterised by a high number of audit bodies at national and European level. The complexity of the ESF and the host of legal requirements means this creates a very broad audit field. With a certain variance between the individual *Länder* and the Federal Government, the authors of this study's overall impression is that the aspect of passing the audit already plays a considerable role when deciding on funding measures, or failing that, at least over the course of programme implementation. In an attempt to avoid any errors, this makes it preferable to document more than required and to establish backup mechanisms so that no audit findings are issued. Gold plating, or the application of stricter rules by the audit authorities than those set out by the regulations, is also part of this context.

- **Framework conditions for programme implementation**: The very late provision of the regulations, in particular, combined with new requirements from the European Commission at the

end of the programme preparation processes, has a highly negative impact on the implementation of funding. This starts with delays in programme approvals and in implementation preparation, particularly of the IT systems, and continues through to ensuring the continuity of funding and the scheduled implementation of the programmes. In addition, there are huge spikes in the burden for the administration at the beginning of the funding period. Ultimately, the delayed provision of the legal basis can contribute to a failure to achieve the objectives and thus also to a reduction in the ESF Plus' contribution to cohesion policy. Last but not least, control instruments that in and of themselves make sense, such as the mid-term review, lose their potential value. Although in some cases measures are started before programme approval, this entails risks.

Another important framework condition is the continuity of implementation conditions. This means not just a stable legal framework, but also continuity in terms of staff, stakeholders/cooperation structures, IT systems and documents. Changes to this continuity are almost always perceived as (extremely) burdensome and a driver of cost and effort. This also impacts the innovation potential of the ESF.

Recommendations

Based on the findings, guiding principles and recommendations were developed for the European and national levels with the aim of reducing the administrative burden.

- **At European level**, we suggest a heavier focus on the key objectives of the ESF; the content-related framework for action should be significantly simplified and designed to rule out overlaps. The need to establish and justify links to other strategies and initiatives should be largely avoided to increase the controllability of the fund. At the same time, the ESF must become more flexible in the face of increasing crises to be able to adjust to new needs as swiftly and efficiently as possible.

  To reduce the administrative burden and increase the attractiveness of the ESF for potential beneficiaries, the amount of data to be collected should be heavily reduced, for instance the data to be collected and stored on beneficiaries and operations, coding and indicators to be performed and reported. The frequency of reporting should also be lowered. Last but not least, requirements that are largely meaningless for the ESF, such as those relating to operations of strategic importance, should be done away with.

  With regard to the audit system, the increased use of simplified cost options does indeed reduce the audit effort, but it shifts the focus of audits to new audit areas that often have little to do with the quality of implementation and the achievement of objectives. The highly differentiated audit system with overlapping stakeholder responsibilities should be streamlined as a whole, by the audit authorities concentrating on the functioning of the management and control system.

  In terms of the framework conditions, the recommendations relate first and foremost to creating stable core requirements for administration – for instance in the form of a "basic regulation" that applies for multiple funding periods, and creating planning certainty, characterised above all by the legal basis being provided in time.

  This also includes keeping the current financing and settlement logic with the European Commission. Switching to mandatory use of financing not linked to costs is not expedient, all things otherwise being equal, and will not lead to any major improvement in management efficiency.

- **At national level,** the impacts of the European legal framework are more or less directly visible. Nonetheless, efforts can also be made here to reduce the administrative burden.

  If the content tackled by funding by the Federal Government and the *Länder* were more strictly separated, this could lead to less coherence coordination, although the potential for this realistically remains limited. Furthermore, the cooperation and dialogue formats that already exist in some cases with other authorities or between the Federal Government and the *Länder* should be stepped up – also in relation to administrative implementation.

  This awareness must also be honed within the respective programme implementation structures, for instance by establishing an administrability check for the funded measures or by standardising processes and improving knowledge management.

  Having said that, the potential for and limits of reducing the administrative burden continue to hinge first and foremost on European requirements. By focussing on administrative aspects, the conflict between such "technical" aspects and substantive funding considerations still remains and has no prospect of being resolved in the future either.

Overall assessment

1. Key findings of the study

ESF programme administration is extremely complex and therefore has a wide range of legal, content-related and organisational leverage points, which are addressed in this report and in part described in detail. Based on the previous chapters, the following overarching findings apply:

1.1 European legal framework

There are numerous regulations governing administrative functions and how beneficial it would be to eliminate these varies. For instance, putting an end to the mid-term review requirement as part of overall programme administration would provide temporary relief, but its overall impact would be modest, as it is a one-time requirement with a limited functional scope in practice. On the other hand, a drastic reduction in the data to be collected, documented and tracked would hugely change all stages of programme administration.

Based on the findings, there are two key topics that are especially relevant in terms of the number of tasks and functions.

- The first is the aforementioned data that needs to be collected, documented and tracked. This requires, *inter alia*, developing IT systems that cover all ESF particularities. These particularities make the ESF so difficult to connect to other funding logics that independent systems have to be built, or complex interfaces have to be programmed between different systems. This applies not just to the process of data collection, but also to the volume of data or information to be collected. A great "passion for data collection" is a typical characteristic of European regulations. Yet this data often has no relevance for the programme authorities. The data collected also often remains unused or has no practical relevance when evaluating the programmes. Examples include different coding systems for the funded operations or information on selected and reportable enabling conditions. At the same time, many processes and processing routines have to be defined, coordinated and implemented for the collection and statistical editing of data, especially if it relates to beneficiaries or participants, which greatly inflates the administrative burden. This is also especially reflected in the results of the structured survey. Respondents' assessments were particularly negative when the effort invested did not give rise to any discernible benefit. In these cases, the effort required was viewed particularly negatively, even if objectively it ties up fewer staff resources than other, better-rated tasks and functions.

- Second, the audit system as a whole is exceptionally complex and marked by a high number of audit bodies at national and European level. The complexity of the ESF leads to very broad auditing. As a consequence, the principle of a single audit – from the perspective of those audited – cannot be complied with. With a certain variance between the individual *Länder* and the Federal Government, the overall impression of the authors of this report is that the aspect of passing the audit already plays a major role when deciding on funding measures, or failing that, at least over the course of programme implementation. In an attempt to avoid any errors, this makes it preferable to document more than required and to establish backup mechanisms so that no audit findings are issued. Gold plating, or the application of stricter rules by the audit authorities than those set out by the regulations, is also part of this context. Last but not least, negative views on the scope of the audit system are closely linked to the diverse requirements placed on programme administration, which at the same time expands the potential audit fields.

Apart from these identifiable key points, a comprehensive analysis of the study findings also reveals a very large spread in assessment in some cases. This can only be attributed to a small extent to the existing programme implementation structures. Only in exceptional cases is it possible to identify a trend in terms of how particular topics are judged by managing authorities with complex structures – many specialised departments and measures, outsourced fund-managing bodies, interface problems. One example of this is the respondents' assessment of the audit system, which is somewhat more negative in complex administrative structures than in cases with a "simpler" administrative structure.

1.2 National implementation level: Orientation and structures of the ESF in Germany

An analysis of the content of the ESF Plus programmes by the Federal Government and *Länder* initially reveals a great deal of heterogeneity. Although the link to specific objectives does make it possible to discern priorities, the sometimes very broad scope of the specific objectives as thematic containers mean that at first glance there are no differentiating features. These only become clear upon closer examination of the content of the measures. Whilst a large proportion of the funding in the federal programme is allocated to measures to promote businesses or specific measures for migrants, the *Länder* tend to focus on topics such as initial vocational training, school education, measures for jobseekers or vocational training for adults. Although content overlaps here, too, there are clear differences between the Federal Government and *Länder*.

There is also a clear correlation between the volume of funding on the one hand and the number of operations funded on the other. The lower the volume of funding, the lower the number of operations. As the volume of funding increases, the number of operations increases more significantly than the amount of funding alone would suggest. This means that the implementation of funding measures with an individual funding approach by individuals or companies only becomes likely once a certain volume of funding has been reached. Although there are certainly current and past examples to the contrary, the overall picture corroborates this finding. This can also be partly explained by the administrative burdens associated with such "mass funding", which are hard to afford for programmes with low funding volumes.

In terms of stakeholder structures, there are 17 different forms for implementing the European and national legal requirements. The degree of complexity varies greatly, in some cases there are duplicate structures with the same functions for different funding programmes. The forms stakeholder and implementation structures take are shaped to a large extent by past decisions which may still have an impact today. These trajectory dependencies concern, for instance, the matter of which stakeholders perform which functions, but also which cooperation routines have developed. Changes to these development trajectories can cause considerable disruption.

With regard to heterogeneity, too, cooperation does exist across different programmes and programme authorities and is also consistently perceived as positive, but it is comparatively limited due to requirements specific to the *Länder* or the federal level or because of initial starting conditions. Content-related cooperation is most likely to be seen in the field of IT. That said, content-related coordination, for instance, for a joint positioning of European requirements should not be underestimated.

1.3 Framework conditions

The framework conditions for funding are key to its implementation. The very late provision of the regulations in particular, combined with new requirements from the European Commission at the

end of the programme preparation processes, has been shown to have had a huge impact on the implementation of the funding and still does. This starts with programme approval and implementation preparation, in particular of the IT systems, and continues through to ensuring funding continuity all the way to implementing the programmes on schedule. Ultimately, the delayed provision of the legal basis can contribute to a failure to achieve the objectives and thus also to a reduction in the ESF Plus' contribution to cohesion policy. Control instruments that in and of themselves make sense, such as the mid-term review, then lose their potential value. Although in some cases measures are started before programme approval, this entails risks.

Another important framework condition is the continuity of implementation conditions. This means not just a stable legal framework, but also continuity in terms of staff, stakeholders/cooperation structures, IT systems and documents. Changes to this continuity are almost always perceived as (extremely) burdensome and a driver of effort and costs. This also impacts the innovation potential of the ESF.

1.4   At the meta level

The European Social Fund is a key element of cohesion policy intended to improve the educational and employment opportunities of people in Europe. However, the findings of this study show that the way the ESF is managed and administrated makes it much more difficult to achieve its objectives in many areas and in some cases makes no discernible contribution to its controllability. At the same time, the requirements are gradually increasing and, at least in the longer term, will have to be implemented by less experienced and trained staff. At the same time, many requirements are trickling down all the way to the beneficiaries, increasing the bureaucratic overhead for funding recipients. In light of this, the requirements that have to be met will also play a key role in determining the extent to which European Social Fund support is used in the future.

The initial hypothesis formulated in the introduction to this report that the steadily decreasing volume of ESF funding in Germany is making it increasingly disproportionate to the increased or at least in many cases not simplified fund administration requirements cannot be clearly quantified, especially when it comes to data requirements and the audit system, but the trend can certainly be confirmed.

The next section presents scenarios that outline and briefly categorise different forms of administrative adjustments. It then formulates guiding principles and recommendations at European and national level aiming to simplify administration whilst taking into account substantive aspects of ESF funding.

2. Scenarios

Based on the empirical findings and their summary, this section presents various scenarios involving changes to the status quo with varying degrees of intervention. It distinguishes between two levels, which are also relevant for the subsequent recommendations: the first level concentrates on the European legal framework, the second on national implementation of the ESF. The two levels are not independent of each other, of course, and links are highlighted accordingly in the analysis. It should be stressed at the outset that the scenarios are **not** recommendations, but rather a contoured presentation of different possible development trajectories.

The framework conditions for funding, which are extremely important for programme administration, are not directly part of the scenarios. The aspect of the timely provision of the legal

basis for a funding period should be underscored here in particular. The trend towards ever-later adoption over recent funding periods poses a tremendous challenge for programme administration, causing delays throughout the entire chain of a programme cycle and jeopardising implementation continuity. Here it should be noted that the administrative overhead is highest at the beginning of a funding period. Last but not least, the delays also jeopardise the meaningfulness of the not insignificant requirements of the regulations themselves, such as the usefulness of the mid-term review and the performance framework. As such, early provision has hugely positive impacts in all scenarios.

Bearing all this in mind, this section describes three scenarios for each level (European and national framework):

- Disruptive scenario: This scenario describes a situation that differs greatly from the current status quo and would involve a maximum degree of administrative simplification in relation to the interdependencies identified.

- Gradual scenario: This scenario describes a situation that differs from current programme administration on selected points.

- Status quo scenario: This scenario describes the continuation of current development trajectories that would result if no changes were made.

In contrast to the previous part of the report, the following section starts with scenarios at European level, as the changes here determine national design options and will need to be referred back to later in the report.

By their very nature, the scenarios do not necessarily harbour realistic chances of materialising. They are therefore first outlined, then roughly initially assessed.

2.1 European level

Disruptive scenario

The entire legal framework is reviewed to determine the extent to which the provisions are necessary for managing and winding up the programmes in a legally compliant way and for subsequently assessing them. The legal basis accommodates the premise of the simplest possible winding up and the resulting optimal cost-benefit ratio. In this context, the legal framework defines key administration requirements that remain stable over multiple funding periods.

Expectations regarding the content covered by the ESF are confined to the key themes of the ESF, as can also be derived from the Treaty on the Functioning of the European Union. The focus is on promoting education, employment and social inclusion. Accompanying components or strategic links whose data has to be mapped that are unrelated to the subject area no longer form part of the European Social Fund. The ESF nonetheless offers the opportunity to respond flexibly to unforeseeable developments. The Partnership Agreement focuses on topics of national importance (for instance fulfilling enabling conditions), lessening the programme overhead.

Under the premise of control-relevant and lean programme administration, the requirements for (electronic) data management are drastically and systematically reduced. The amount of data to be collected, captured and documented is kept to a necessary minimum. This includes, in particular, a reduction in the 142-field list and, in this context, the requirements for coding and indicators. Structural Fund and ESF funding particularities are also reduced with a view to facilitating ESF data compatibility with other funding instruments.

The audit system is simplified. The second audit level is either eliminated completely or is confined to auditing the functionality of the management and control system. Audits of operations are – as previously - carried out by the managing authorities or the intermediate bodies at the first audit level. "Simple errors" that do not indicate systematic fraud or a breach of the law are documented in audit reports and addressed as part of a continuous improvement process. Accounting removals and corrections are made in recorded cases of fraud of a systemic nature or conduct that is fundamentally legally objectionable. The national courts of auditors and the European Court of Auditors conduct further audits as per their mandate.

The disruptive scenario entails a fundamental shift in priorities and approach. Instead of a constantly differentiating and changing set of requirements, a legal framework is created that supports the efficient and effective implementation of the ESF and has sufficient flexibility to adapt to changing political and economic conditions. It also rebalances European and national responsibilities. A new dialogue-based division of responsibility replaces the often-perceived culture of control and distrust.

The disruptive scenario - like the findings of this study - places particular emphasis on the rules for content design, data collection and processing, and the audit system. These aspects are the most important for more efficient, targeted and lean management and administration. Stability in key requirements (also in terms of the content framework and nomenclatures used) would help foster stable expectations for national planning processes and thus decouple them to some extent from having to wait for the exact wording of the new legal basis. Focussing the Partnership Agreement on topics of national relevance relieves the programme authorities of the need for piecemeal coordination of their respective programme content and planning status.

The scenario's focus on data collection indicates that this is where the largest knock-on effects lie, not just in relation to the winding-up cycle, but also to the stakeholders involved in the winding-up.

Each data requirement triggers a need to create corresponding processes for collection, storage, and, where necessary, verification, statistical editing and validation. First, this directly influences the complexity of the IT systems to be set up, and second it also increases the demands on the staff involved in collecting and processing the data. Furthermore, the data requirements entail bureaucratic hurdles for beneficiaries, who in many cases are "suppliers" of the data. A systematic and drastic reduction in data requirements would make administrative functions much easier and also enhance the attractiveness of the ESF when implementing it locally.

The data requirements are also closely linked to the audit system. The more complex and extensive the requirements are here, the more extensive the audit items are potentially and the greater the likelihood of audit findings without any intention to defraud. However, streamlining the audit system as indicated in the disruptive scenario points to a further administrative problem, notably the authors' impression that under the current framework conditions, the programme authorities are increasingly attaching greater importance to granular "audit-proofing" to ensure the audit will be passed than to programme effectiveness and efficient winding-up. The realignment indicated in the scenario can contribute to ensuring that, on the one hand, the undoubtedly necessary level of auditing and control is preserved, but that the existing duplication of responsibilities is reduced by placing the European focus on the overall system and the national focus on the specific measures and operations. If the audit system in its current form is indeed the result of fundamental distrust on the part of national implementation authorities, as is often perceived by those responsible for administration, then the European Commission should focus more heavily on the institutional level anyway. This aside, a more nuanced approach if errors come to light would promote institutional learning and at the same time reduce the existing micro-processing of audit findings. Furthermore, the tendency to gold plate would be lessened, which could have a positive impact on the propensity for innovation in fund administration and implementation.

Not described in the scenario, but also of a disruptive nature, would be a shift in the disbursement system towards financing that is not linked to costs. The reason for not including this in the scenario is that – viewed in isolation – the authors do not believe that this would necessarily result in administrative simplifications. The potential might perhaps be improved if at the same time significant simplifications were implemented in the areas cited above.

The next scenario outlined below involves gradual adjustments.

Gradual scenario

Based on the legal sources and experience currently available, it is explored where adjustments can be made to simplify administration. The idea is for existing instruments and procedures to be optimised and simplified without fundamentally calling them into question.

The fundamental structure of the ESF with a differentiated content framework remains in place but is organised more coherently. Rules governing the thematic focus are linked exclusively to specific subject areas (specific objectives), which also shape the programme architecture. Like in the disruptive scenario, the Partnership Agreement focuses on topics of national importance (for instance fulfilling enabling conditions), reducing the programme overhead.

Many smaller and larger changes aimed at simplification are implemented further. For instance, coding requirements are simplified (removal of intervention categories and secondary ESF objectives), the set of common indicators is reduced further (in particular, no more long-term indicators) and the amount of data required on operations and beneficiaries is cut back. Instruments like the mid-term review are aligned with programme approval, and there is no link to a performance framework or programme amendment procedure. Reporting obligations are reduced to every six months.

The mandate of the audit authority essentially remains in place, but is focussed more heavily on fraud prevention matters, especially in the context of audits of operations. The dialogue between the stakeholders involved is strengthened.

A number of leverage points for administrative simplifications are also apparent in the gradual scenario. In step with this scenario, simplifications have indeed been introduced or intended in previous funding periods. The example cited most frequently in the study is the introduction of simplified cost options, even if the details of this may entail new workloads in other areas (national budget law, audits). But supposed simplifications do not always lead to an actual lessening of the burden. Any change, even just in the terminology used, can lead to additional overhead, for instance in terms of coordination/information within programme authorities or mapping the data in data fields with different names.

The scenario shows the most important leverage points that harbour potential for simplification and for lowering the administrative burden at various points in the programme cycle. Like in the disruptive scenario, however, these points are mostly linked to data collection and processing requirements, and the audit system. In the first area, any simplification and reduction of requirements leads directly to lessening the workload in the chain of planning, implementation, auditing and reporting and reduces the likelihood of errors. Where this involves data provided by beneficiaries and/or participants, this also reduces the overheads associated with using the ESF. Here, too: the fewer the requirements, the fewer the opportunities for errors, the fewer the audit fields, the fewer the findings that errors have occurred.

The gradual scenario does not call the audit system fundamentally into question, but it does question its focus and how findings are handled. The focus here is on categorising error findings according to their relevance and significance so they can be dealt with differently based on this staggered order to limit the administrative consequences (removal, financial corrections). So the focus shifts more to detecting systematic fraud and away from an overly granular audit and identification of possible errors across the entire range of implementation of the legal requirements at European and national level (here, for instance, the respective funding criteria and conditions), regardless of their relative importance. Here, too, gradual change is designed to focus more on what is essential and necessary

and to hone the audit mandate accordingly. This could aid the creation of an innovation-friendly error culture. However, categorisation difficulties are highly probable because it will not always be possible to clearly tell what constitute "normal errors" and what are cases of intentional fraud. This scenario could therefore entail a correspondingly greater need for more granular regulation and explanation from the European Commission for the audit authorities.

Finally, the next section presents the status quo scenario.

Status quo scenario

The ESF remains highly complex and has cross-references to other strategies and initiatives that change with the political cycle. Programming and implementation take place within the known structures and subject to the known requirements on content, indicators and performance framework.

All the requirements relating to the actual performance of functions by the programme authorities remain unchanged. The data collection and processing requirements as well as reporting requirements continue to be very extensive.

The audit system is characterised by a high number of audit instances, a large audit scope and depth, accompanied at the same time by uncertainty on the exact audit items. The control and detection of errors have high priority, and the final error findings always lead to correction requirements.

This scenario is characterised by the maximum degree of standstill. The complex administrative requirements remain in place. The issues that increase the workload for programme administration also remain, as do the requirements for funding recipients and beneficiaries. This scenario places particularly high demands on knowledge management. Administrative simplification can only happen by constantly reflecting on what has proven successful in terms of content, structure and procedures. The pressure to adapt that arises – also given existing capacities and possible staffing discontinuities – thus relates to the national level of implementation design. There is also a danger that complexity and the primacy of making sure the audit will be passed will promote risk-minimising approaches, prevent innovation and, possibly of risks being "passed on" to the funding recipient.

2.1.1   Discussion and assessment

The three scenarios outlined contain possible development trajectories that differ from the current status quo. The disruptive scenario harbours the greatest simplification potential, as it is already focussed on the leanest and most expedient implementation and in turn management. Conversely, the status quo scenario only continues the current status quo, which – as chapter 3 shows in detail – entails administrative complications in many cases and in which – from the perspective of the programme authorities – many requirements do not have a reasonable cost-benefit ratio.

It seems to make sense, however, to base the recommendations on the gradual scenario, as less disruptive approaches are more likely to be realised. This requires further discussion, though. For the authors, the gradual scenario also actually harbours the greatest risk potential. Experience from past funding periods shows that simplification efforts have always been accompanied by changes and new regulations elsewhere. Changes like this may appear to be neutral in terms of the administrative burden, but they can also entail genuinely new requirements that require additional procedures. Examples include changes to nomenclatures (for instance intervention codes, the first case mentioned) and extending the 113-field list to become the 142-field list (the second case mentioned). Practice, however, shows that both cases are not neutral in terms of the burden they entail. Any

changes to nomenclatures have to be taken into account in programming, for instance, as well as in electronic data management. This means that seemingly simple changes require new specifications and have to be programmed and tested accordingly. From a management and administration perspective, this means two things. Like in the disruptive scenario, changes should always be for the purpose of simplification; otherwise keeping the existing system, like in the status quo scenario, may actually be the simpler solution. Every small and unsystematic change – however well-founded – may produce a need for adjustment and workload at various points in the programme administration, which is not offset by any actual gain in reducing the administrative burden. In this respect, the greatest possible continuity in all areas of programme administration – very much in the sense of a framework that fundamentally has to be adhered to – would at least stop the burden from increasing. The administrative gain here would be stable expectations. Conversely, from the authors' perspective and in light of the study findings there is hardly any way around fundamentally questioning past development trajectories.

As already initially described, adjustments at European level always generate pressure to act at national level or at the level of programme implementation. This level is presented in three scenarios below.

2.2   National level

Disruptive scenario

Responsibilities for implementing the European Social Fund change or are structured differently. Either only one programme is now implemented – possibly with a regional focus – or implementation happens solely at *Länder* level.

If both organisational levels remain in place, there is a much clearer focus and demarcation in terms of content. This may be thematically based, with the Federal Government providing funding exclusively in a key area of the ESF, whilst the *Länder* implement other areas of funding. The demarcations can also include administrative aspects, with mass funding instruments being implemented exclusively by the Federal Government because of the available resources.

Programme administration takes place in overarching structures and has a central IT system, a small number of intermediate bodies and a single audit authority.

The disruptive scenario is the greatest possible departure from the status quo of ESF implementation in Germany and the existing division of responsibilities. The coexistence of 17 programmes and 17 different management and implementation structures is in itself the biggest driver of the administrative overhead at national level. But the question of how the basic responsibilities in the ESF should be defined is a political issue that cannot be answered within the scope of this study, given the federal structure of the Federal Republic of Germany and taking into account the principle of subsidiarity.

The much clearer focus and clearer definition of thematic responsibilities described in the disruptive scenario reflects the findings in the second chapter that there are hardly any discernible demarcations between the Federal Government and the *Länder* in the selection of specific objectives, but indeed in the prioritisation of content when looking at overarching categories of measures. In the disruptive scenario, a clearer focus means the exclusive funding of a topic by either the Federal Government or the *Länder*. A clear demarcation like this would produce clearer funding profiles and eliminate the need for coherence coordination. However, this would also encounter difficulties, as the other regulatory area's sovereignty would be encroached upon and regional funding particularities would be lost at times. Furthermore, if there is an existing regional need, nationwide funding could be rendered impossible if the financial volume is too low. Administrative simplifications from coherence coordination no longer being required could therefore be overshadowed and/or replaced by other coordination requirements – especially as the workload arising from coherence coordination appears to have normalised following its introduction in the 2014-2020 funding period.

The (partial) merging of structures could also impact programme administration. However, this only seems to be conceivable at all to degrees and where requirements are as similar as possible, for instance in regional cooperations (see the gradual scenario). On the matter of a standardised IT system, with reference to chapter 3.8 and the second chapter, it can be stated that establishing a single universally applicable IT system would be extremely complex, particularly if the framework condition of the management of funds were to remain at different locations and be carried out by different institutions. Specifying the requirements and, potentially, interfaces alone would produce an enormous amount of work. Given the experience of constantly changing requirements over the funding periods, this would also have to be done within a very tight and completely unrealistic time frame. If at all, this could only be considered in the very long term with a maximum reduction in the requirements at European level.

In principle, it is conceivable that efficiency gains could be achieved by centralising the authorities that manage the funds. If one goes by the reduction in the number of authorities managing funds in some countries, however, these efficiency expectations do not always seem to materialise. In the event of even greater centralisation, there would also be practical problems, such as a sufficient number of suitable premises or suitable infrastructure, or increasingly limited opportunities for direct contact. Legal issues would also need to be clarified. The same holds true for the centralisation of audit authorities. Here, too much centralisation could be at the expense of the ability to pass the audit, because in many cases it would no longer be possible to discuss the procedure or the assessment of audit-relevant issues as directly as before. However, setting a new course for the audit system, as shown in the disruptive or gradual scenario for the European legal framework, would help here.

Gradual scenario

The responsibilities for implementation of the European Social Fund remain the same in principle, but there are individual *Länder* cooperations. In these cooperations, a professional funding portal is set up by a joint fund-managing authority and used by all participating *Länder*.

There is a heavier focus on specific funding content. The administrability of the programmes is given greater priority thanks to an administrability check. This assesses the administrative burden of the measures and compares it with the benefits of the funding. This focussing can also be carried out independently of the European framework and can be based on the volume of funding, meaning, for instance, that micro measures are eliminated.

Processes are simplified through standardised procedures and documents, for instance, improving knowledge management within the programme authorities.

In terms of responsibilities, a prerequisite for the realisation of the gradual scenario would be the conclusion of inter-*Länder* treaties defining at least the central responsibilities, forms of cooperation and supervisory duties. Like with the disruptive scenario, this is also subject to a political decision that is not the subject of this report. The possible implications have also already been addressed.

Even if a joint IT system is unrealistic, as previously seen, there are certainly isolated cases of cooperation in the area of IT. Some of these are very small and do not always include all potential stakeholders. Cooperation could nonetheless be worthwhile to reduce the burden in the long-term. This is particularly the case if there are lower European requirements, which would increase the compatibility of the ESF between the *Länder*, but also between the ESF and other funding programmes within a *Land*. Simplifications at European level regarding the amount of data stored and other particularities of the ESF would be helpful here.

The focus on the administrability of the measures, as could be systematically ensured by an administrability check prior to funding, could reduce the administrative burden, for instance through the increased use of simplified cost options. However, the balancing act sometimes seen between administrative aspects on the one hand and funding measures that make sense in terms of content but are complicated to administer on the other cannot be completely resolved.

Status quo scenario

The basic stakeholder and implementation structures that apply between the Federal Government and the *Länder* remain unchanged.

Functions are largely performed within the known structures. Some of the measures are cancelled if funding contingents are low. This also lowers the administrative burden. New measures are largely avoided, as tried-and-tested measures involve less effort during implementation and the audit risks are known.

To further reduce the administrative burden, the cost-benefit ratio in the delegation of functions is successively scrutinised. The associated costs are reduced either by lowering the number of funding cases and/or by using in-house resources/not commissioning external providers

The status quo scenario initially assumes no changes to the content-related and organisational set-up of the Federal Government and *Länder*. These may nevertheless become necessary for a variety of reasons. Impetus for this will come from outside, that is to say from the framework conditions. One of the key framework conditions, which is also embedded in the question addressed by the study, relates to the volumes of funds to be managed, which are on the decline.

This can be expected to lead to pressure to adapt, which the authors believe will be reflected above all in the design of the programmes. In some cases, this may also involve rethinking the performance of functions, if they could potentially reduce the burden.

Aside from this, substantial relief can only be expected in this scenario through impetus at European level on a reduction in requirements.

2.2.1 Summarised assessment

At national level, gradual adjustments - just like at European level - appear to be the most likely and most realistic if the existing division of responsibility is not fundamentally called into question. However, the national level is very much dependent on the changes made at European level.

Harnessing the idea of evolutionary further development, the gradual scenario would indeed be preferable at national level. Achieving the aspects presented in the disruptive scenario appears largely unrealistic and would probably also entail a considerable additional implementation burden in some cases. The status quo scenario, on the other hand, could lead to an ossification of the ESF.

Taking both levels together, a disruptive or gradual scenario at European level, which at least is subject to the primacy of simplification, in conjunction with gradual adjustments at national level, appears to be the most sensible path towards a sustainable ESF with suitable management structures. The following recommendations are also based on this assessment.

Should the future legal framework be adjusted just slightly, however, or simplifications be counteracted by significant new complications elsewhere, administrative burdens at national level could increase further and efficiency could decrease.

3. Recommendations (European level)

Cohesion policy is a key pillar of the European Union's policy fields and helps boost economic and social cohesion in Europe. To improve long-term, sustainable, regional economic growth and enhance the strengthening of transformation and competitiveness, adjustments appear necessary, also in view of the lengthy settlement of funds. Aspects of administrative simplification and the reduction of requirements are also key here. It would allow the objectives of cohesion policy and the ESF to be better achieved and also communicated.

Based on the findings and scenarios presented in this report, the section below develops five guiding principles for future administrative simplifications, which deserve fundamental consideration from an expert perspective.

3.1 Guiding principles

- Focus on key objectives of the ESF

   The original objective of the European Social Fund is being increasingly watered down by thematically unrelated links to other strategies added to the programmes from outside or a piecemeal (financially underpinned) inclusion of specific topics and target groups. The numerous links to other strategies give the impression of a self-referential system that has no added value whatsoever for the actual implementation of the programme, though.

   Instead, there is an urgent need to focus on the few and clearly identifiable key themes of the European Social Fund – education, employment and social inclusion. These key themes will always remain irrespective of future developments. First, a focus of this kind would make it easier to manage the programmes and, second, the profile of the European Social Fund could be communicated better. In line with the EU 2020 objectives, this could also mean concentrating on a few key indicators, whose targets would make the ESF's focus on its key themes clear.

- Flexibilisation of adjustment options

   Overall, the European Social Fund appears to be very inflexible in terms of its administrability. The numerous requirements for the allocation of funds within the programmes in particular make it very likely that targets will be missed and adjustments will be necessary. But the procedures used to date do not provide a high level of responsiveness and adaptability. Instead, sometimes very lengthy coordination routines stand in the way of quickly adjusting the programmes – and thus also a better absorption of funds. Faster procedures and options urgently need to be developed and defined in the regulation.

   This also affects the ESF's ability to take on new European challenges and its role in the case of crises. Within the scope of the ESF's key themes, opportunities must be created to organise adjustments as swiftly as possible and with as little complexity as possible. Instead of creating new structures like in the past and unnecessarily increasing the demands placed on the managing authorities, the ESF should be enabled to implement appropriate measures to alleviate the crisis within the existing structures.

- Reduction of ESF particularities

   The ESF provides funding for defined purposes. These funds are supposed to address and respond to specific national or regional challenges within a defined thematic framework. The

success and attractiveness of funding procedures defined for this purpose depends directly on the expediency of their design, the attractiveness of the funding conditions and the efficiency in terms of the bureaucratic effort required to apply for and wind up the funding. Conducting a funding procedure in the ESF is generally far more demanding and complex than at national level, which fundamentally translates first into a reduction in efficiency and attractiveness and second into a drastic increase in the administrative burden for all those involved in implementation. The causes can be found everywhere where the requirements of European regulations go beyond the key requirements of funding management, documenting the legality and regularity of expenditure and reporting.

In this context, what needs to be reduced is the rules governing the collection and processing of information whose purpose is of little relevance to fund management, but which entail considerable additional work for applications, administrative winding-up, the requisite IT environment, reporting and audits.

- Communication before control - trust-based approach

In the perception of many stakeholders, the entire ESF complex is characterised by a high degree of distrust towards their own approach and the resulting outcomes. This leads to a very extensive audit system with numerous reporting requirements, which in all likelihood do not improve programme implementation or funding. Instead, in some cases one has the impression that ensuring the audit will be passed is more important than the substantive implementation of the funding and the controllability of the programmes. The very granular rules in the ESF thus create further legal uncertainties, leading to equally granular coordination of these rules between the stakeholders involved. This engenders error avoidance strategies and - in anticipation of possible audits - gold plating, or the overfulfilment of requirements, for instance in the form of ever new evidence and documentation. This results not only in new audit items being created, but also to substantive innovation being hindered.

To break this cycle, establishing a culture where errors are allowed and a dialogue-oriented approach seems urgently necessary. The basis for this should be fewer and easier-to-handle rules, such as the increased use of simplified cost options. Focussing more on the functioning of the management and control systems could also help to reduce the need for micro-coordination.

- Staggered requirements

In some cases, for instance in the audit system, the regulations already allow a staggered approach under certain conditions with lower requirements for Member States meeting these conditions. This seems to be a worthwhile approach that should be pursued further.

The previous basic practice of "one size fits all" should therefore be called into question, as should the use of the ESF for political objectives outside the immediate core area of the ESF. If the European Commission has actual doubts about constitutional structures and as such also about the legal and regular management of funds in certain constellations or in individual Member States, a differentiated approach should be adopted. In these cases, ideally based on objectively assessable standards, mechanisms could be developed leading to an improvement in the audit, assessment and, if necessary, sanctioning of the constellations or Member States in question, without unnecessarily burdening Member States that are not concerned. One example of this would be the EU Justice Scoreboard, which could be used as a basic assessment standard for categorising adherence to the rule of law. This in turn could have a bearing on the basic prerequisite of compliance with the Charter of Fundamental Rights, which is to be assumed from

the outset if the Member State has an according score on the Justice Scoreboard. Another example is the annual rule of law reports published by the European Commission. Such an approach would affect the fundamental structures of cooperation between the Member States in the European Union. Keeping the ESF clear of this approach, which has very extensive political implications, would be something to be welcomed, however.

In this context, staggered audit requirements based on the intervention rates of ESF funds could be considered. Especially in more developed regions with a maximum intervention rate of 40 per cent, it should be questioned whether the same level of audit intensity by national audit authorities is required as in other regions where ESF funding makes up the majority. Having to meet the same requirements even with low intervention rates detracts from the attractiveness of the funding.

- <u>Stabilise key requirements and create planning certainty</u>

  Some of the guiding principles described would constitute massive intervention. This is juxtaposed by the need of many stakeholders for the greatest possible stability on the key requirements, as this creates stable expectations. In this sense, stability in the key requirements can in some places be seen as the antithesis of the guiding principles described above. It is important to note that stability in the key requirements also means avoiding piecemeal changes. Although these may be well justified in individual cases, in total they generate an additional, sometimes considerable burden.

  Stability in the key requirements also entails keeping the existing financing logic in place. Mandatory introduction of financing that is not linked to costs should absolutely be avoided, as a) based on previous experience, it would not make things any easier in terms of managing the funds, b) the established management systems would face massive problems in transitioning to the new system, c) the envisaged link to milestones and targets is at least questionable in terms of content and processes, d) it would enormously increase uncertainty for budgets and beneficiaries and e) it would jeopardise the implementation of the ESF as a whole. This does not stand in the way of a trial option, as currently already exists.

  The stability of requirements also includes planning certainty, which manifests itself above all in timely provision of the legal basis and avoiding new requirements in the programme planning and preparation process. The current practice of increasingly delayed provision has a massive impact on the funding itself, the IT system and the management and control systems, as without it, it is not possible to interpret requirements in a legally certain way and subsequent and costly adjustments may be required. We therefore strongly recommended harnessing all opportunities to accelerate the timely provision of the legal basis. This includes regulations as well as relevant guidelines or methodological papers, as these can also be relevant in practice.

  In this context, it could be helpful to draw up a "basic regulation" containing the key legal provisions and which will not be changed for the foreseeable future (so for multiple funding periods). This also applies to the annexes integrated into the regulation and which should remain so.

3.2   Review and reduction of specific requirements

Against the backdrop of the guiding principles outlined above, specific leverage points for improvement can be identified at various points. These are presented and contextualised in detail in the third chapter of this report. The following recommendations build on the results of the third chapter and are presented in table form. The table briefly summarises the following in each case

- the thematic area, i.e. the sub-chapter being referenced,
- observation, i.e. the summary of the key findings,
- the resulting recommendations and
- the expected administrative impact. This is categorised as high, medium or low. This is a rough estimate of the change in the necessary staff resources resulting from the implementation of the recommendation.

Table   **Specific recommendations at European level**

Thematic area	Observation	Recommendation	Administrative impact
Programme preparation & programme amendment	- Programme preparation is resource-consuming – also because of extensive coordination requirements. The piecemeal rules governing the thematic focus and categorisation (specific objectives) of the programme content also contribute to this. The rules allow a certain degree of flexibility in programming, but the overarching control effect is limited given the intervention logic. In the case of programme amendments, the extent of the changes determines the associated workload. - Process-related aspects, such as the late adoption of regulation texts, must be viewed very critically. This leads to delayed completion and approval of the programmes. The time-consuming consultations with the European Commission, in which subsequent requirements, some with little relevance to the ESF, were addressed to the managing authorities, also contribute to this delay.	- Timely provision of the legal basis is urgently recommended, at least one year before the start of the funding period, in order to support systematic, informed planning. - The strategic and substantive focus should be confined to a few key strategies and key areas of intervention; the thematic objectives of the 2014 – 2020 funding period could serve as an example. Piecemeal, unwieldy, overlapping thematic containers and specific objectives (or investment priorities in the 2014 – 2020 funding period) should be avoided. - In the negotiation process requesting links to unrelated and extraneous strategies should be avoided. - Programme amendment procedures should be simplified by generally lowering the requirements for the programmes (see also thematic concentration, coding, indicators).	low
Thematic concentration and operations of strategic importance	- Although the effort required to ensure these two aspects is relatively low compared to other functions, it must be considered in relation to the benefits. - The relatively low effort is not matched by any discernible benefit for operations of strategic	- It is recommended that all requirements for operations of strategic importance be eliminated. - Rules on thematic concentration should be strictly limited to key areas of intervention; unclear instructions ("provide an appropriate amount for…")	low

Thematic area	Observation	Recommendation	Administrative impact
	importance, though. Instead, there is a risk that rules which do not make sense for the ESF will be interpreted as an expression of ever-increasing bureaucratisation.	should be avoided. Under no circumstances should there be any additional differentiation.	
Preparing and coordinating the Partnership Agreement, in particular with regard to coherence	- The effort involved in the preparation is very unevenly distributed in Germany. While the Federal Government shoulders the brunt of the burden, the *Länder* essentially provide information and participate in the coherence coordination process. - First, the close timing between the Partnership Agreement and the submission and approval of the programmes must be viewed very critically. Second, the intended strategic nature of the Partnership Agreement - and in turn its benefits - is barely discernible in practice.	- The need for and added value of the Partnership Agreement must be critically examined. - The rules for the Partnership Agreement should be modified in at least two respects: [1] no information should have to be documented in the Partnership Agreement that is only available once all the individual programmes are finalised (for instance, aggregated information on thematic concentration across all programmes) in order to avoid delays in the approval process; [2] information that essentially concerns the Member State as a whole (fulfilment of enabling conditions) should be documented only in the Partnership Agreement.	temporarily high
Fulfilment of the enabling conditions	- Fulfilling the enabling conditions entailed a disproportionately high effort. This was down less to actual fulfilment of the enabling conditions and more down to the associated coordination processes and the requirements that became apparent very late in the programming process. - The effort involved must be viewed very critically, which is not matched by any discernible benefit,	- The enabling conditions should be formulated in such a way that they are to be fulfilled exclusively at Member State level; the fulfilment criteria should be honed. Criteria valid for individual ESF programmes and specific structures and processes in the context of implementation should be avoided.	medium

Thematic area	Observation	Recommendation	Administrative impact
	particularly with regard to the fulfilment of the Charter of Fundamental Rights of the European Union in the German legal framework.	- The enabling conditions to be fulfilled and the associated criteria should be valid beyond one funding period.	
Coding/financial earmarking	- The rules are judged to be relatively understandable, but the perceived benefit is extremely low. Given the considerable effort involved, as the codes also have to be mapped in the IT system and reported on, the appropriateness of the requirement is viewed critically by those in the field of practice. - In terms of the different dimensions and categories, the volume of coding is clearly too high; there is hardly any control relevance.	- The number of dimensions should be reduced; in this context, the intervention fields and, where applicable, secondary ESF themes and economic sectors should be eliminated. At the very least, the nomenclature should be simplified and only include aspects directly relevant to the ESF. - Financial earmarking in the programme using the codes should be avoided to simplify programming/programme amendment procedures.	medium
Indicators	- Although the managing authorities rate the benefits of the relevant provisions for their own administrative practice as relatively balanced overall, it should be noted that the administrative burden associated with individual indicators or their cost/benefit ratio cannot be considered appropriate. - In spite of the fundamentally understandable intention of continuously and systematically assessing the progress of the programme, the scope of the indicators collected and their suitability for determining the intended facts warrants clear criticism. Long-term result indicators are to be criticised in particular, as not only do they often have	- Indicators should be measured at a maximum of two points in time (on entry/after exit) to lower the burden on programme management, funding recipients and participants. - The set of common indicators should be downsized further and the collection of information on any disadvantages (including belonging to minorities, migration background) (which is voluntary anyway) should be refrained from. The possibility could be reviewed of making minimal collection of participants' contact details for evaluation and audit purposes mandatory in conjunction with the use of simplified	high

Thematic area	Observation	Recommendation	Administrative impact
	limited informative value, they also require a lot of resources to collate.	requirements for indicators analogously to Annex II of the ESF Plus Regulation. - Greater attention should be paid to subject-specific considerations of the fund-managing bodies regarding indicators and target values. This includes greater openness to programme-specific indicators and relative target values for the result indicators.	
Establishing and operating the IT system	- The managing authorities largely rate the legal requirements for digitalisation as neither clear and understandable nor useful and appropriate. The data collection requirements in particular are instead largely viewed as excessive and complex and in turn administratively burdensome to implement. The late provision of the European legal basis presents additional challenges. - Many requirements are concentrated in the IT support system, which already entail considerable effort in and of themselves. ESF IT support systems have to accommodate a large number of Structural Fund and ESF-specific requirements and functionalities, making their development and adjustment in each funding period complex and time-consuming.	- As the IT systems have to provide many functionalities and the requirements are very high, it is essential that the legal basis is provided early on. - The aim should be to significantly reduce the data collection requirements for the 142-field list: the focus should be on the key requirements of programme management. - Any data collection requirements should be subject to a digital check. - Changing categorisations, nomenclatures and codes across funding periods should be avoided.	high

Thematic area	Observation	Recommendation	Administrative impact
Exercising technical supervision in the case of a delegation of tasks	- The delegation of functions works without any major difficulties formally speaking, but in practice engenders a wide range of coordination needs between managing authorities and intermediary bodies. - On balance, this thematic area appears to be low in conflict. From a structural perspective, the managing authorities – in particular those with many intermediary bodies – face the challenge of having limited possibilities to intervene in the event of uncooperative intermediary bodies because of a lack of legal supervision.	- The existing legal requirements are appropriately designed and there is no need for change.	none
Involvement of the economic and social partners	- The involvement of partners has been common practice for many years and can be categorised as low conflict and appropriate in terms of the effort involved.	- The existing legal requirements are appropriately designed and there is no need for change.	none
Communication and visibility	- The costs of communication and visibility measures can be categorised as appropriate in relation to their overall benefit. A distinction must be made, however, between the effort this entails for the authorities and for the beneficiaries. - Some of the audit-related regulations on compliance with publicity requirements warrant criticism. These are not always proportionate to the funding amount.	- It should be reviewed whether small and micro operations should be exempt from publicity requirements; a threshold value should be defined.	very low

Thematic area	Observation	Recommendation	Administrative impact
Simplified cost options	- The feedback from the managing authorities shows a positive to very positive picture. The fundamental usefulness of the simplified cost options is viewed favourably in particular. - Points of criticism arise first with regard to detailed questions, and second in individual cases in relation to the practical handling of simplified cost options by other institutions such as audit authorities or courts of auditors. Here, the lack of acceptance of simplified cost options is criticised citing the applicable budget regulations.	- The existing legal requirements are appropriately designed and there is no fundamental need for change. - The simplification achieved by introducing simplified cost options must not be counteracted by very granular audit mandates of the audit authorities.	none
Reporting obligations to the European Commission	- The effort involved in relation to reporting obligations can be categorised as high overall. This is due first to the number of reports and second to the frequency and depth of reporting. - The frequency of the regular data reports on the financial and material implementation status warrants clear criticism. The requirements appear to be too far-reaching in view of the intended control impetus.	- It is recommended that the frequency of regular data transmission be reduced. For the management of the programmes, regular financial data transmission 2-3 times a year appears sufficient. For material reporting, an annual cycle should be aimed for. - Reduced requirements for indicators and coding (see recommendations above) would further reduce reporting obligations and effort.	medium
Performance framework and mid-term review	- The burdens are perceived as ambivalent in practice and could not be definitively assessed at this stage. The authors rate the effort as moderate but see individual aspects as not very expedient.	- The mid-term review should be made more flexible in terms of its timing and should be based on the time of programme approval. - In procedural terms, the mid-term review should be linked to the annual review meeting that is required to	low to medium

Thematic area	Observation	Recommendation	Administrative impact
	- The benefit of the flexibility amount, which is only supposed to be definitively allocated in the course of the mid-term review, remains unclear. If it is attached to conditions, this would be critical, as no application criteria are available. If no conditionality is implied, there is no need for this instrument. It is therefore also questionable whether the mid-term reviews need to be legally and structurally linked to potential programme amendments. No added value is discernible in practice. The usefulness of the mid-term review at a point in time specified in the regulation must be viewed very critically. The significant delays in the provision of legal sources and the resulting delays in programme approval and the start of funding mean that in many cases it is hardly possible to draw any meaningful conclusions regarding the need for adjustments.	be held anyway. A separate formal process of submission in conjunction with optional or mandatory programme amendment procedures should therefore stop. - The flexibility amount instrument should then be eliminated.	
Presentation of accounts and payment applications	- The annual payment applications and presentation of accounts mean a tight schedule that involves all key programme implementation stakeholders apart from the beneficiaries. This can be a challenge in the process as a whole due to the strain it places on staffing at all authorities. - In light of this, the tight timing, paired with the substantive link to the management declaration and	- The rules and requirements for the assurance package must be simplified, especially regarding the involvement of the national audit authorities (see recommendations on the audit system below).	medium to high

Thematic area	Observation	Recommendation	Administrative impact
	the audit work of the audit authority, is to be viewed critically.		
Management declaration	- Preparing the management declaration is not time-consuming in and of itself as a purely technical act. The need for coordination between managing authorities, audit authorities, accounting bodies, authorising bodies and possibly other stakeholders in the course of the deadlines set for the presentation of accounts and the functions to be performed in parallel creates a great deal of time pressure. In some cases, internal administrative practices also appear to drive the amount of effort required. - The specific added value of the management declaration is largely unclear – given the audit and coordination routines practiced.	- The existing legal requirements are appropriately designed and there is no need for change.	none
Audit system of the managing authority	- The demands placed on the authority's own audit system are largely described as averagely challenging. There is a very large spread in respondents' assessments. This may possibly be attributed to the	- The existing legal requirements should include option models and set a minimal audit requirement.	high

Thematic area	Observation	Recommendation	Administrative impact
	subject of the assessment, as in some places the entire audit system was included in the criticism. - The extensive audit system as a whole was criticised in this context. In relation to authorities' own audit activities, the focus is primarily on the requirements for the risk-based audit approach. This does not always guarantee better audit results but may constitute an additional requirement without any major benefit.		
Audit system – Handling of the audit findings of the audit authority	- Respondents' assessments of this are shaped by the specific form of cooperation between audit authorities and managing authorities. Cooperation was expressly praised several times. This does not always lead to lower effort. Overall, the audit system appears to be characterised by a great need to ensure that the audit will be passed, driving the amount of effort required. - The audit mandate of the audit authorities, which is not clearly defined in practice, warrants criticism. The scope and depth of the audit cannot be clearly identified from the regulation.	The mandate of the audit authorities should be streamlined and honed, notably to focus on the systemic audit of the management and control system. Only substantiated doubts about legal and regular management should allow the audit mandate to be extended. - Alternatively, it should be reviewed to what extent the ratio of European funding and national co-financing can be the basis for a fundamental differentiation of audit responsibility. An overall ESF contribution of less than 50 per cent of total funding should generally shift the responsibility for auditing operations to the Member State level. Here, too, exceptions can be defined for substantiated doubts about the functionality of national audit bodies.	high

4. Recommendations (national level)

This report focuses on the functions that need to be carried out in the scope of programme administration and the effort these require. In spite of the fact that in principle the requirements are the same for everyone, that is to say the Federal Government and 16 *Länder*, the findings reveal a very wide variety of stakeholders, organisational structures, programmes and regional implementation conditions. The administrative costs always increase the more diverse and complex these are. From the perspective of this study, it would make sense to minimise this diversity and complexity. The ultimate result of this approach would be a programme with one (easily administered) measure that would be implemented by one managing authority, one accounting body, one audit authority and, possibly, one intermediary approval body.

This is neither expedient nor to be recommended, though, because the regionalised implementation of the ESF means there is a high level of local expertise on funding requirements. So downsizing the ESF to one programme would at least significantly worsen its potential as a (regional) driver of innovation, if not make it impossible. Conversely, however, purely regional implementation exclusively as 16 *Länder* programmes – like with the European Regional Development Fund (ERDF) – is also not advisable, as first the ESF volume of funding is relatively low and dividing it up like this could lead to a loss of perception of the structural funds as a whole, and second because the Federal Government has a legal mandate to perform key functions of labour market integration and social inclusion in key fields of action of the ESF.

Another leverage point for reducing the burden could lie in the design of the measures funded. Concentrating on streamlined programme administration which opts for easy-to-administer measures with many participants and a high degree of standardisation (for instance, only using a specific lump sum, standardised answers in advice contexts during the application process) is plausible and perhaps even welcome from a purely cost and workload-related perspective, but is part of an unresolvable conflict with the potential innovative power of the ESF, which could be damaged by giving too much weight to administrability. This study cannot, nor does it aim to resolve these conflicts.

The recommendations also do not include the development or operation of joint IT systems or the establishment of joint implementation structures. Even if this appears possible in principle in some areas and forms of cooperation do exist, we do not view such a development of overarching systems and structures to be realistic. The findings suggest that the identified dependencies between trajectories appear to allow at most an intensification of the cooperation already implemented, but not the development of joint systems or an overarching implementation structure. Furthermore, leaving the matter of basic responsibilities for operation aside, there would simply not be enough time to develop a joint IT system or overarching implementation structures, given the huge scope of procedural issues that would need to be clarified.

As already mentioned, the findings reveal a heterogeneous picture, which is why, strictly speaking, recommendations would have to be made separately for the Federal Government and the 16 *Länder*. This was not the aim of the study, however, which provides an overview of the fundamental challenges in programme administration. For this reason, the report does not make individual recommendations. Nonetheless, individual guiding principles can be formulated that reflect the causal relationships identified.

4.1   Guiding principles

- <u>Hone the content of the programmes more</u>

  Regardless of what has been stated above, the Federal Government and *Länder* should, however, examine the extent to which the substantive priorities of funding can be more clearly and fundamentally separated from each other. Honing the funding profile like this could be helpful to ensure the visibility and reach of the ESF even as the amount of funding decreases. The administrative burden the funded measures are expected to entail should also be considered during programming in the form of an "administrability check". Such a check could, for instance, include the expected volume of applications and advice, reviews of state aid issues, the involvement of other bodies in the application process or the complexity of technical implementation. The results of this check should not be the sole deciding factor for including a measure in the programme, but they should be taken into account. Furthermore, honing the content also means no longer funding very specific approaches with an extremely low volume of funds, as the cost/benefit ratio is unlikely to be proportionate enough. Pilot projects funded with the clear aim of subsequent transfer should be exempt from this.

- <u>Check existing implementation structures</u>

  This aspect and the first guiding principle outlined here are interconnected. Specific measures with independent implementation structures generate a large additional administrative burden. By honing the content of the funding, there is the potential for fewer stakeholders to be involved in implementation, lowering the complexity of programme administration.

  Despite the establishment of overarching implementation structures already being described as unrealistic above, there may be individual stakeholders and functions that would enable overarching activities in the form of *Land* cooperation. For instance, there are already collaborations between *Land* banks on individual aspects of programme administration, which could conceivably be merged, for instance, under one intermediary body instead of two. It remains unclear, however, whether the centralisation this would entail would actually lead to greater efficiency in programme implementation. The same could apply to the centralisation of audit authorities.

- <u>Standardise processes and knowledge management</u>

  Processes and documents are already standardised in many areas of programme implementation. For instance, the same documents such as standard guidelines or scoring systems are used time and again. The standardisation of key documents and processes, especially at the interfaces to other stakeholders, makes it easier to ensure the quality of work and a common level of knowledge in complex structures, particularly in times of demographic change – although in smaller territorial units, direct cooperation structures are of value in terms of solving problems swiftly. Such standardisation processes should definitely be combined with dialogue formats and training.

  Against this backdrop, subject-specific considerations should be weighed up against the prospect of good administrability, for instance in terms of the volume of measure-specific thematic data or a digital check for funding guidelines. Similarly, one could consider involving potential beneficiaries in the development process of the front end of customer portals to improve the user-friendliness of the IT systems.

- Continue and strengthen the exchange at Federal Government and *Länder* level

  To ensure a common understanding of requirements and procedures that are as standardised as possible, the exchange formats already established at regional level or between the Federal Government and *Länder* should be continued and expanded. At the same time, these formats should focus heavily on administrative requirements. The objective should be to define common key processes without exceptions based on *Länder* or stakeholder particularities in order to foster mutual learning. Developing an administrability check could also be part of such an exchange.

- Intensified exchange with audit authorities prior to implementation

  In addition to the exchange formats already described, the majority of existing coordination routines within the Federal Government and/or the *Länder* should be established universally. This applies, for instance, to the exchange with audit authorities regarding the planned approaches' ability to pass the audit. In the other direction, the audit authorities should communicate their specific approach to the individual audit steps to the administrative authorities at an early stage. Going forward, joint audits in tandems (approving bodies and audit authorities) could be considered to promote joint learning. The neutrality of those involved must be ensured here.

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