

# Conclusions and recommendations of the National Audit Office

## Funding process allocation of funds and follow-up of ESF projects during the 2014–2020 programming period

The purpose of the audit was to assess the process of funding the European Social Fund (ESF) development projects, as well as the allocation, follow-up and impacts of the funding during the 2014–2020 programming period. The audit discovered that employment impacts are not necessarily the main criterion to receive ESF funding, since ESF projects have a number of other objectives besides employment and the order of importance of those objectives has not been specified. The regional employment situation also affects which projects are supported.

The monitoring of the structural funds programme required by the EU focuses on output indicators that are based on the number of projects and participants, result indicators describing the change in the course of the project, and cumulative calculations concerning project funding. However, indicator monitoring cannot be used to verify the effective direct or indirect impacts of the programme.

### ESF projects do not necessarily reach less advantaged individuals

According to the operational programme of the Structural Funds, ESF funding can be expected to be mainly targeted at the unemployed, as well as at people in a weak labour market position and at risk of exclusion. However, on the basis of the data from the ESF personal data system, it seems that the participants in ESF projects have been mostly people in employment (40%) and students (28%). Only a quarter of the participants were unemployed. This information is based on the participants' own assessment.

Furthermore, the data compiled by Statistics Finland for the purpose of the audit shows that in 2016, only a fifth of the ESF participants were unemployed. The participants in ESF projects have been in a much better position than the average unemployed person, when looking at age, education, employment and earnings of the participants. Although the target groups of ESF projects are not limited to the unemployed, the audit shows that at present the projects do not sufficiently reach the main target group of ESF activities, i.e. the unemployed.

### There is no reliable data on the employment impact of ESF projects

Since the profile of ESF project participants differed from the expected and the control group was selected on the basis of the expectation, it was not possible to assess reliably the impact of participation in ESF projects on the subsequent employment, training and earnings of the participants. The intervention and control groups were already too different from the beginning.

At best, ESF projects can complement the national labour market policy and, among other things, enable experimenting new employment models. However, if the national labour market policy is not in line with ESF project activities, it may undermine the impacts of ESF projects. The audit found that participation in ESF projects was not initially recognised as an activity meeting the activity requirement when the activation model that was part of the unemployment benefit system came into

force. This resulted in the discontinuation of certain individual projects. In addition, there is some overlap between national and EU-funded activities. Cooperation between authorities is not efficient in all regions, which may complicate the referral of customers from employment or other services to ESF projects.

The objectives of the ESF are broad and projects can support a wide range of activities. For example, projects are not necessarily required to have employment impacts in order to be eligible for ESF project funding. From the point of view of ESF activities, it could be useful to define more clearly the objective of the activities and their relationship with the national labour market policy.

#### The collection of data in the ESF participant register should be streamlined and automated

At present, it is not possible to assess the effectiveness of the projects on the basis of data from the ESF personal data system. Participant information is collected manually using paper forms and the data collected is detailed. This makes the data collection administratively too burdensome considering how the data collected can be utilised. However, it is necessary to continue collecting the personal identity codes of persons participating in ESF projects to enable ex-post assessment of the impacts of the programme using the register data. The European Commission has also proposed the same.

#### Recommendations of the National Audit Office

In the upcoming 2021–2027 programming period, the Ministry of Economic Affairs and Employment should:

1. ensure that ESF project funding is better allocated to the main target groups, i.e. the unemployed and people in a weak labour market position and at risk of exclusion;
2. define more clearly the objective of ESF project activities and their relationship with the national labour market policy;
3. develop electronic data collection methods that allow for a less burdensome administrative collection of personal data of participants in ESF projects.