



‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

Final Report

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PPMi

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Unit G.1 — European Social Fund+

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List of abbreviations

Abbreviation	Meaning
EC	European Commission
ESF	European Social Fund
ESI Funds	European Structural and Investment Funds
EU	European Union
FNLC	Financing not linked to costs
FTE	Full-time equivalent
MA	Managing Authority
SCO	Simplified cost option
SOC	Social Outcomes Contracting
SFC	System for Fund Management in the European Union
TLN Mobility	ESF Learning Network on Transnational Mobility Measures for Disadvantaged Youth and Young Adults

Glossary of terms

Term	Definition
Audit trail	An audit trail is a sequence of documents and records that validate or invalidate the delivery of a reported input, output or the results of supported operations, as well as their compliance with conditions defined <i>ex ante</i> .
Beneficiary	A beneficiary is an organisation within private, public or not for profit sector, that is responsible for initiating and/or implementing an operation supported by the ESF.
Community social services	Community social services are personal, targeted services responding to the individual and specific needs or problems of people who find themselves in vulnerable situations, which cannot be resolved without support. Community social services are grouped by function, as follows: - support with caring duties either for oneself or one's dependants; - assistance to people with disabilities or chronic health problems; - support for integration into the labour market; - assistance in crisis and emergency situations linked to homelessness, violence or other sudden adverse situations; - help with the social inclusion of people who are already in disadvantaged situations. - assistance with other specific problems. Community social services are provided either bottom-up by civil society not-for-profit organisations dealing with specific problems (such as homelessness, violence, poverty), or by public beneficiaries or private for-profit providers.
Costs (direct)	Direct costs are those costs relating directly to an activity supported by an ESF project. For example, the salaries of staff directly engaged in the ESF activity, and other costs that are attached to the implementation of the ESF project.
Costs (indirect)	Indirect costs are shared organisational costs that cannot be connected directly to the project activity, and which are difficult to attribute to the project.
Creaming	Creaming is a perverse incentive whereby beneficiaries are selected that are more likely to achieve the expected outcomes or results of an intervention.
Financing not linked to costs	Payment method for grants and repayable assistance in which the reimbursement of expenditure is based on the fulfilment of pre-established conditions or results to be achieved.
Flat-rate financing	Flat-rate financing is a form of simplified reimbursement for specific categories of eligible costs that are clearly identified in advance and calculated by applying a percentage, fixed <i>ex ante</i> , to one or more categories of eligible costs.
Historical data	Historical data are administrative records kept by government departments or agencies about their day-to-day activities, including the costs of the activities.

Lump sum	Lump sum financing is a form of simplified reimbursement of all eligible costs, or of part of the eligible costs of an operation. It is provided in the form of a fixed amount, in accordance with predefined terms of agreement on activities and/or outputs, and their completion.
Managing Authority	A Managing Authority is an institution in a Member State responsible for the strategic direction and financial management of a programme in the context of the ESF.
Monitoring data	The monitoring of outputs and results is conducted by Managing Authorities on an ongoing basis, to support the day-to-day management of their programmes and ensure the effective use of funds. Monitoring data is used to identify situations in which programmes do not fulfil expectations, and where action may be required to undertake corrective measures. Monitoring data is used to inform any evaluation of whether the anticipated results of a programme have been achieved.
NEETs	Young people who are unemployed and are not enrolled in education or vocational training.
Operation	An operation is a project, contract, action or group of projects selected by the Managing Authority of the programmes concerned, or under its responsibility, that contributes to the objectives of one or more priorities of an ESF programme.
Parking	'Parking' refers to a process by which beneficiaries try to keep costs down by doing little to serve those with the poorest anticipated outcomes, while instead focusing resources on more able clients with (for instance) better employment prospects, in order to achieve the pre-defined outcomes or results.
Participant	A natural person benefiting directly from an operation without being responsible for initiating or both initiating and implementing the operation. Participants may include persons who have dropped out of supported activities without fully completing them. This distinction is relevant to participants in transnational mobility for disadvantaged youth, and to participants in community social services.
Service module	A service module is a set of relevant operations supported by Member States in the area of community social services, grouped by function and considered for the development of an 'off-the-shelf' solution for post-2020.
Simplified Cost Options	Simplified Cost Options (SCO) is a way of reimbursing grants and repayable assistance in which, instead of reimbursing 'real costs', reimbursement occurs according to predefined methods based on inputs, outputs or results.
Slicing of operations	Slicing of operations is an unintended result whereby the operations are purposefully broken up in smaller parts in order for the beneficiary to incur lesser costs and/or receive more funding.
Transnational mobility programme	A programme supporting participants going to another country to undertake an activity (train, study, volunteer, work) for a set period of time.

Unit cost	Unit cost financing is a form of simplified reimbursement of all or part of the eligible costs of an operation, based on quantified input, output or results multiplied by the standard price of a unit established in advance.
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Executive summary

This study was launched by the Directorate-General for Employment, Social Affairs & Inclusion of the European Commission to respond to a demand for further simplification of the ESF+ implementation process in the post-2020 period. It considers options to exploit the benefits of a range and mix of simplified funding instruments enabled and/or further expanded by policy decisions, such as the Commission's proposal for the post-2020 Common Provisions Regulation (COM(2018) 375 final)¹. More specifically, this **study assesses which types of off-the-shelf solutions would help to simplify the management of the ESF+** in the following two areas:

- sustainable integration of young people, especially those from disadvantaged backgrounds, into the labour market through transnational mobility schemes; and
- community social services.

As summarised in the table below, the recommended set of off-the-shelf solutions within the aforementioned areas consists of EU-level SCOs, EU-level results-based tools (FNLC), and Member State-specific SCOs:

- In the **area of transnational mobility for disadvantaged youth**, the study recommends a combination of an EU-level unit cost and an EU-level results-based tool, applied in the form of a top-up rate. This combination should be useful in facilitating positive intervention outcomes beyond simple participation in a mobility programme.
- In the **area of community social services**, the study recommends a combination of an EU-level unit cost (for personal [targeted] care services); two Member State-specific unit costs (for services related to integration into the labour market and services related to tackling social exclusion); and an EU-level lump sum payment (for assistance in crisis and emergency situations, if preferred over an EU-level unit cost). This combination takes into account, and is directly affected by, the heterogeneity observed between Member States with regard to intervention practices in the area of community social services.

The setup proposed is the result of a multi-step research process involving structured data collection from Managing Authorities and various alternative sources; multi-factored feasibility analysis and risk assessment to rank the alternative SCO and FNLC options; and statistical analysis to interpolate and extrapolate the missing values.

Area	Sub-area	Proposed off-the-shelf solution	Type	Indicator
Transnational mobility for	-	EU-level SCO	Unit cost	Participant days in a transnational mobility programme for disadvantaged youth.

¹ The European Commission, Proposal for a Regulation of the European Parliament and the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument COM(2018) 375 final, Strasbourg, 29.5.2018, full text available at: https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-common-provisions_en.pdf

Area	Sub-area	Proposed off-the-shelf solution	Type	Indicator
disadvantaged youth	-	EU-level result-based tool (FNLC)	Outcome-based payment	Change in occupational status including enrolment in education, training, labour market programme or taking up employment within six months of participation in a transnational mobility programme.
Community social services	Personal (targeted) care services	EU-level SCO	Unit cost	Participants receiving one hour/day/month/year of in-home care services; and Participants receiving one hour/day/month/year of community-based day care services.
	Services related to integration into labour market	Member State-specific SCO	Unit cost	Participants receiving services related to their integration into the labour market.
	Assistance in crisis and emergency situations	EU-level results-based tool (FNLC)	Outcome-based payment	Hours/days/months of eligible services; or Positive change in educational/occupational OR housing status by participants receiving eligible services; and Sustained positive changes for a period of 3, 6, 12 and 18 months by participants receiving eligible services.
	Services related to tackling social exclusion	Member State-specific SCO	Unit cost	Participants receiving services related to tackling social exclusion.

Source: compiled by PPMI.

The study also assesses the feasibility of developing and/or extending the use of off-the-shelf solutions for the implementation of ESF-supported individual learning accounts (ILA)² and food donations. Both the underlying analysis and its results in the two areas analysed are presented separately as **ad hoc reports**.

The study was conducted by [PPMI](#), a private research and policy analysis centre based in Vilnius, Lithuania.

² A scheme that provides individuals with entitlements to take up training on their own initiative, and makes training rights portable from job to job (or from job to unemployment to job).

Introduction

Simplified cost options (henceforth 'SCOs') is an innovative way of reimbursing grants and repayable assistance under the European Structural and Investment (ESI) Funds. SCOs are the most popular and effective simplification measure applied during the early implementation of ESI Funds during the 2014-2020 period.³ Various working documents and evaluations/audit reports point to a number of major benefits of using SCOs in general, and specifically in ESF-supported programmes:

- The use of SCOs simplifies procedures for funding applications and reporting requirements, as well as significantly reducing the administrative workload at application and implementation stages for all actors involved.⁴ Conversely, when using 'real costs', beneficiaries must provide Managing Authorities or intermediate bodies with invoices, proofs of payment and bank statements. Meanwhile, the application of SCOs allows Managing Authorities, intermediate bodies and beneficiaries to use pre-established amounts and rates without providing supporting documents for expenditure at project level.
- The application of SCOs allows Managing Authorities, intermediate bodies and beneficiaries to focus more on the achievement of policy objectives and intervention priorities instead of collecting and verifying financial documents. Because beneficiaries do not need to collect, store and check the invoices, proofs of payments, bank statements and other documents, they have significantly more time to perform their primary work, i.e. planning and executing high-quality project activities. Similarly, institutions performing control and monitoring of the programme can focus on the implementation of supported activities and the achievement of expected results, rather than on the eligibility and justification of costs. Moreover, thanks to the simplification of the management process, the use of SCOs can facilitate access to ESI Funds by small beneficiaries. Less complex control procedures would also allow faster reimbursement of expenditure to beneficiaries.

SCOs have been applied in the context of the ESF since 2006, introduced by the 2007-2013 ESF Regulation and further expanded with additional options for the 2014-2020 Multiannual Financial Framework (MFF). Nevertheless, evaluations of the management of the ESF during the period 2014-2020 underlined the need for further simplification, both in terms of the funding landscape (including the range and mix of instruments), and of the implementation process. Flexibility was named as one of the main reasons for improvement. For example, while the impact assessment for the ESF+ Regulation acknowledged that progress had been made in terms of simplifying the ESF, it also concluded that ESF management and delivery remained complex. Among the reasons cited were the administrative burden of a system that relies mainly on real costs, and the associated documentation and archiving requirements.

These points were addressed by the Commission in its proposal for the post-2020 Common Provisions Regulation (COM(2018) 375 final)⁵. The simplification measures foreseen for the

³ The European Commission, Use of new provisions on simplification during the early implementation phase of ESI Funds, Final Report, SWECO, t33 & Spatial Foresight, 2017.

⁴ The European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Guidance on Simplified Cost Options (SCOs). Flat rate financing, standard scales of unit costs, lump sums, 2014.

⁵ The European Commission, Proposal for a Regulation of the European Parliament and the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument COM(2018) 375 final, Strasbourg, 29.5.2018, full text available at: https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-common-provisions_en.pdf

ESF+ include an increased use of SCOs and payments based on conditions. More specifically, Article 51 CPR, taking into account a similar provision in Article 125 of the Financial Regulation, clarifies the financial arrangements between the Commission and the Member States, and structures them according to three different forms, as well as providing enhanced clarity as to how these forms may be combined:

- reimbursement of eligible costs actually incurred by beneficiaries or the private partner of PPP operations and paid in implementing operations (‘real costs’);
- extended use of simplified cost options (SCOs), i.e. unit costs, lump sums and flat-rate financing (Article 94);
- newly introduced financing not linked to the costs of operations, and based on the fulfilment of conditions or achievement of results (Article 95).

The present study was launched by the Directorate-General for Employment, Social Affairs & Inclusion of the European Commission to make practical use of the provisions listed above, and to respond to the clear demand for more EU-level SCOs that was articulated during the Commission’s discussions with Member States within the framework of the ESF-funded Learning Network on Transnational Mobility Measures for Disadvantaged Youth and Young Adults (TLN Mobility), the ESF Thematic Network on Simplification, and via the ESF Committee. **The main purpose of this study is to assess which types of ‘off-the-shelf’ solutions would help to simplify the management of the ESF+ in the following two areas:**

- the sustainable integration of young people, especially those from disadvantaged backgrounds, into the labour market through transnational mobility schemes;
- community social services.

In both of these areas, the results of this study and underlying methodologies aim to support the Commission in its intention to create EU-level instruments (through a delegated act), and to simplify ESF+ programming and implementation in the 2021-2027 period.

The study report consists of three main chapters. In Chapter 1, we present our approach to collecting, cleaning and analysing the data. While this chapter outlines the overall methodological approach of the study, further task-specific details on each step are elaborated in Annex 2. In Chapter 2, we present two potential off-the-shelf solutions for transnational mobility for disadvantaged youth (Task 1). Finally, in Chapter 3, we describe four potential off-the-shelf solutions for community social services (Task 2). For each solution proposed in the report, we include a definition and a list of all eligible operations. We also assess the underlying data, present the calculation method and its outcomes, and elaborate on the specificities of the audit trail.

In addition, this study provides solutions for the regular adjustment of existing EU-level SCOs in the areas of training for the unemployed (amount per participant who has successfully completed a training course), employment services (rate for provision of counselling services), and training for people in employment (rate for training provided to employed persons and rate for salary paid to an employee while on a training course). It also assesses the feasibility of extending the use of and/or development of off-the-shelf solutions for the implementation of ESF-supported individual learning accounts (ILA)⁶ and food donations. However, neither the underlying analysis in these two areas, nor its results,

⁶ A scheme that provides individuals with the entitlements to take up training on their own initiative and makes training rights portable from job to job (or from job to unemployment to job).

are included in the main report. These are instead presented separately as **ad hoc reports** (see Annexes 9-12).

The main report is accompanied by the following technical annexes:

- Annex 1: Details of Member State-specific SCOs within the area of community social services (incl. the audit trail)
- Annex 2: Detailed methodology of the study
- Annex 3: Results of the analysis for financing not linked to costs solutions
- Annex 4: Calculations of potential unit cost values for solutions in the area of transnational mobility for disadvantaged youth
- Annex 5: Calculations of potential unit cost values for solutions in the area of community social services
- Annex 6: Data collected through the data collection forms submitted by Member States in the area of transnational mobility for disadvantaged youth
- Annex 7: Data collected through the qualitative and quantitative data collection forms submitted by Member States in the area of community social services
- Annex 8: Regional coefficients based on NUTS2 classifications
- Annex 9: *Ad hoc* report on the adjustment of values for existing EU-level SCOs
- Annex 10: *Ad hoc* report on potential off-the-shelf solutions for food donations
- Annex 11: *Ad hoc* report on practical data availability for the development of a unit cost for food donations
- Annex 12: *Ad hoc* report on the application of existing EU-level SCOs to support individual learning accounts

1. Overall methodological approach

This chapter of the report describes the overall methodological approach employed in this study. Here, we focus mainly on the measures taken to acquire the data required to establish off-the-shelf solutions in the areas of transnational mobility for disadvantaged youth and community social services, outlining the outcomes of our efforts.

Information on the cleaning, sampling and processing of data is provided in the course of our discussion of each solution presented in this report, with technical details described in Annex 2: 'Detailed methodology'. In this part of the report, we therefore discuss data analysis in very broad terms, outlining and briefly presenting only the key steps involved in the process.

1.1. Data collection

1.1.1. Transnational mobility for disadvantaged youth

Our approach to data collection for Task 1 consisted of the following steps:

- **Step 1: Desk research and exploratory interview.** We reviewed the Manual of Guidance of the TLN Mobility Network⁷ to gather information about the current funding arrangements for projects supporting transnational mobility of youth from disadvantaged backgrounds. In addition, an exploratory interview was conducted with the TLN network coordinator, to gain insights into the composition and the relative importance of the different cost categories and project phases, as well as their coverage in the eight participating regions in seven Member States. The interview hinted at notable cross-country differences in the funding arrangements and the groups targeted by the respective national programmes.
- **Step 2: Development of a longlist of options.** Based on our desk research and interview insights, we developed a longlist of potential EU-level SCO alternatives for funding transnational mobility of disadvantaged youth. These included input-, output- and results-based solutions focusing on overall costs, project phases or cost categories. The full longlist was presented in Annex 1 of the Inception Report.
- **Step 3: Development of a data collection form** for administrative and monitoring data generated to date by the transnational mobility projects for disadvantaged youth funded under the TLN Coordinated Call. We used the longlist compiled in Step 2 to map what information and data was needed to conduct a feasibility assessment of various SCO alternatives, and for their subsequent development. The outcomes of these mapping activities were incorporated into the single questionnaire/form used in Step 4 to collect structured historical data, such as the number of participants supported, the total cost of supported projects, and total cost of activities supported per project phase. In addition, the form included several open-ended questions aimed at understanding if/how target groups of supported projects differ between the Member States analysed, and to what extent monitoring data on the results of participation in transnational mobility activities is available from the National and Regional Authorities.

⁷See https://www.esf.de/portal/SharedDocs/Downloads/EN/tln/Manual%20of%20Guidance.pdf?__blob=publicationFile&v=2 (last accessed on 03.05.2021)

- **Step 4: Data collection.** The data collection form was distributed to the eight TLN network partners in seven Member States who have participated in the Coordinated Call and launched national or regional calls for projects between 2014 and 2020. The collection of the administrative and monitoring data was carried out between June and July 2020.

All eight partners in the TLN Mobility Network provided our team with data (aggregated at the level requested in the data collection form) on projects funded under the Coordinated Call by the TLN Mobility Network between 2014 and 2020. As a result, a complete data sample was used to develop EU-level SCOs in the field of mobility for disadvantaged youth. However, considerable variation existed in the granularity of the data available to our team and in the scope of the activities covered in the projects supported by the different partners.

Some key indicators provided in Table 1 reveal the potential challenges relating to the differing scopes of activities across the participating Member States and regions. For example, Andalusia in Spain only launched one pilot project with 14 participants. On the other hand, Germany, funded 181 projects between 2014 and 2020, involving over 3,300 participants. These accounted for more than half of the total number of participants, and over two-thirds of the total costs covered by the programmes funded under the Coordinated Call. In addition, qualitative data and interview findings reveal that the variations in project costs may relate to the different target groups addressed by the programmes. Participants range from unemployed youth with higher education degrees in countries with high youth unemployment rates, to high-school dropouts or young people with disabilities in Member States with better labour market situations.

Table 1: Summary of administrative and monitoring data collected for Task 1

Country (Region)	Number of projects	Number of participants	Total costs (EUR)
Czech Republic	18	405	4,457,163
Germany	181	3,319	63,807,797
Italy (Trento)	3	18	108,511
Poland	34	1,802	11,083,107
Slovenia	1	106	424,031
Spain (Andalusia)	1	14	60,136
Spain (Catalonia)	36	669	6,499,053
Sweden	14	196	3,235,075
TOTAL	288	6,529	89,681,402

Source: Prepared by PPMI, based on administrative and monitoring data provided by TLN Mobility Network partners.

1.1.2. Community social services

To collect data on relevant interventions within the area of community social services, we undertook a two-stage data collection process. The first stage consisted of mapping relevant interventions and contextualising the types of projects implemented by Member States in the area of community social services. The second stage was a follow-up with Member States to collect historical data on categories that are relevant to the development of SCOs – namely, the numbers of participants and direct staff, total contact hours and details on the categories of costs such as direct staff costs, as well as other direct costs and indirect costs. The detailed process and outcomes of our efforts are discussed briefly in the following sections.

Collection of qualitative data on interventions in community social services

Before we launched the standardised data collection form for qualitative data on community social services, it was first piloted with respondents from Greece and Portugal. The main purpose of this pilot exercise was to ensure the technical functionality of the form and its compatibility with different national contexts. These two countries were chosen because they had already provided information on interventions related to community social services during the period of 2014-2020. In addition, during the pilot phase, representatives from Greece and Portugal were asked to submit interventions envisaged or planned under the ESF+ for the upcoming programming period 2021-2027. Piloting allowed us to collect valuable feedback that helped us to further improve the qualitative data collection form.

Seventeen countries returned data collection forms (see Table 2). Replies from **four countries – Austria, France, Netherlands and Luxembourg** – indicated that no relevant interventions were implemented in these countries, and thus no qualitative information was provided. **Spain** did not provide any indication to the study team of its intent to supply the study with data, despite multiple enquiries. No further correspondence was attempted with the aforementioned countries, given the lack of relevance to their specific needs of SCOs in the area of community social services. Five countries – **Belgium, Croatia, Cyprus, Romania and Sweden** – did not submit qualitative data. However, they did provide the requested quantitative data (see Table 3).

Table 2: Summary of qualitative data collected for Task 2 (per group of services by function)

Country (region)	Caring	Disabilities	Labour market	Crisis and emergency	Social exclusion	Specific problems
Bulgaria ⁸	x	x	x	x	x	x
Czechia	x	x		x	x	x
Denmark			x			
Estonia	x	x	x	x	x	
Finland			x		x	
Germany	x	x	x		x	
Greece	x	x		x	x	x
Hungary	x	x	x	x	x	x
Ireland			x		x	
Italy (Campania)	x	x	x	x	x	
Italy (Piedmont)	x	x	x	x	x	x
Italy (Tuscany)	x	x	x		x	
Italy (Veneto)		x	x		x	
Latvia		x		x	x	
Lithuania	x	x	x	x	x	
Malta		x	x		x	x
Poland	x	x	x	x	x	x
Portugal	x	x	x		x	
Slovakia	x	x	x	x	x	x
Slovenia	x	x	x		x	

Source: prepared by PPMI.

⁸ Bulgaria provided community social services envisaged for the future period, 2021-2027.

Collection of quantitative data on interventions in community social services

Respondents that submitted qualitative information were then approached with a request to provide historical data on the costs of their interventions. Forms were pre-filled with qualitative data concerning interventions that were relevant to the study. The data entry form requested only information that would be used for the development of SCOs. Overall, **17 countries** returned their data collection forms, providing data of varying volume and quality. The extent to which each relevant indicator is covered by the available data is demonstrated in Table 3.

The wide-scale collection of data on community social services concluded on 2 September 2020. However, we continued to accommodate data received after this deadline, up until the end of September. Historical data collected from Member States facilitated our feasibility assessment of the SCO options proposed in this report. This analysis, in addition to further details on the sample size for each service module, is further discussed in Chapter 3 of this report.

Table 3: Summary of quantitative data collected for Task 2 (by type of data)

Country (Region)	Data availability							
	Services by function	Participants (entries)	Participants (exits)	Duration of activities	Other outputs	Projects	Staff	Costs
Belgium (Flanders)	Labour market-related	Yes	Yes	No	Yes (partially)	Yes	Yes	Yes
Croatia	Caring; Disabilities; Labour market; Social exclusion; Specific problems	Yes (partial)	Yes (partial)	Yes (partially)	Yes	Yes	Yes	Yes
Czech Republic	Caring; Disabilities; Crisis and emergencies; Specific problems	Yes	No	No	No	Yes	Yes	Yes
Cyprus	Disabilities; Labour market	Yes	Yes	Yes (only disabilities)	No	Yes (only disabilities)	Yes (only disabilities)	Yes
Denmark	Labour market	Yes	No	No	No	No	Yes	Yes
Estonia	Caring; Disabilities; Labour market; Social exclusion	Yes (partially)	Yes (partially)	Yes (partially)	No	No	Yes (partially)	Yes (partially)
Greece	Caring; Disabilities; Labour market; Crisis and emergencies; Social exclusion	Yes	No	Yes	No	Yes	Yes (only social exclusion)	Yes
Italy (Tuscany)	Caring; Social exclusion;	Yes	Yes (labour market related)	No	No	Yes	No	Yes
Latvia	Caring; Disabilities;	Yes	No	Yes	Yes (not clear what)	Yes	Yes	Yes
Lithuania	Caring; Disabilities; Labour market; Crisis and emergencies; Social exclusion	Yes	Yes (only social exclusion)	No	No	Yes	No	Yes
Malta	Caring; Disabilities; Labour market; Social exclusion; Specific problems	Yes (partially)	Yes (partially)	Yes (partially)	Yes (partially)	Yes	Yes (partially)	Yes
Poland (Lubelskie, Lodz and Slaskie)	Social exclusion	Yes	Yes (but not accurate)	Yes	No	Yes	Yes	Yes
Portugal	Disabilities, Labour market, Social exclusion	Yes	Yes	No	No	Yes	Yes	Yes
Romania	Disabilities	Yes	No	No	No	No	Yes	Yes
Slovakia	Caring; Crisis and emergencies; Social exclusion; Specific problems	Yes	Yes (but not accurate)	Yes	Yes (partially)	No	Yes (partially)	Yes

Country (Region)	Data availability							
	Services by function	Participants (entries)	Participants (exits)	Duration of activities	Other outputs	Projects	Staff	Costs
Slovenia	Disabilities, Labour market; Social exclusion;	Yes	Yes	Yes	Yes (only for some labour market interventions)	Yes (partially)	Yes	Yes
Sweden	Labour market related	Yes	Yes	No	No	Yes	No	No

Source: prepared by PPMI.

Other data sources

The study team conducted desk research to complement the data provided by the MAs. To this end, data was extracted and analysed on ESF projects (<https://bit.ly/33rwcnT>) from the theme 'Giving a chance to all':

- Labour market interventions helping people find a job by providing various material and non-material support measures (funding, career advice, psychological help and counselling services), as well as relevant training to develop necessary skills
- Social inclusion initiatives to tackle isolation and discrimination, especially among vulnerable groups and communities (Roma, migrants, homeless persons, people with addictions)
- Social and professional integration and comprehensive support for people with physical and mental disabilities
- Training unemployed people to become care workers
- Youth clubs helping young people escape poverty and gain various personal and professional skills and competencies
- Comprehensive community centres offering a wide range of services including caring and assistance to families in need to educational and training support.

In total, data are available from this source with regard to 156 projects that were supported during the period 2014-2020. These include 74 projects thematically focusing on 'inclusive approaches' – a sub-group of projects most relevant to this assignment. In most cases, the data includes information on costs, the number of participants, and the duration of supported interventions. Some overlap existed between this and the data provided by Member States – for example, the 'Rummelig Imidt' project in Denmark; community centres in Greece; and 'Knowledge, Training, Communications and Support Measures in Support of Vulnerable Groups' in Malta. Most of the projects mapped from this source qualified as community social service interventions relevant to the calculation of SCOs. The study team was also able to map projects for some countries that did not submit quantitative data, namely Finland, France, Germany, Hungary, Ireland, Luxembourg, the Netherlands, Spain and the United Kingdom. Most of the projects mapped from this source also qualified as community social service interventions relevant to the calculation of SCOs. Unfortunately, the data extracted from this source were not included in the final calculations, as it did not contain sufficient detail on the eligible operations and eligible cost categories that were funded through these interventions.

Our team also checked to see if relevant data were available and could be extracted from national ESF funding websites (<https://ec.europa.eu/esf/main.jsp?catId=31>). The review focused primarily on countries that either did not respond to our requests for information on relevant interventions, or which provided potentially incomplete/partial data. As a result, we identified a list of projects addressing social exclusion through exchange between different communities and age groups, involving persons from vulnerable groups at risk of isolation. Most of these projects supported labour market measures designed to tackle unemployment by providing training and other necessary support. However, despite a significant number of relevant projects in Member States for which such data were available, the data sources contained only project descriptions as well as information on the purpose, duration and funding of these projects. Due to a lack of data on the numbers of participants and outputs, however, this data could not be included in the calculations.

Lastly, we have explored the current System for Fund Management in the European Union (SFC 2014, an IT portal), but deemed it not to be of use for this particular exercise. SFC2014 does not contain any relevant project-level data for ESF-funded interventions that could be used to calculate or verify SCOs for community social services.

1.2. Data processing and analysis

The data processing and analysis phase of this study involved the following key steps:

- **data cleaning** to eliminate any irrelevant or poor-quality data (e.g. missing values), as well as identifying and removing the most prominent outliers from the analysis;
- **exploratory analysis** to test the feasibility of different methods for establishing off-the-shelf solutions;
- **calculation** of potential unit cost (amounts) and **extrapolation** of amounts for Member States, where data was either unavailable or insufficiently reliable.

A detailed description of the sample interventions/operations used to establish off-the-shelf solutions, as well as the data-cleaning techniques and unit cost calculation methods applied in this study, is provided in Chapters 2 and 3 of this report and in Annex 2: 'Detailed methodology of the study'.

2. Solutions in the area of transnational mobility for disadvantaged youth

Solutions in the area of transnational mobility for disadvantaged youth are informed by a scheme developed and implemented by the TLN Mobility Network, and by its predecessor, the IdA programme. In this study, we refer to these initiatives as sources of underlying historical data as well as examples of good practice for organising NEET mobility.

'Integration through Exchange' (IdA), established by the German ESF programme, aimed to **reach out to disadvantaged young people who were far from the labour market**. The programme did not aim to change the employment status of its participants, but rather to increase their employability through international mobility experience. The scheme, which ran between 2008 and 2013, attracted around 18,000 young participants with an average age of 23.5. Around 114 project networks in Germany were involved, along with 290 organisations in host countries. Participants in the programme completed traineeships abroad lasting between one and six months (seven weeks on average). The programme contributed to building the personal and social competencies of the participants, and to improve their chances in the labour market by providing a unique mobility experience that helped to clarify their personal goals and ambitions.⁹

The success of the IdA scheme inspired other countries to adopt this approach. Managing Authorities in 15 Member States or regions set up the ESF Learning Network on Transnational Mobility for Disadvantaged Youth and Young Adults (**TLN Mobility**). The network is coordinated by Germany.¹⁰ A **Coordinated Call for TLN Mobility cooperation** under the ESF was launched for the funding period 2014-2020. This provided a framework for national and regional calls launched by ESF coordinating bodies, and established mandatory common minimum requirements for participating countries and/or regions. So far, eight Member States and/or regions have launched national calls and supported the implementation of transnational mobility programmes for NEETs.

IdA and TLN Mobility projects typically consist of three stages: a **preparatory phase**, a placement abroad or **mobility phase**, and a **follow-up phase** of up to six months after the placement abroad.¹¹ The preparatory and follow-up phases are particularly crucial for the vulnerable target groups to reap the benefits of the mobility phase. The actual composition of the supported activities in each of these phases varies. For example, while partner-finding activities are an integral part of the preparatory phase in some national/regional calls, in other national/regional calls such activities are not covered at all. Despite this variation, the standard three-stage structure can be seen in projects in all TLN Mobility partner countries:

- The preparatory phase typically includes participant recruitment, training and preparation prior to the placement abroad.
- The mobility phase covers the stay abroad, including a training and pedagogical programme, as well as all the necessary support provided by both the sending and host organisations.

⁹ https://www.esf.de/portal/DE/Ueber-den-ESF/Geschichte-des-ESF/Foerderperiode-2007-2013/ESF-Programme/programme/bmas_ida.html

¹⁰ https://www.esf.de/portal/SharedDocs/Downloads/EN/tln/Coordinated%20Call.pdf?__blob=publicationFile&v=2 p. 6

¹¹ <https://ec.europa.eu/esf/transnationality/content/ida-surprising-results>

- The follow-up phase consists of activities implemented after the transnational mobility period, including support and assistance in professional and personal orientation.

Based on the success of these initiatives, there are plans to further expand the TLN Mobility Network by launching a new initiative titled ALMA (Aim, Learn, Master, Achieve)¹². Structure and funding arrangements under the ESF+ will remain similar to those adopted in the TLN Mobility programme. However, ALMA should serve as a unified brand providing a sustainable approach and continuity for NEET mobility initiatives by expanding the scope of the current network to cover potentially all Member States.¹³ Also, ALMA would benefit from the application of EU-level SCOs to further reduce the administrative burden, which is already alleviated by SCOs used at the level of national/regional programmes.

A few specific challenges should be noted in relation to the organisation of transnational NEET mobility, which are crucial for the development of EU-level SCOs in this area:

- **Broad range of target groups.** NEETs can include, among other groups, early school leavers, people with disabilities or addictions, single parents or people with higher education but out of employment. All of these groups require varying degrees of support and assistance throughout the programme, resulting in different costs. Furthermore, Member States with a good labour market situation, such as Germany, tend to target more vulnerable groups than those with higher youth unemployment rates, such as Italy or Spain, where a NEET might be an unemployed person with a university degree, who might need less intense preparation or follow-up phases.
- **The importance of preparatory and follow-up phases.** The vulnerable target groups in the programmes require more support prior to and after the mobility phase than, for example, participants in Erasmus student mobility schemes, due to their backgrounds and special needs.
- **High drop-out rates.** According to the data collected from TLN Mobility Network partners, around 15% of participants drop out between the preparatory and mobility phases – a relatively high drop-out rate. These drop-outs are both 'negative' and 'positive', the former resulting from personal reasons preventing participants from successfully completing the programme, and the latter meaning that they have found employment or enrolled in training or education before completing the programme. Both of these must be considered when developing an EU-level SCO, so as to accommodate the drop-out rate while not encouraging 'creaming' in the selection of participants, or a preference for less vulnerable target groups.
- **Indicators to measure the results of the programme.** As noted above, the goal of the programme is to increase *employability* rather than employment. Employability involves a set of soft skills and competences that is difficult to measure quantitatively, and is not measured in a uniform way across Member States, complicating the development of a results-based SCO option.

Taking these factors into account, the study team developed a longlist of SCO alternatives, presented in the Interim and Draft Final reports. Having assessed their feasibility, simplification effect and risks, the longlist was shortened to a unit cost of one participant

¹² This new initiative was announced by the President of the European Commission, Ursula von der Leyen, during the State of the Union speech on 15 September 2021. <https://ec.europa.eu/social/main.jsp?catId=1549&langId=en>

¹³ Interview with TLN coordinator, 05.05.2020

day, and a payment not linked to costs that rewards positive results of the programme including finding employment, or enrolment in education, training or a labour market programme. Both are described in detail in Sections 2.1 and 2.2, respectively.

2.1. EU-level unit cost for transnational mobility programmes targeting disadvantaged youth

2.1.1. Description of the solution

2.1.1.1. Definition

This **SCO** would reflect the **average cost of one participant day** in a transnational mobility programme for disadvantaged youth. It could be used for the reimbursement of all eligible entries to the programme, based on a single daily rate regardless of programme phase – in other words, the full completion of all programme phases is not a prerequisite for the reimbursement of expenses to Member States. As such, this SCO allows for reimbursement by participant day even where participation is broken off, and minimises the risk of creaming in the selection of participants.

2.1.1.2. Operations covered by the solution

This SCO would cover any operation concerning the organisation and implementation of transnational mobility programmes for disadvantaged youth in the following three phases (in line with the TLN Manual of Guidance and historical data obtained from partner countries and regions):

Preparatory phase. Standard operations in this phase typically include:

- Partner finding and preparation of partnership agreements, including participation in partner search forums and partner visits.
- Joint and individual preparatory activities, as well as the briefing of participants in their home country prior to the mobility phase.

Mobility phase. Standard operations in this phase typically consist of:

- Training and pedagogical programme for the participants in the host country.
- Social and cultural activities during the stay abroad.
- Support and monitoring of participants through the host institution or accompanying staff.

Follow-up phase. Standard operations in this phase typically include:

- Support and monitoring of participants after the mobility phase, including counselling and professional orientation.

2.1.2. Analysis

2.1.2.1. Assessment of data

The **final sample** used to calculate this SCO **consists of data collected from five Member States** – Czechia, Germany, Poland, Slovenia and Sweden. The data used for calculations is complete, comprehensive and reliable. Data on total costs and the duration of activities, as well as on the number of participants entering the programme, was consistently available for all five Member States. The level of detail in the collected data was sufficient: Germany, Slovenia and Sweden provided annual data, while Czechia and Poland provided data for periods spanning several years, namely 2016-2018.

The dataset consists of aggregated data on the total costs of all projects funded through the Coordinated Call of the TLN Mobility Network. It does not, however, include information on individual mobility flows and their destinations. As a result, all unit costs are calculated as an average cost of one participant day in the mobility programmes analysed, regardless of the cost levels in the host country.

Detailed reasons for the exclusion of data from some countries or regions due to the sample size or project specifics, as well as further limitations posed by the detail of the data, are outlined in Annex 2.

2.1.2.2. Calculation method

Data on the total number of participants entering the programme and total expenditure on its operation, as well as data on the duration of activities, was used to establish this SCO. The calculation method of the proposed SCO is presented in the box below.

$$SCO = \frac{\sum_i^n C_{total}}{\sum_i^n P_{total} * \sum_i^n D_{total}}, \text{ where}$$

P_{total} is the total number of participants (calculated by participant entries to the programme)

D_{total} is the total programme duration in days including preparatory, mobility and follow-up phases for participants.

C_{total} is the total cost incurred in EUR

i is the first year for which cost data are available

n is the last year for which cost data are available

Details on the sequence of calculations, value adjustment to 2021 price levels, weighting of the data by cost categories, as well as the extrapolation strategy to establish values for countries that provided no historical data, can be found in Annex 2.

2.1.2.3. Results

Table 4 lists the calculated and extrapolated unit costs of one participant day in a transnational mobility programme for disadvantaged youth. The values based on historical data are highlighted in bold. All remaining unit costs were extrapolated using a statistical model, drawing on indicators for GDP per capita in purchasing power standards, comparative price levels and employment rate data as predictor variables (See Annex 2 for details on extrapolation methodology). All calculated values were adjusted to 2021 price levels.

Table 4: SCO values for the cost of one day for one participant

Country	Extrapolation index (GDP PPS and CPI and AIC)	Cost of one day of one participant (EUR)
Czechia	80.39	46.37
Sweden	122.07	79.64
Slovenia	83.88	69.44
Germany	118.18	77.61
Poland	68.39	37.41
Austria	120.61	80.53
Belgium	116.26	77.45
Bulgaria	51.99	31.92
Cyprus	90.55	59.24

Country	Extrapolation index (GDP PPS and CPI and AIC)	Cost of one day of one participant (EUR)
Croatia	64.93	41.09
Denmark	129.61	86.91
Estonia	78.00	50.34
Finland	117.30	78.19
France	109.98	73.00
Greece	78.64	50.80
Hungary	65.94	41.80
Ireland	134.69	90.51
Italy	100.54	66.31
Latvia	70.10	44.75
Lithuania	77.21	49.78
Luxembourg	178.05	121.23
Malta	87.22	56.87
Netherlands	120.34	80.34
Portugal	83.30	54.10
Romania	61.49	38.65
Slovakia	74.66	47.98
Spain	92.94	60.93

Source: prepared by PPMI.

Notably, these values are based on several **important assumptions regarding the average duration of a programme and its phases**. The programmes for which historical data were available varied greatly in duration. Slovenian programmes took 100 days on average; Czech ones, on the other hand, averaged at 320 days, while those organised by Sweden lasted 260 days. German programmes took 211 days on average; those in Poland, 206. These data were used for the respective five countries, and to determine the average programme duration for the remaining Member States that did not provide historical data. In the calculations for the 22 remaining Member States, it is assumed that the average duration of a programme is 212.8 days, with participant days being fairly evenly distributed between the different phases of the programme (an average of 72.4 days of preparation, 74 days of mobility, and 66.2 days of follow-up).

Variations in programme duration are reflected in the cost of the entire programme. For example, German programmes at EUR 16,375.65 per participant for the entire programme, are more than twice as expensive as Slovenian ones at EUR 6,527.25. Calculating a daily SCO rate allows for and evens out some of the cross-country differences in programme cost relating to duration.¹⁴

Our analysis shows that unit costs can be **inflated in the case of programmes of short duration, and deflated for those of longer duration**, particularly in Member States where calculations are based on actual historical data rather than extrapolated data. This is evident in the relatively low rates for Czechia when compared with Slovenia, despite a similar extrapolation index for both Member States. Similar observations can be made when comparing Romania with Poland. These differences have been partially mitigated by removing Spain from the sample of historical data, due to the relatively short duration of its programmes and its inflated unit cost rate per participant day. Extrapolating the value for Spain resulted in smaller discrepancies, both between those countries that provided historical data and in the statistical model used for extrapolation. The issue of rates

¹⁴ For comparison, SCO values for the entire programme duration for all Member States can be consulted in Annex 4 (under Option 2.1.).

potentially being too low for countries that provided historical data, or which organise longer programmes, has also been addressed by opting for a daily SCO rate rather than the cost of the entire programme.¹⁵

2.1.3. Audit trail

Component	Description
<i>Description of the operation type</i>	Any operation implementing a transnational mobility scheme for disadvantaged young people including a training component, supported throughout the preparatory, mobility and follow-up phases. Being the key component of the operation, the mobility phase should constitute at least 30% of the total duration. ¹⁶
<i>Indicator name</i>	Participation in a transnational mobility programme for disadvantaged youth.
<i>Measurement unit for the indicator</i>	Number of participant days.
<i>Eligible costs</i>	All eligible costs of the operation.
<i>Categories of costs included in the calculations</i>	- Costs related to the individual participant (costs for e.g. travel, accommodation, subsistence, insurance, social security); - Costs related to the pedagogical and labour market oriented interventions (costs for e.g. recruitment, preparation, accompaniment, placement finding, debriefing and (re-)integration into the labour market); - Costs related to the organisational set-up (costs for e.g. partner finding and project preparation, management during the project implementation, conferences, administration, depreciation of assets, expert advice and consultancy, translation and interpretation, hire of facilities).
<i>Arrangements to ensure audit trail</i>	At the scheme level, project agreements between sending and host organisations should be verified to ensure that the programme components were of adequate duration and the mobility phase took at least 30% of the total programme duration. According to the Coordinated Call of TLN mobility, the information on the structure and composition of the programme is available in the current agreements. The following justification documents are required for each participant: - Proof of eligibility of the participant: - o Participant's national registration record indicating date of birth and place of residence. - o Participant's educational and occupational status at date of entry into the operation, such as information from the national employment register and copy of educational certificates achieved at the date of entry in the transnational mobility operation. - Participant registration in the transnational mobility programme:

¹⁵ See Annex 4 for calculations that include data from Catalonia and SCO rates for the entire programme for comparison.

¹⁶ Historical data collected from TLN Mobility Network partners indicates that the mobility phase on average constituted 35% of the entire programme in activities supported to date, so the proposed minimum duration of 30% would largely reflect the current arrangements. Only in Czechia, which has the longest average programme duration of 320 days, the mobility phase of 85 days on average does not exceed the 30% figure.

Component	Description
	- Registration of participant with indication of date of entry and date of exit in the programme (e.g. agreement between the project management organisation and the participant) - Signed daily presence lists during preparatory, mobility and follow-up phases - Individual participant file containing date of entry into the programme, name of case worker/ guidance counsellors (or similar staff) in the home and host organisations, details on individual training programme and attendance per programme phase, date and reasons for exiting the programme.
<i>Arrangements to ensure fair application</i>	It should be ensured that all the programme components (preparatory, mobility and follow-up phases) actually took place. It is likely that the costs of the mobility phase are higher than those of the preparatory and follow-up phases; therefore, it would be important to ensure that the mobility phase was among the components of the programme and was of adequate length.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Focusing on entries to the programme and on reimbursing participation by day both minimises the risk of creaming in the selection of participants and ensures that the broken-off participation that is common among vulnerable target groups is compensated. However, reimbursement by day may encourage the organisation of unnecessarily long programmes. Furthermore, a single daily rate applied through all the programme phases increases the risk of prioritising less costly activities, e.g. organising longer preparatory and follow-up phases and a shorter mobility phase. This risk would be mitigated by the requirement, set in the description of operation, for the mobility phase to constitute 30% of the programme's total duration. This could be verified with the information of programme structure and composition available in project agreements between sending and hosting organisations. A further risk relating to an SCO based on historical data is the risk of the 'locking in' of operations. That is, Member States that organised shorter programmes or programmes for less vulnerable target groups, and which therefore receive a lower SCO rate, may be disincentivised to upscale their programme activities or approach more vulnerable target groups. The risk relating to the duration of activities is mitigated by calculating a daily SCO rate instead of a rate covering the total costs of the programme per participant. The daily rate also is aimed at incentivising organisers to approach vulnerable target groups, because broken-off participation common among more vulnerable participants is compensated by day. Under such an arrangement, few losses can be incurred if a participant does not complete any given programme phase or drops out at an early stage. The focus on entries to the programme (rather than exits or results) may incentivise the organisations to inflate the numbers of participants entering the programme. However, this risk is mitigated by reimbursing the days of actual participation in the programme, proven by daily attendance lists.
<i>Methods for regular adjustment of the amounts</i>	Adjustments according to price levels and inflation can be made using HICP inflation indices (in the same way as the current SCO rates were adjusted to 2021 price levels).

2.1.4. Insights on the application of this solution

This SCO addresses several of the key challenges involved in organising transnational mobility programmes for young people from disadvantaged backgrounds. These include the importance of providing well organised and structured preparatory and follow-up phases in addition to the mobility phase, as well as relatively high drop-out rates.

By focusing on programme entries rather than exits, the SCO minimises the risk of creaming in the selection of participants. Reducing this risk is crucial, given that the definition of NEETs is broad and programme organisers should be incentivised to approach the more vulnerable groups among them. This should be further encouraged by applying a daily rate allowing compensation for broken-off mobilities, common among more vulnerable participants at any stage of the programme. This increases the risk of over-compensation for early drop-outs but should be mitigated by keeping careful track of participant days and recording drop-outs immediately when they occur.

The audit trail for this SCO is relatively uncomplicated. Despite the necessity to track the exact duration of programme participation in order to adequately and individually compensate broken-off mobilities, maintaining regular participant lists appears to be common practice among the current TLN Mobility Network partners. Therefore, data that accurately captures daily participation in the programme should be easily available.

Because a single rate is applied throughout all programme phases, attention should be given to ensuring each phase is of adequate duration, and that less costly activities such as preparation and follow-up are not prioritised over the mobility period. This should be achieved by the requirement for the mobility phase to constitute at least 30% of the total programme duration.

Furthermore, this SCO does not differentiate between living costs in different host countries and builds on historical average costs for the entire programme and all operations funded under it. Although this approach provides the greatest simplification effect, it may also result in the 'locking-in' of interventions. Member States that previously organised less costly programmes offering mobilities to countries with lower living costs may be disincentivised from diversifying their choice of host countries. In a similar vein, the SCO does not differentiate between more or less vulnerable target groups, which could disincentivise Member States from approaching more vulnerable potential participants.

However, this SCO offers a simple and straightforward way to reimburse transnational mobility for disadvantaged youth. It accommodates a number of cross-country differences in the way such programmes are organised, providing sufficient flexibility for the Member States. At the same time, it would incentivise programmes that are aligned with the good practices set by the most advanced approaches of individual members in the TLN Mobility Network. This solution, which imposes a low administrative burden and uncomplicated audit trail, may incentivise more Member States to organise transnational mobility programmes for disadvantaged youth, and allow the upscaling of the TLN Mobility Network.

2.2. Outcome-based payment for transnational mobility programmes targeting disadvantaged youth

2.2.1. Description of the solution

2.2.1.1. Definition

This FNLC option would reward the positive results of a programme by providing an outcome-based payment for each participant who experiences **positive change in occupational status including finding employment, enrolling in further education, training or a labour market programme within six months of participating in a transnational mobility programme**. The outcome-based payment would be calculated as a percentage of the EU-level SCO presented in Section 2.1 for participant days of each individual case, and would reward successful exits, either via completions of the full programme or 'positive' drop-outs (i.e. entry into employment/training or education as a

reason for quitting the programme early). The outcome-based payment could range between 5% and 10% of the total programme cost of a respective participant.

2.2.1.2. Operations covered by the solution

The outcome-based payment is meant to reward a successful exit (i.e. one leading to a positive change in occupational status), in relation to an operation described in Section 2.1.1.2, which covers the organisation and implementation of transnational mobility programmes for disadvantaged youth, compensated in the form of a unit cost per participant day.

2.2.2. Analysis

2.2.2.1. Assessment of data

This assessment employs the same sample of historical data used to calculate the cost of one participant day (Section 2.1.2.1). In addition, several data sources were consulted to inform the development of the payment rewarding positive results. These included data on programme results provided by TLN Mobility Network partners, and a review of other schemes that aim to include participants from disadvantaged backgrounds or increase the employability of disadvantaged young people, and to sustain these outcomes. The schemes consulted include Youth Contract (UK), Erasmus+ and Youth Guarantee, as well as several smaller regional ESF initiatives aimed at providing guidance and support to NEETs in order to (re)engage them in the labour market.

Youth Contract, carried out in the UK, served as the most insightful example. First, it **specifically targets NEETs**, as opposed to schemes such as Erasmus+ aiming to include disadvantaged young people along with other participants, and providing relatively high top-ups for the former. Secondly, Youth Contract **focuses on rewarding positive and sustainable outcomes** of an activity of an extended duration covering more than just guidance or counselling (as smaller projects targeting NEETs supported by ESF often do). The scheme does not include a mobility component, but its general aim – namely, to increase the employability of NEETs through a year of training, education or work experience – is similar to that of TLN Mobility. Here, we focus on the arrangements to reward programme results rather than the costs of programme activities. Under Youth Contract, participating organisations receive a proportion of a unit cost of up to GBP 2,200 per young person (equivalent to around EUR 2,500 per year) for achieving and sustaining specific outcomes leading to re-engagement, further detailed in Box 1.

Box 1: Outcomes-based payments under Youth Contract (UK).

Youth Contract, a scheme announced in 2011 in the UK for a period of three years, aimed to support the participation of 16 to 24-year-olds in education, training and work. One of the strands of the programme supports the reengagement of 16 to 17-year-old NEETs with low levels of attainment in education, training or employment that includes training. Emphasis is placed on payment by results and sustainable outcomes. Payments to participating organisations of up to **GBP 2,200 per young individual** are organised as follows:

- Initial payment is triggered after ensuring that the young person is eligible for entry into the programme, and on completion of a clear and effective action plan for their reengagement (10-20% of the unit cost)
- Payments based on outcomes:
 - Reengagement: triggered if the participant is enrolled in education, apprenticeship or job with a training component between 3 and 6 months after the initial payment (30% of the unit cost)

- Sustainability: in the event of sustained participation for at least 5 out of 6 months after the payment for reengagement in education, apprenticeship or employment with a training component (50-60% of the unit cost)¹⁷

Evaluation of the Youth Contract for NEETS aged 16-17 shows that the unit cost of GBP 2,200 may be too low to incentivise participating organisations to reach a greater number of more vulnerable young people, despite the overall positive outcomes. A cost-benefit analysis accounting for benefits in improved earnings, health and crime reduction estimated the **total net social benefits of the scheme at GBP 12,900 per participant** nationally, with some regional variation, justifying the initial investment.¹⁸

As indicated by some TLN network partners, the **outcomes of transnational mobility experiences on disadvantaged participants are quite diverse**, and the initial goal of the programme is to increase employability rather than provide participants with actual employment. Therefore, a results indicator that links financing to changes in the occupational status of a participant may disadvantage particularly vulnerable target groups if it is defined narrowly. At the same time, there is no comparable or unified methodology to measure the soft outcomes of participation, not only between Member States but also between different programmes within the same country. In the monitoring data provided to the study team (see Table 5), **changes in the occupational status of participants, including finding employment, enrolment in education or labour market programme was the only results indicator consistently measured by the majority of TLN network partners**. These components allow a fairly broad definition of positive programme results, reducing the risk of disadvantaging more vulnerable participants. The data in Table 5 suggests that the proposed outcome-based payment would apply to about half of all programme participants.

Table 5: Participant monitoring indicators provided by TLN network partners

Country	Employment, education or labour market programme after 6 months	Employment or labour market programme after 6 months
Spain (Catalonia)	63%	N/A
Czechia	42 %	39 %
Germany	55%	N/A
Poland	45%	40%
Italy (Trento)	N/A	44%
Slovenia	58%	54%
Sweden	52%	39%

Source: prepared by PPMI.

¹⁷ Source: Youth Contract – Support for 16-17 Year Olds who are Not in Education, Employment or Training, available at: <https://data.gov.uk/data/contracts-finder-archive/download/432688/6ebdbbc6-9ecd-4b2e-bff7-a3fb6bc8de2e> (last access: 03.05.2021)

¹⁸ Source: Newton, B., Speckesser, S., Nafilyan, V., Maguire, S., Devins, D., Bickerstaffe, T. (2014): The Youth Contract for 16-17 year olds not in education, employment or training evaluation, p. 124ff available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/354706/RR318A_-_The_youth_contract_for_16_to_17-year-olds_not_in_education__employment_or_training_evaluation.pdf (last access: 05.05.2021)

2.2.2.2. Calculation method

The amount to reward positive programme outcomes is derived from the SCO values presented in section 2.1.2.3 (a unit cost to reimburse expenditure based on the number of reported participant days). In order to accommodate both the successful exits and positive drop-outs, the amount would be established individually for each respective participant based on the number of days they have participated in the programme reimbursed at the rate of 5-10% of unit cost values proposed in section 2.1.2.3 (see Table 4). In the case of a positive drop-out, the reimbursed amount would be based on the number of days the participant took part in the transnational mobility programme before breaking it off to enrol in an education, training or labour market programme, or to take up employment.

$$x = \frac{SCO * D_{person} * Rate}{100\%}, \text{ where}$$

SCO is cost of one day for one participant (see Table 4 for country rates)

D_{person} is the number of days a respective participant participated in the programme (equal to the total programme duration for successful completions or a specific number of days for positive drop-outs)

Rate is the proposed rate of the outcome-based payment

2.2.2.3. Results

Table 6 provides indicative ranges of the outcome-based payment for the five Member States that provided historical data of sufficient scope and detail to be used in the calculation of the SCO reflecting the cost per participant day. In this sample, the actual average programme duration reported by the Member States can be used instead of estimated average values, and so the examples also show the cross-country differences in average programme duration as well as the resulting variation in indicative outcome-based payment rates. The values for the remaining Member States can be calculated based on the SCO values proposed in Table 4, multiplying them by the duration of an individual's participation and the selected payment rate.

Table 6: Indicative ranges of the outcome-based payment for participants who experienced a positive change in their occupational status

Country	Average programme duration (days)	Outcome-based payment at a rate of 5% at average duration (EUR)	Outcome-based payment at a rate of 10% at average duration (EUR)
Czechia	320	741.89	1,483.79
Sweden	260	1,036.65	2,073.30
Slovenia	95	326.36	652.72
Germany	211	818.78	1,637.57
Poland	206	386.03	772.07

Source: prepared by PPMI.

As seen in the table above, the 10% rate comes relatively close to the unit cost of approximately EUR 2,500 applied in the Youth Contract scheme, which rewarded similar results achieved by operations of comparable duration. The lower rates for Poland and Czechia relate to price levels in those countries; the figure for Slovenia is mainly reduced by the short average programme duration. However, the Swedish and German rates are fairly similar to those for Youth Contract, and would be somewhat higher in the case of longer programmes (over EUR 2,900 and EUR 2,800, respectively, if the programmes took

an average of one year). The 10% rate appears adequate, considering the significant societal benefits of achieving NEET reengagement (see Box 1).

2.2.3. Audit trail

Component	Description
<i>Description of the operation type</i>	Any operation implementing a transnational mobility scheme for disadvantaged young people. The operation should: - include a training component, - consist of a preparatory phase, a mobility phase and a follow-up phase, - the mobility phase should constitute at least 30% of the total duration of the programme.
<i>Indicator name</i>	Participant experiencing a change in occupational status, including enrolment in an education, training or labour market programme, or taking up employment within six months of entering into a transnational mobility scheme.
<i>Measurement unit for the indicator</i>	Number of participant days per all participants enrolled in an education, training or labour market programme, or taking up employment within six months of entering into a transnational mobility scheme.
<i>Arrangements to ensure audit trail</i>	The following justification documents are required for each participant: - Proof of eligibility of the participant: - o Participant's national registration register indicating date of birth and place of residence. - o Participant's educational and occupational status at date of entry into the operation, such as information from the national employment register and copy of educational certificates achieved at the date of entry in the transnational mobility operation. - Proof of a positive change in occupational status: - o Copy of participants' employment contract with clear indication of start date and end date of employment, or - o in case of enrolment in education, training or labour market programme, document issued by the respective body indicating the start date of the participants' enrolment in the said scheme. - Participant registration in the transnational mobility programme: - o Registration of participant with indication of date of entry and date of exit in the programme (e.g. participant contract) - o Signed daily presence lists during preparatory, mobility and follow-up phases - o Individual participant file containing date of entry into the programme, name of case worker, details on individual training programme and attendance per programme phase, date and reasons for exiting the programme.
<i>Arrangements to ensure fair application</i>	A unified definition of change in occupational status should be established, which in addition to taking up employment also encompasses enrolment in education or labour market programme. Such arrangements are needed: 1) to protect the more vulnerable target groups from being (un)intentionally excluded from participation in supported schemes due to their

Component	Description
	(arguably) lower potential of achieving narrowly defined outcomes, such as taking up employment within six months of entering into a transnational mobility scheme 2) to ensure that supported schemes seek to improve the employability of participating disadvantaged youth (as set by the good practice example of the IdA scheme) instead of aiming to directly change their employment status.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives.</i>	The application of outcome-based payment on top of the unit cost rate proposed in section 2.1.2.3 slightly increases the risk of creaming in the selection of participants . More specifically, outcome-based payments may discourage programme organisers from approaching the most vulnerable target groups. The likelihood of this risk can be reduced if the amount awarded is relatively low.
<i>Methods for regular adjustment of the amounts</i>	Adjustments to inflation could be made using HICP inflation indices (in the same way as the current SCO rates were adjusted to 2021 price levels): Unit cost value for Member State X * HICP index for Member State X

2.2.4. Insights on the application of this solution

Since the primary target group of transnational mobility schemes is youth from disadvantaged backgrounds, changes in occupational status including finding employment or enrolment in education or labour market programme are an ambitious goal in this context. For this reason, the outcome-based payment for participants who experienced positive change in occupational status as a result of participation in the programme should **not be set too high, so as not to encourage 'creaming' in the selection of participants, or to discourage the involvement of more vulnerable target groups**. The purpose of the outcome-based payment should be to **incentivise organisers to focus on the quality of activities**, especially during the follow-up phase, to ensure that the participants experience tangible and sustainable outcomes. While an outcome-based payment set at the level of 10% of the unit cost rate defined in section 2.1.2.3 would correspond roughly with the results-based funding under Youth Contract, a lower rate could be applied, considering that follow-up activities are already included in the initial SCO.

Basing the calculation of the outcome-based payment on the duration of a given programme and its overall cost might have positive implications for the involvement of more vulnerable target groups. Exchanges with TLN Mobility Network partners have shown that in countries where the labour market situation is worse, less vulnerable target groups tend to be defined as NEETs, compared with countries in which the labour market situation is better. It was observed, for example, that unemployed youth with completed education can be eligible in Spain or Italy, while Germany tends to target more vulnerable groups. Looking at the historical data received from TLN Network partners, we observed that the vulnerability of target groups may be reflected in average programme duration – for example, under 100 days in Spain, and over 200 in Germany. This would imply that approaching more vulnerable target groups would be rewarded with a higher top-up in the event of positive results, providing more encouragement to organisers to include such groups.

TLN network partners mentioned that **positive drop-outs** are common among programme participants. Some NEETs find employment or enrol in education before they complete the programme. Calculating the amount of an outcome-based payment on the basis of the number of days each individual has participated in the programme enables such results to be rewarded.

3. Solutions in the area of community social services

In the context of this study, **community social services** are understood to be services that enable individuals to live, participate and seek help in a community environment. Community social services can be provided by a wide spectrum of service providers. These may range from civil society not-for-profit organisations that deal with specific problems (such as homelessness, violence, poverty), to private for-profit or public sector providers. Personal targeted social services are a sub-set of community social services responding to the individual and specific needs or problems of people who find themselves in vulnerable situations.

Existing research on the topic suggests that personal targeted social services can be grouped by function into six types of services:

- *Support with caring duties, either for oneself or one's dependents ('Caring obligations')*. Services in this group may include childcare (for children in vulnerable situations, provided through community-based services, not the funding of regular kindergartens), holiday care for school children, long-term care, home care, nursing care, day centres and parenting support.
- *Assistance to people with disabilities or chronic health problems ('Assistance with disabilities')*. Services in this group may include rehabilitation centres, job rehabilitation, supported housing, psychological assistance, personal assistance, addiction rehabilitation centres, and various community social services supporting independent living.
- *Support for integration into the labour market ('Labour market-related services')*. Services in this group may include pre-training services (e.g. measures to move people towards re-entering training, such as motivational and coaching activities, personal assistance in the workplace for people with disabilities or addictions, counselling and guidance for NEETs).
- *Assistance in crisis and emergency situations linked to homelessness, violence or other sudden adverse situations ('Crises and emergencies')*. Services in this group may include (non-exhaustive list): shelters and emergency accommodation for homeless persons, shelters for victims of domestic violence, suicide prevention, and domestic violence prevention.
- *Tackling the social exclusion of people who already are in disadvantaged situations ('Social exclusion')*. Services in this group may include socio-cultural activities, day centres, group activities and clubs, information centres, psychological assistance such as stress management, health education, criminal rehabilitation services for ex-offenders, and access to essential services such as transport.
- *Assistance with other specific problems ('Specific problems')*. Services in this group may involve debt counselling, financial advice, family counselling, domestic violence counselling, mentoring, psycho-social support, legal advice, and mediation.

As explained in section 1.1.2, this classification informed our exploratory analysis/mapping of relevant ESF-funded interventions implemented by Member States during the period 2014-2020. A thorough review of information on the mapped interventions, however, shows that insufficient historical data are available to develop off-the-shelf solutions for every one

of the six types of services. The classification of mapped interventions therefore had to be reviewed and, for the purpose of this study, **narrowed down to four types of community social services**. To be more precise, we merged the interventions mapped under 'Assistance with disabilities' and 'Specific problems' with the interventions from the remaining service modules.

In the context of this study, **service module** is defined as a set of relevant operations supported by Member States in the area of community social services. **Participants** are individuals partaking in activities or receiving support from a particular service module.

The main reason to merge the interventions mapped under 'Assistance with disabilities' was **overlapping and/or similar activities** shared with other service modules: an overlap was seen in 'Caring obligations' (in the form of caring arrangements for people with disabilities) and 'Labour market-related services' (in the form of assistance for people with disabilities via vocational rehabilitation) service modules, with the only difference being the exclusivity of the target group. The 'Specific problems'¹⁹ service module, on the other hand, contained a **sample size that was insufficient to establish any off-the-shelf solution**. These types of services proved to be rather niche compared to other service modules, as the size of the sample collected was significantly smaller than for other service modules. Hence, projects mapped under this group were included either in the 'Social exclusion' or 'Labour market-related' service modules.

As a result of these adjustments, the study covers the following service modules:

- *Caring obligations*. Services related to in-home care and day care services for the elderly and people with disabilities (including children with disabilities);
- *Labour market-related services*. Services related to labour market reintegration via assistance for people with disabilities and other vulnerable target groups through vocational rehabilitation and targeted job services;
- *Crises and emergencies*. Services related to emergency temporary accommodation and crises consultations for homeless persons and victims of domestic violence;
- *Social exclusion*. Services related to tackling the social exclusion of vulnerable target groups such as migrants and Roma minorities. This service module also includes services provided through community centres (specific to Greece and Malta), as well as debt prevention measures and debt counselling (specific to Czechia).

In the following sections of the report, we propose **a mix of different off-the-shelf solutions** for these four types of community social services: **one EU-level SCO, two Member State-specific SCOs, as well as one solution defined the form of financing not linked to costs (FNLC)**. This set of off-the-shelf solutions was largely drawn from the longlist of SCO alternatives per each service module presented in the Interim and Draft Final reports and thoroughly discussed with the Commission. The selection was based on the feasibility, simplification effect, risks and applicability of the longlisted options.

In the end, **EU-level SCOs** could only be developed in those instances where the supported interventions entail fairly uniform activities, and where historical data of sufficient quality were available to effectively extrapolate (unit cost) values for those Member States not covered in the sample. Only interventions shortlisted for further calculations in the 'Caring

¹⁹ Interventions supporting community social services involving debt counselling, financial advice, family counselling, domestic violence counselling, mentoring, psycho-social support, legal advice and mediation.

obligations' group met these prerequisites. In our analysis of these interventions, we made a **distinction between in-home care services and community-based day care services**, and proposed unit costs for each of the two delivery modes. Evidence from other studies suggests that both types of delivery are relevant to all 27 EU Member States (see Table 7). It is worth noting, however, that Member States often support in-home care and community-based day care services from other funding sources (such as national funds), which explains the relatively small sample size of interventions upon which the calculations for this service module are based (as seen in section 3.1.2.1).

Table 7: Prevalence of in-home care and day care services in the EU

Type of community service	Number of EU Member States where available	EU Member States where the service is available
In-home care	27	AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK
Day care	27	AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK

Source: FRANET, summary overview of types and characteristics of institutional and community social services for persons with disabilities available across the EU.

It was not feasible to develop EU-level SCOs for the '**Labour market related services**' and '**Social exclusion**' service modules due to the following reasons:

- Interventions implemented by Member States were **not homogeneous or comparable** in terms of the activities supported. This lack of uniformity also **prevented extrapolations** of the (unit cost) values for those Member States that were not covered in the sample.
- Data on duration, which is crucial when dealing with uneven length of operations, is rarely provided for either of these service modules. Due to this, it would have been difficult to extrapolate values for all EU Member States.
- For 'Labour market-related services', operations that were mapped during this study overlapped heavily with the operations already eligible for reimbursement under the EU-level SCOs for the unemployed²⁰. To avoid the risk of double-funding and/or 'SCO shopping', these were excluded from further analysis. This greatly impacted the size of the sample.

Taking into account these shortcomings, we developed **Member State-specific SCOs** for both of the aforementioned service modules.

Lastly, **solutions based on FNLC** were proposed for the '**Crises and emergencies**' service module since neither an EU-level SCO, nor a Member State-specific SCO could be developed due to insufficient data on relevant interventions. The methodology of FNLC-based solutions is based on 'financeable indicators' and focuses primarily on the result of the provided service (either a verifiable 'output' or an 'outcome' based on pre-agreed milestones).

The following sections are dedicated to an overview of proposed off-the-shelf solutions. Each section provides a description of the proposed solution, including an overview of eligible operations and the costs of the service module. It also describes the analytical

²⁰ As defined in Commission Delegated Regulation (EU) 2019/2170 of 27 September 2019

process, including the assessment of data used in the calculations, steps taken in the calculation process, and its results. Each section ends with an overview of the audit trail and final insights on the application of the proposed solution.

3.1. EU-level unit cost for 'Caring obligations'

3.1.1. Description of the solution

3.1.1.1. Definition

This EU-level SCO would cover the **cost per hour/day/month/year of one participant receiving personal (targeted) care services**. It would be based on two distinct unit costs:

- a unit cost for in-home care services; and
- a unit cost for community-based day care services.

In-home care services are services delivered at the home of the beneficiary to aid those persons who cannot take care of themselves, due to objective circumstances, in Activities of Daily Living (ADLs)²¹ such as bathing, dressing and eating, or in Instrumental Activities of Daily Living (IADLs)²² such as preparing meals, managing money, shopping for groceries or personal items. In-home care services also include mobile nursing care and home-based therapeutic services. People are often cared for at home by paid or voluntary caregivers, such as family and friends, with additional support from home care agencies.

Community-based day care services are most often provided in day care centres – institutions that provide social care and social rehabilitation services during the day. Day care centres are open structures for hospitality and care of people who cannot take full care of themselves, and usually have chronic illnesses. They enable participants to socialise and enjoy planned activities in a group setting, while receiving care in a structured setting during daytime hours.

3.1.1.2. Operations covered by the solution

This SCO would cover any operation concerning the provision of in-home care services and community-based day care services for elderly people, adults with physical and mental disabilities, and children with physical disabilities. For these operations, a list of types of activities eligible for reimbursement through unit costs drawn from the analysis of relevant interventions implemented by Member States is summarised in Table 8. It is proposed, however, that the Member States are not allowed to pick and choose from this list of eligible activities when devising a single operation for the provision of each type of care services (i.e. "in-home care services" and "community-based day care services") supported by ESF+. Instead, the Member States are required to provide the whole set of standard activities in order for their operations to be eligible for reimbursement. Only minor divergencies should be allowed to mitigate the risk of slicing of operations. This includes allowing the Member States to include other (additional) activities considered eligible for the ESF+ support, in addition to the pre-defined activities outlined in Table 8.

Analysis of information collected from Managing Authorities on similar operations supported by ESF during the period 2014-2020 shows that the structures of the underlying cost categories for in-home care and day-care services are similar. In most cases, these

²¹ https://www.medicinenet.com/adls_activities_of_daily_living/definition.htm

²² <https://www.assistedliving.org/what-are-iadls/>

interventions covered direct staff costs and other direct costs, such as travel costs and the cost of premises (in the case of in-home care services, the costs of maintaining home nursing agencies), administrative expenses that are directly related to the provision of these services, etc. However, it is crucial to note that the absolute unit cost values for operations specific to the two sub-modules differ significantly, which is why we propose two separate unit costs per Member State.

Table 8: Eligible activities and costs under the 'Caring obligations' service module

Object	In-home care services	Community-based day care services
<i>Eligible activities</i>	In-home personal assistance ²³ Provision of personal hygiene services ²⁴ In-home respite care ²⁵ Home-based therapeutic and rehabilitation services (only for physical disabilities ²⁶) Home-based nursing care Support for independent living (excluding purchase of equipment) Social rehabilitation services	Nursing care Respite care ²⁷ Functional and social skills development services Group activities involving mental stimulation group exercise and wellness programmes
<i>Eligible costs</i>	All eligible costs of the operation.	All eligible costs of the operation.
<i>Categories of costs included in the calculations</i>	Salary cost for direct staff (including employer social security contributions) Publicity and marketing activity Consultancy fees Cost of audit, legal and accountancy	Salary costs for direct staff (including employer social security contributions) Rent of premises (used only for the purpose of the intervention) Publicity and marketing activity Consultancy fees Cost of audit, legal and accountancy Running costs (gas, electricity, water, etc.) Support staff wages Postage and telephone

Source: prepared by PPMI, based on analysis of historical administrative data submitted by Member States.

²³ Can be used for personal care, housework and social activities.

²⁴ For example, bathing, bathing aid, body wash (when the recipient can enter the bath, or the bath is adapted for the person with disabilities); personal hygiene assistance (change of nappies, clothes and bedding)

²⁵ Respite care provides short-term relief for primary caregivers. It can be arranged just for an afternoon, or for several days or weeks. Care can be provided at home, in a health care facility, or at an adult day centre.

²⁶ No specialised therapy such as speech therapy, therapy dedicated to tackle developmental issues or family therapy.

²⁷ Ibid 24.

3.1.2. Analysis

3.1.2.1. Assessment of data

A detailed description of the steps taken by the study team to collect the data required to develop this SCO is provided in section 1.1.2. The initial data sample of historical costs for 'Caring obligations' consisted of 34 interventions implemented in the period 2014-2020 and mapped during the data collection process. However, to address certain issues identified by the study team in relation to availability and reliability of data on these interventions, the following measures were undertaken:

- *Eliminating interventions involving services incompatible with the definition of the service module 'Caring obligations'.* Interventions that were excluded on the basis of their content included residential care services, and the training of care staff. Furthermore, we received information about projects tackling the transformation of institutional care and institutionalised childcare, which indicated that they included no actual provision of caring services. Instead, such projects dealt with the implementation of new administrative arrangements or financing the purchase of equipment. As indicated at the start of the study, residential services do not qualify as eligible activities in this area. This, in turn, means that services provided overnight and on a long-term basis, such as residential care homes for the elderly, were not included in the final sample. Interventions in projects solely providing support services for parents of children with disabilities, were also removed. Meanwhile projects including care for children with disabilities in their families' home or day care setting and support to their parents were included in the calculations. In summary, if no indication was given that the intervention included caring services for a child with disabilities, it was not included in the calculations.
- *Eliminating interventions with insufficient quantitative data regarding costs and duration.* The bulk of interventions excluded from the sample were those that contained insufficient detail. In most cases, information on the duration of services in terms of total participant hours was unavailable/missing, which prevented the hourly cost calculations based on the historical data provided on these interventions.
- *Eliminating interventions with insufficient qualitative data on eligible activities.* In order to develop EU-level SCOs, standardised lists of activities must be established, with explicit descriptions of what types of services are eligible under each service module. Hence, the establishment of a SCO for a given service module requires not only the estimation of rates and values, but also extensive description of what activities belong to a given type of operation (and which do not). The study team has applied common selection criteria when shortlisting relevant operations – this ensured consistency within each Member State, and comparability between all Member States. Interventions which lacked details on the supported activities were excluded from the final sample.

As a result of the cleaning exercise, our sample for this service module decreased from 34 to **16 interventions from 10 EU Member States**, including:

- Eight interventions supporting in-home care services in seven Member States (Cyprus, Czechia, Latvia, Lithuania, Malta, Portugal and Slovakia); and
- Eight interventions supporting community-based day care services in five Member States (Poland, Estonia, Latvia, Greece and Slovakia).

The key data on these interventions were consistently available, such as total costs, number of participants, duration and detailed lists of eligible activities. The level of detail in the collected data was also found to be sufficient: most countries provided aggregated data per period, although in certain countries such as Greece, some single-year values were also included in the calculations, since the sample size for the single-year value was sufficient to draw conclusions.

3.1.2.2. Calculation method

The data indicators used to establish this SCO are the total eligible costs and the total number of *contact hours* provided within the area of in-home care and community-based day care services.

To establish unit cost values, we first calculated yearly averages of costs per intervention. If a Member State had more than one intervention, weights²⁸ were applied, based on the number of participants of each intervention.

For Member States where sufficiently detailed data was available, unit costs were calculated using the formula provided below. The same formula, as well as the subsequent steps, was used for both in-home care services and community-based day care services. The output of these calculations are **yearly values for each Member State in the historical sample**.

$$SCO_{caring\ obligations} = \frac{\sum_i^n (C_{total} * W)}{\sum_i^n (D_{participant\ hours} * W)}, \text{ where}$$

C_{total} is the total (eligible) costs incurred for an intervention within the area of in-home care or community-based day care services, in EUR.

D_{participant hours} is the total number of contact hours provided for all participants in an intervention within the area of in-home care or community-based day care services, in hours.

W is the weight used to equalise the differences in the number of participants per intervention.

i is the first year for which cost data are available, and

n is the last year for which cost data are available.

The yearly SCO values per Member State were then adjusted to 2021 price levels. To this end, we used LCI indices from Eurostat²⁹. The outputs of these calculations are **yearly values (adjusted for inflation) for each Member State in the historical sample**.

After adjustment to 2021 price levels, we calculated SCO values per Member State for the whole period. The outputs of these calculations are **aggregated (by period) values for each Member State in the historical sample**.

Next, we introduced a **pooling of averages in the historical sample**. This method returned a single, average value aggregated for all Member States with historical data in the respective samples. This was done to address the variation in costs for different types of activities within the sample (for example, interventions which included home-based therapeutic services or nursing care vs. basic in-home care). This approach ensures that reimbursement through unit costs will not result in the over-compensation of Member States that have historically implemented costlier services, or under-compensation of Member

²⁸ This was carried out because a simple arithmetic average would have resulted in interventions with more participants having a larger impact on the average unit cost. Thus, to eliminate this bias, we used weighted averages.

²⁹ Labour cost for LCI (compensation of employees plus taxes, minus subsidies). Percentage change on previous period.

States that have historically implemented cheaper services. The outputs of these calculations are **aggregated values for the entire historical sample ('Pooled average')**.

Lastly, the values for Member States without historical data were extrapolated on the basis of a selected extrapolation index. After exploring multiple sets of possible explanatory variables, the indicator chosen to extrapolate values for Member States without historical data was '**Labour costs for human health and social workers³⁰ (Eurostat lc_lci_lev)**'. This indicator was chosen due to the direct correlation³¹ between the historical costs of operations in this service module and the labour costs index extracted from Eurostat. The outputs of these calculations are **final values for each Member State based on the adjustment from the pooled average**.

For more technical details on the calculation and extrapolation processes for this SCO, please refer to Annex 2: 'Detailed methodology'.

3.1.2.3. Results

In-home care services

As noted in section 3.1.2.1, the historical data sample for in-home care services comprises seven EU Member States (Cyprus, Czechia, Latvia, Lithuania, Malta, Portugal and Slovakia). The pooled average for the historical sample for in-home care services is **14 EUR/hour**.

The historical costs largely reflect the socioeconomic logic when compared with the socioeconomic indicator mentioned in section 3.1.2.2. However, a few deviations can be observed. In Portugal, where historical costs are higher than the adjusted values, the intervention included more qualified staff such as psychologists and sociologists, as well as staff responsible for social work and rehabilitation. As a result, the remuneration for these specialists may have inflated the historical costs. In Lithuania, which implemented an intervention involving integrated home care, the discrepancy between historical and adjusted values can be mostly attributed to rapid increases in labour costs (61% during the period 2014-2020). This, in turn, resulted in the historical value being significantly higher when adjusted for 2021 price levels. On the other hand, in Slovakia, which also facilitated in-home social care, historical costs were lower in relative terms. This could be attributed to the less rapid increase in labour costs seen during the period for which historical data was available (2018-2020).

Overall, the values adjusted after pooling are 9% above the hourly labour costs from Eurostat. Table 9 provides an overview of the comparative analysis between adjusted, historical and socioeconomic values for in-home care services.

Table 9: Pooling: difference between adjusted and historical unit costs for in-home care services

Country	Unit cost (hourly, adjusted after pooling)	Unit cost (hourly, historical)	Eurostat hourly labour costs ³²	% diff. between predicted and historical (EUR)	% diff. between predicted and Eurostat (EUR)
<i>Pooled average</i>	14.00	14.00	12.79		+9%
Cyprus	13.63	12.68	12.45	+7%	+9%

³⁰ This indicator includes care activities and social work activities not including accommodation.

³¹ Based on Pearson Correlation.

³² Hourly labour costs in the area of human health and social work activities (source: Eurostat, [lc_lci_lev]).

Country	Unit cost (hourly, adjusted after pooling)	Unit cost (hourly, historical)	Eurostat hourly labour costs ³²	% diff. between predicted and historical (EUR)	% diff. between predicted and Eurostat (EUR)
Czechia	15.10	15.13	13.80	-0,2%	+9%
Latvia	10.73	10.72	9.80	+0,1%	+9%
Malta	18.72	18.73	17.10	-0,1%	+9%
Portugal	15.21	18.32	13.90	-17%	+9%
Slovakia	13.90	10.13	12.70	+37%	+9%
Lithuania	10.73	12.30	9.80	-13%	+9%

Source: prepared by PPMI, based on historical data.

Unit costs for in-home care services in all EU Member States are presented in Table 10. Member States that served as the basis for the pooled average can be seen in **bold**. In addition to hourly unit cost values, the SCOs are calculated for daily, monthly, and yearly rates. This provides greater flexibility to Member States wishing to employ different time units.

In-home care services, the extrapolated unit cost values range from 7 EUR/hour in Bulgaria to 48 EUR/hour in Luxembourg. Please note that variations in costs for different eligible operations within the historical sample have, at this stage, already been accounted for. Thus, no outliers are perceived based on the socioeconomic logic.

Table 10: Unit costs for the in-home care services sub-module

Country	Labour cost for LCI - human health and social work activities	Unit cost (hourly), EUR	Unit cost (daily), EUR (*)	Unit cost (monthly), EUR (**)	Unit cost (yearly), EUR (***)
<i>Pooled average</i>	1.00	14.00	112	2.240	26.883
Cyprus	0.97	13.63	109	2180	26163
Czechia	1.08	15.10	121	2417	29000
Latvia	0.77	10.73	86	1716	20594
Malta	1.34	18.72	150	2995	35935
Portugal	1.09	15.21	122	2434	29210
Slovakia	0.99	13.90	111	2224	26688
Lithuania	0.77	10.73	86	1716	20594
Austria	2.67	37.43	299	5989	71869
Belgium	2.47	34.59	277	5534	66406
Bulgaria	0.47	6.57	53	1051	12609
Croatia	0.92	12.92	103	2066	24797
Denmark	3.19	44.66	357	7145	85739
Estonia	1.02	14.34	115	2294	27529
Finland	2.37	33.16	265	5306	63674
France	2.32	32.51	260	5201	62413
Germany	2.52	35.24	282	5639	67666
Greece	0.95	13.24	106	2119	25427
Hungary	0.52	7.33	59	1173	14080
Ireland	2.60	36.34	291	5814	69768
Italy	2.29	32.07	257	5131	61572
Luxembourg	3.39	47.50	380	7600	91203

Country	Labour cost for LCI - human health and social work activities	Unit cost (hourly), EUR	Unit cost (daily), EUR (*)	Unit cost (monthly), EUR (**)	Unit cost (yearly), EUR (***)
Netherlands	2.92	40.82	327	6532	78384
Poland	0.79	11.05	88	1769	21225
Romania	0.81	11.27	90	1804	21645
Slovenia	1.48	20.69	165	3310	39717
Spain	1.88	26.38	211	4220	50645
Sweden	2.60	36.34	291	5814	69768
EU27		23.09	185	3694	44329

(*) Based on eight contact hours

(**) Based on 160 contact hours

(***) Based on 1,720 contact hours

Source: prepared by PPMI, based on historical data.

Community-based day care services

In relation to community-based day care services, data was available for five countries (Poland, Estonia, Latvia, Greece and Slovakia). The pooled average for the historical sample for community-based day care services is **9.73 EUR/hour**.

Some variations were identified between costs in the historical sample and adjusted values. In Latvia, where values based on historical data were 80% lower than the adjusted value, reimbursement was based on a fixed rate³³ that was developed for the programming period 2014-2020. As a result, the historical values for these types of services returned very low amounts (as they were developed on the basis of costs in 2014). If implemented, they could have resulted in under-compensation and a lack of incentive to apply this SCO. However, these risks have been mitigated by the method of pooling calculations. In Greece, which financed day care centres for the elderly and people with disabilities, the spectrum of eligible operations³⁴ was wider than for some other interventions in the sample, which is why the historical cost is higher.

Overall, the values adjusted after pooling are 16% below the hourly labour costs from Eurostat. Table 11 provides an overview of the comparative analysis between adjusted, historical and socioeconomic values for community-based care services.

Table 11: Pooling: difference between predicted and historical unit costs for community-based care services

Country	Unit cost (hourly, adjusted after pooling exercise)	Unit cost (hourly, historical)	Eurostat, hourly labour costs ³⁵	% diff. between predicted and historical (EUR)	% diff. between predicted and Eurostat (EUR)
<i>Pooled average</i>	9.73	9.73	11.56		-16%
Poland	8.50	9.79	10.10	-13%	-16%
Estonia	11.02	12.56	13.10	-12%	-16%
Latvia	8.25	4.58	9.80	+80%	-16%

³³ The data provider for Latvia has indicated that the data provided represents historical data with total community social service costs according to the standard rate of unit costs used within projects and not actual community social service costs (the collection of the latter was regarded as too administratively burdensome by the data provider).

³⁴ Examples of such services are special treatment (ergonomics, logotherapies, physical therapies, etc.), based on the individual programme for each participant; networking and co-operation activities with other social services, institutions and providers and the local community in general.

³⁵ Hourly labour costs in the area of human health and social work activities (source: Eurostat, [lc_ici_lev]).

Country	Unit cost (hourly, adjusted after pooling exercise)	Unit cost (hourly, historical)	Eurostat, hourly labour costs ³⁵	% diff. between predicted and historical (EUR)	% diff. between predicted and Eurostat (EUR)
Greece	10.18	12.84	12.10	-21%	-16%
Slovakia	10.69	8.88	12.70	+20%	-16%

Source: prepared by PPMI, based on historical data.

The unit costs for community-based care services in all EU Member States are presented in Table 12. After the extrapolation process, values range from 5 EUR/hour in Bulgaria to 37 EUR/hour in Luxembourg.

Table 12: Unit costs for the community-based day care services sub-module

Country	Labour cost for LCI - human health and social work activities	Unit cost (hourly), EUR	Unit cost (daily), EUR (*)	Unit cost (monthly), EUR (**)	Unit cost (yearly), EUR (***)
<i>Pooled average</i>	1,00	9.73	78	1,557	18,679
Poland	0,87	8.50	68	1,360	16,320
Estonia	1,13	11.02	88	1,764	21,167
Latvia	0,85	8.25	66	1,320	15,835
Greece	1,05	10.18	81	1,629	19,551
Slovakia	1,10	10.69	86	1,710	20,521
Czechia	1,19	11.61	93	1,858	22,298
Cyprus	1.08	10.48	84	1,676	20,117
Austria	2.96	28.78	230	4,605	55,260
Belgium	2.73	26.59	213	4,255	51,059
Bulgaria	0.52	5.05	40	808	9,695
Croatia	1.02	9.93	79	1,589	19,066
Denmark	3.53	34.34	275	5,494	65,925
Finland	2.62	25.50	204	4,080	48,959
France	2.57	24.99	200	3,999	47,989
Germany	2.79	27.10	217	4,336	52,029
Hungary	0.58	5.64	45	902	10,826
Ireland	2.87	27.94	224	4,470	53,645
Italy	2.53	24.66	197	3,945	47,343
Lithuania	0.85	8.25	66	1,320	15,835
Luxembourg	3.75	36.52	292	5,844	70,126
Netherlands	3.23	31.39	251	5,022	60,269
Portugal	1.20	11.70	94	1,872	22,460
Romania	0.89	8.67	69	1,387	16,643
Malta	1.48	14.39	115	2,303	27,630
Slovenia	1.63	15.91	127	2,545	30,539
Spain	2.08	20.28	162	3,245	38,941
Sweden	2.87	27.94	224	4,470	53,645
EU27		17.72	142	2,834	34,013

(*) Based on eight contact hours

(**) Based on 160 contact hours

(***) Based on 1720 contact hours

Source: prepared by PPMI, based on historical data.

Addressing unit cost differences between in-home care and community-based day care services

At a glance, the **average unit cost value for in-home care services is 44% higher than for community-based day care services**. This was identified in Latvia and Slovakia³⁶, which have interventions in both samples. After triangulating with **existing market prices** in Portugal³⁷ and the UK³⁸, we see further confirmation of this phenomenon. Furthermore, **existing research from EU-level studies**³⁹ indicates that the cost differences seen between in-home care and day care services fall in line with expectations. There are several possible explanations for differences in costs between these types of delivery mode:

- *Individual services versus group services.* By design, in-home care services are mostly provided to a single individual at a time. While services in an adult day care environment may also be provided to one individual, the implementation of group-based services (i.e. for more than one individual at a time) is prevalent and may reduce the overall costs incurred.
- *More vulnerable target groups tend to receive in-home care.* If the participant is housebound, suffers from a debilitating illness, or needs intensive monitoring, in-home care is considered more appropriate and practical to ensure they receive the correct level of care. Depending on the individual's needs, services may need to be delivered by professionals with higher qualifications (therapists, nurses specialising in serious cases of dementia, etc.).
- *Level of interaction with staff members.* Receiving care services in-home will allow for more personal attention from the direct staff member. As a result, costs for in-home care services mostly consist of remuneration for staff, which takes up the bulk of the total costs of an intervention. Conversely, a participant may receive more limited attention in a day care setting, since the workflow of a single staff member is typically dedicated to interacting with multiple participants during any given contact hour. Hence, in the case of community-based day care services, the costs incurred are distributed more evenly between direct staff costs, the costs of the facility, costs of consumables and utilities, etc.

³⁶ In Slovakia, if home care is provided only to one person, the allowance amounts to 125% of the subsistence minimum for an adult person. The allowance is increased where a person cares for one or more severely disabled children. The nursing allowance can also be claimed if a dependent person uses day care services. In these cases, it amounts to 112% of the subsistence minimum e.g. 13 pp lower than for home care (extract from Eurocarers, <https://eurocarers.org/country-profiles/slovakia/>).

³⁷ Participant In Day Care Centre cost is around 113 EUR/week, while participant in Home Support Service cost is around 261 EUR/week (Source: OneValue, accessed: https://onevalue.gov.pt/?parent_id=15).

³⁸ Average weekly cost of home care package for local authority in-house provision amounted to 154 GBP/week, while average weekly gross cost of day care or day care services for older people amount to 92 GBP/week (Source: GMCA, accessed: <https://www.greatermanchester-ca.gov.uk/media/2007/unit-cost-database-v20.xlsx>).

³⁹ Home Care across Europe, Current structure and future challenges. Case studies, accessed: https://www.euro.who.int/__data/assets/pdf_file/0008/181799/e96757.pdf

3.1.3. Audit trail

Component	Description	
	In-home care services	Community-based day care services
<i>Description of the operation type</i>	Operations aimed to facilitate in-home care services consisting of in-home personal assistance, provision of personal hygiene services, in-home respite care, home-based nursing care, home-based therapeutic and rehabilitation services (only for physical disabilities), support for independent living (excluding purchase of equipment) and social rehabilitation services.	Operations aimed to facilitate community-based day care services consisting of respite care, nursing care, functional and social skills development services, group activities involving mental stimulation, group exercise and wellness programmes.
<i>Indicator name</i>	Provision of in-home care services	Provision of community-based day care services
<i>Measurement unit for the indicator</i>	Number of participant hours/days/months/years for all participants receiving in-home care services.	Number of participant hours/days/months/years for all participants receiving community-based day care services.
<i>Eligible costs</i>	All eligible costs of the operation.	All eligible costs of the operation.
<i>Categories of costs included in the calculations</i>	• Direct staff wages (incl. employer social security contributions) • Travel costs of direct staff • Publicity and marketing activities • Consultancy fees • Audit, legal and accountancy costs	• Direct staff wages (incl. employer social security contributions) • Rent of premises (only premises used for the purpose of the intervention) • Publicity and marketing activities • Consultancy fees • Audit, legal and accountancy costs • Running costs (gas, electricity, water etc.) • Support staff wages • Postage and telephone
<i>Arrangements to ensure audit trail</i>	Proof of eligibility of the participants should be supplemented with documents such as: • Care needs assessment report, personal care plan and/or equivalent documentation Examples of documents required to serve as proof that relevant activities took place, and that all claimed outputs were in fact realised: • Carer contract, records of self-reporting by carers; carers assessment by a general practitioner of a person provided with in-home	Proof of eligibility of the participants should be supplemented with documents such as: • Care needs assessment report, personal care plan and/or equivalent documentation Examples of documents required to serve as proof that relevant activities took place, and that all claimed outputs were in fact realised: • Participant enrollment and attendance records

Component	Description	
	In-home care services	Community-based day care services
	care services or by local social services and/or equivalent documentation Activity timesheets of carers or other verifiable time management records	Activity timesheets of day care workers or other verifiable time management records
<i>Arrangements to ensure fair application</i>	All arrangements must include evidence of providing personal care to the participants. To verify, the beneficiary (e.g. home care agency or an equivalent body providing the service) should provide a care programme for the participants. Proof of the status of the participant should also be verified to prevent the misuse of operations.	All arrangements must include evidence of providing personal care to the participants. To verify this, the day care should provide a care programme for the participants. Proof of the status of the participant should also be verified to prevent the misuse of operations.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Beneficiaries might be incentivised towards 'creaming', i.e. selecting participants from target groups who would not require more expensive operations (such as nursing care or in-home therapy). Thus, more vulnerable target groups might be excluded. Preventive measures <i>This SCO relates to service entries, therefore, the risks related to the creaming of participants should be reduced to a minimum.</i> Participants with very serious disabilities may be undercompensated through the proposed SCO values. Preventive measures <i>In order to ensure sound financial management and avoid under-compensation, the costs of operations for people with very serious disabilities should be eligible for additional financing from national funds or reimbursement through real costs.</i>	Beneficiaries might be incentivised to select participants from target groups who would not require more expensive operations (such as day care for people with physical disabilities). Thus, more vulnerable target groups might be excluded⁴⁰. Preventive measures <i>This SCO relates to service entries, therefore, the risks related to the creaming of participants should be reduced to a minimum.</i> Participants with very serious disabilities may be undercompensated through the proposed SCO values. Preventive measures <i>In order to ensure sound financial management and avoid under-compensation, the costs of operations for people with very serious disabilities should be eligible for additional financing from national funds or reimbursement through real costs.</i>

⁴⁰ This may also come as a result of services for people with more serious disabilities being more expensive to begin with, and thus not economically viable for beneficiaries to claim reimbursement through ESF+, and instead seeking reimbursement from national funds.

Component	Description	
	In-home care services	Community-based day care services
<i>Methods for regular adjustment of amounts</i>	Unit cost values can be adjusted regularly on the basis of Eurostat's Labour Cost Index (LCI) for the economic activity 'human health and social work services'. This is a ready-made index (scale based on EU average = 1). The formula for adjustment is given below: Unit cost value of a Member State X * LCI index of Member State X	Unit cost values can be adjusted regularly on the basis of Eurostat's Labour Cost Index (LCI) for the economic activity 'human health and social work services'. This is a ready-made index (scale based on EU average = 1). The formula for adjustment is given below: Unit cost value of a Member State X * LCI index of Member State X

3.1.4. Insights on the application of this solution

The proposed SCOs for in-home care and community-based day care services relate to service *entries* rather than *exits*. As a result, the SCO minimises the risk of creaming in the selection of participants.

In addition, the proposed SCOs effectively reduce the differences in calculated unit costs that may arise due to the different durations of the various interventions implemented by Member States. This is achieved by utilising a common duration parameter for each calculated unit cost per Member State (hourly, daily, monthly and yearly). Furthermore, the calculation of these rates will enable better accounting for interventions of varying duration and mitigates the risk of the 'locking in' of operations.

Some additional administrative burden may be imposed on Member States, due to the implementation of two SCOs in the 'Caring obligations' service module, as opposed to a single SCO. However, this additional burden is justified, since the division into the suggested sub-modules addresses variations in costs and services, and ensures fair reimbursement.

The proposed SCOs should create substantial added value in achieving the policy goals of deinstitutionalisation and promoting the development of community-based services as an alternative for care provision in institutional settings.

3.2. Member State-specific unit cost for 'Labour market-related services'

3.2.1. Description of the solution

3.2.1.1. Definition

This Member State-specific SCO would cover the **cost of one participant receiving services related to his/her integration into the labour market**. In essence, these services should **complement, but not replace, general active labour market measures**. The proposed SCO focuses on entries into the service module, and provides a **single unit cost** to cover the entire duration of the operation, and all eligible costs related to the services provided to the participant.

It is crucial to note that this unit cost would not cover any operations that are already financed through existing EU-level SCOs for operations concerning training and provision of employment-related counselling services to the unemployed (see Section 3.2.1.2 for further details).

3.2.1.2. Operations covered by the solution

This SCO would cover any operations supporting the labour market integration of the most vulnerable target groups. Services which fall under these operations includes pre-training services (e.g. measures to move people towards re-entering training, such as motivational and coaching activities, counselling and guidance of NEETs); vocational rehabilitation and personal assistance in the workplace for people with disabilities. In addition, interventions that facilitate work placements for NEETs have also been highlighted as part of community social services by certain Member States and were thus included in the final sample.

Comparison with EU-level SCOs for employment-related counselling services to registered unemployed, jobseekers, or inactive people⁴¹

As indicated earlier, the operations covered by this service module should not be a direct replacement for general active labour market measures, as the latter are already covered by existing EU-level SCOs.

However, some potential overlaps may still exist between the operations seen under the 'Labour market-related' service module and operations eligible for existing EU-level SCOs for counselling services and training for the unemployed. The content of services mapped in this service module includes counselling activities as part of vocational rehabilitation (vocational guidance counselling, psychosocial counselling, mentoring services). Some of the mapped interventions also include training for people from vulnerable backgrounds. It is difficult to assess whether the content of these services is similar to those already covered by the EU-level SCO for the unemployed.

Existing EU-level SCOs for the unemployed are targeted at "groups of persons with difficulties in the labour market – the unemployed or the inactive". During the process of calculating these SCOs⁴², some countries differentiated their interventions/programmes on the basis of their target groups, while others offered a single intervention encompassing all

⁴¹ As per Commission delegated act under Article 14(1) of the ESF Regulation, <https://ec.europa.eu/esf/main.jsp?catId=1490&langId=en>

⁴² As part of a previous study conducted by PPMI 'Developing 'Off-the-Shelf' Simplified Cost Options (SCOs) under Article 14.1 of the European Social Fund (ESF) regulation'

target groups at once. As a result, **the EU-level SCOs for the unemployed include no clear emphasis on those people who are most disadvantaged.**

Taking this into account, operations provided under this service module **differ according to their target group**, e.g. services dedicated specifically to people with disabilities, young people with disadvantaged backgrounds, as well as other vulnerable target groups (migrants, ex-offenders). During the data collection process, Member States have indicated to the study team that these interventions are relevant and could be used to develop SCOs. A list of eligible operations for each Member State under this service module can be seen in Table 13.

Table 13: Eligible operations and intended target groups under the 'Labour market-related services' service module

Country	Italy	Lithuania	Portugal	Malta
<i>Eligible operations</i>	Operations aiming to re-integrate prisoners into society and the labour market through individual support and training, vocational rehabilitation and counselling services.	Operations aiming to integrate NEETs and people with disabilities to the labour market through individual psychological support, vocational guidance counselling and vocational rehabilitation, assessment of skills, employment assistance and workplace support.	Operations focusing on current NEETs and providing information, guidance and referral service in order to re-integrate them into the labour market, as well as services related recognition, validation, and certification of skills already acquired throughout life.	Operations focusing on current NEETs, as well as on those at risk of becoming NEETs or young unemployed, and providing support through training, personalised assistance and work placements.
<i>Intended target groups</i>	Persons subjected to measures of the Judicial Authority limiting or restricting individual freedom.	People with disabilities NEETs	NEETs	NEETs

Source: prepared by PPMI.

3.2.2. Analysis

3.2.2.1. Assessment of data

A description of the steps taken by the study team to collect the data required to develop this SCO is provided in Section 1.1.2. The initial data sample of historical costs for 'Labour market-related services' consisted of 51 interventions that were mapped during the data collection process for the 2014-2020 period. However, most of these interventions were accompanied by poor quality data. Due to this, a comprehensive data cleaning process was undertaken to address certain data availability and reliability issues identified by the study team. This included the following measures:

- *Eliminating interventions drawn from the 'Giving a chance to all' theme of the ESF project examples website.* Data extracted from this website lacked sufficient detail to be further included in the final data sample, both in terms of the types of operations eligible, and the eligible costs covered. Therefore, the data for countries such as Austria, Croatia, Denmark, Finland, France and Ireland had to be excluded from further analysis, as this site was the only source of information for these Member States.
- *Eliminating interventions with services incompatible with the definition of the service module.* Some interventions were excluded on the basis of their content. These included interventions that focused on training for private sector and business entities, interventions dealing with the transition from one school level to another (e.g. secondary school to vocational training), and interventions to fund grants for researchers, or which provide wage subsidies to employers for the employment of vulnerable people. We also excluded interventions facilitating work or traineeship placement schemes, as these services also do not fall under the definition of community social services that the study is following.
- *Eliminating interventions with insufficient data.* Some interventions were excluded from the sample because insufficient data about them were available, e.g. the proposed option could not be calculated based on the available historical data. In most cases, the number of participants was unavailable, and therefore no cost per participant could be calculated. Interventions that lacked qualitative detail regarding the operations funded were also excluded from the final sample.
- *Eliminating interventions with insufficient or partial data on eligible operations.* For some interventions, only partial information was available concerning eligible operations. Therefore, the study team could not accurately define an audit trail due to the shortcomings in the level of detail provided in the data. For this reason, data for Belgium and Sweden (both of which implemented interventions facilitating the integration into the labour market of young people at risk of social exclusion and young people from marginalised communities) had to be excluded from the Final Report. However, the data that were available with regard to the aforementioned interventions is retained in detail in Annex 1. This will enable these Member States to add to the existing data in the future, and thus develop the SCO.

The final sample consists of five interventions from four EU Member States (Italy, Lithuania, Malta and Portugal), which were deemed relevant to include in the final calculations. Here, the key data points required to establish unit costs were consistently available, such as the total eligible costs, number of participants and detailed lists of eligible operations. The level of detail in the data from shortlisted interventions was sufficient: all countries provided aggregated data by period (for example, 2016-2020).

3.2.2.2. Calculation method

The indicators needed to establish this SCO are total eligible costs and total number of participants for an intervention within the service module 'Labour market-related services'.

To establish the unit costs for this service module, we first made calculations of SCO values based on yearly averages of costs per intervention. If a Member State had more than one intervention, weights⁴³ were assigned, based on the number of participants in each intervention.

The unit costs for Member State-specific SCOs were calculated using the formula provided below. The outputs of these calculations are **yearly values for each Member State in the historical sample**.

$$SCO_{labour\ market} = \frac{\sum_i^n C_{total}}{\sum_i^n D_{participants}}, \text{ where}$$

C_{total} is the total (eligible) costs incurred for an intervention within 'Labour market related services', in EUR. This includes all costs of the operation eligible under the ESF regulation.

$D_{participants}$ is the total number of participants in an intervention within 'Labour market-related services'

i is the first year for which cost data are available, and

n is the last year for which cost data are available.

The yearly SCO values per Member State were then adjusted to represent 2021 price levels. To this end, we used LCI indices from Eurostat⁴⁴. The outputs of these calculations are **yearly values (adjusted for inflation) for each Member State in the historical sample**.

After adjustment to 2021 price levels, we calculated SCO values by Member State for the whole available period. These calculations resulted in **aggregated (by period) values for each Member State in the historical sample**.

Calculations were adjusted to represent unit cost values for all cost categories that are eligible for financing through the ESF. In these instances, we have added a flat rate of 15% of the total direct costs to represent the indirect costs. The outputs of these calculations are **final values for each Member State in the sample based on the historical data on costs**.

3.2.2.3. Results

Some Member States in the final sample targeted NEETs. For example, **Malta** implemented interventions involving the integration of young people at risk of social exclusion and young people from marginalised communities into the labour market. This was achieved through

⁴³ This was carried out because a simple arithmetic average would have resulted in interventions with more participants having a larger impact on the average unit cost. To eliminate this bias, we used weighted averages.

⁴⁴ Labour cost for LCI (compensation of employees plus taxes minus subsidies), percentage change on previous period.

the validation of competences, providing guidance, individual profiling, training activities tailored to the individual needs, and job placements. The difference in unit costs between the Member States in the sample hint at the varying duration of the supported operations under this service module.

The unit cost for **Lithuania** encompasses services provided to target groups such as people with disabilities and NEETs. These services included vocational guidance and counselling and support for the acquisition of work skills, vocational rehabilitation or development of vocational skills to increase employment skills and opportunities. The level of unit cost for Lithuania can be explained by the training practices evident from the qualitative data available. These practices include work with particularly vulnerable target groups such as people with disabilities, which typically requires either a longer duration of support or costlier services.

The unit cost for **Portugal** is based upon an intervention financing labour market centres (Centros Qualifica). These centres offer services to NEETs such as the provision of referrals, information and guidance services appropriate to the profiles, needs and motivations of the participants. These services focus mostly on non-training activities, which explains the low unit cost, as the duration of provisioned services is likely to be fairly short and inexpensive to facilitate.

Italy provides internal job services to the people within the prison system, including training courses and external services for the purposes of reintegration into the labour market. Table 14 shows Member State-specific SCO values representing the unit costs per participant in each Member State.

Table 14: Unit costs for the service module 'Labour market related services'

Country	Unit cost (participant, EUR)
Italy	1,618
Lithuania	1,575
Malta	1,752
Portugal	263

Source: prepared by PPMI.

3.2.3. Audit trail

For details of the audit trail for each Member State for this SCO, please refer to Annex 1: 'Details for Member State-specific SCOs'.

3.2.4. Insights on the application of this solution

The risk of perverse incentives related to the 'slicing' of operations is potentially high. The relevance of this SCO could be affected by ongoing changes in the interventions implemented by Member States, such as changes in the intensity of the services provided per average participant, i.e. the duration of eligible operations. This may result in the SCO either under- or over-compensating the actual value of the operations. Therefore, when adjusting the values in the future, changes in the average duration of eligible operations should be taken into account.

Since a single rate is applied for the whole duration of the service provided to the participant, it should be ensured that operations are provided with an adequate duration of support –

for this, arrangements for the fair application of the SCO regarding the duration services have been established.

Because the SCO considers entries to services, and not exits, the risk of creaming is mitigated, as vulnerable target groups will receive the service and do not need to successfully exit the intervention.

Some interventions in the final sample include operations that are delivered via ALMP measures, such as work placements. These were included in order to accommodate the needs of several Member States, who expressed their interest in having SCOs developed for such measures. Given that we aimed to develop Member State-specific SCOs for this service module to allow some flexibility in terms of which operations were eligible, we accepted this request and developed solutions for the aforementioned interventions.

Member States for which SCOs were not developed should still be able to benefit from the added value of the SCOs. Such Member States can still utilise the amounts and methodologies established for the SCOs as an inspiration to propose their own SCOs in this area, or to express their interest in the future in using one of the established SCOs.

3.3. Financing not linked to costs solution for 'Crises and emergencies'

3.3.1. Description of the solution

3.3.1.1. Definition

The proposed FNLC would cover the **value of one service hour/day/month related to assistance in crisis and emergency situations linked to homelessness and domestic violence**. This solution offers versatility for the Member States, as it encompasses reimbursement of both the provision of services (through a unit rate) and successful outcomes that are achieved. It consists of:

- Unit cost rates to cover the value of eligible operations; and
- Two mutually exclusive solutions (through fixed lump sums and fixed percentage rates) of payments for achieving successful outcomes, based on a set of conditions to be fulfilled. Different outcomes are measured depending on the intended target group – namely, **positive change of educational/occupational status for victims of domestic violence** and **positive change of housing status for homeless persons**.

3.3.1.2. Operations covered by the solution

The proposed FNLC would cover any operations related to the assistance for **victims of domestic violence** and **persons experiencing short-term or long-term homelessness** in crisis and emergency situations. Operations in question, however, must entail the following services:

- **Residential services**, such as **emergency accommodation** for the participant;
- **Non-residential services**, such as **counselling** and intervention through **social work** with the participant.

The list of eligible activities for this sub-module is presented in Table 15.

Table 15: Eligible activities and costs under the service module 'Crises and emergencies'

Object	Victims of domestic violence and their children	Homeless persons
<i>Eligible activities</i>	• Accommodation and provision of meals • Social and psychological support with one-to-one sessions • Legal counselling and legal aid • Possible referral to health care services, job services and other social services relevant to the participant,	• Psychosocial support services in the form of one-to-one sessions with a social worker • Temporary accommodation, including provision of meals, overnight care and hygiene services • Possible referral to health care services, accommodation services and other social services relevant to the participant.

Object	Victims of domestic violence and their children	Homeless persons
	such as emergency childcare services.	
<i>Eligible costs</i>	All eligible costs of the operation.	
<i>Categories of costs included in the calculations</i>	<u>Direct staff costs</u> • Direct staff wages • Employer social security contribution <u>Other direct costs</u> • Participant's travel costs • Publicity and marketing activities • Rent of the premises. <u>Indirect costs</u> • Administrative expenses • Support staff wages	

Source: compiled by the authors, based on historical data submitted by Greece.

The rationale behind the eligible activities and their target groups under this FNLC solution is twofold: **relevance-driven** and **data-driven**. In terms of relevance, the results of our desk research show that both types of services are widely available in EU Member States, and are acknowledged as addressing the needs of homeless persons and victims of domestic violence.

Research on **homelessness services** in Europe⁴⁵ shows that the extent and the nature of homelessness services are subject to marked variations in the definitions of and approaches to homelessness, both across Europe and within individual European countries. In most countries, municipal, regional and sometimes national-level commissioning of NGOs to provide homelessness services was widespread, although several countries, such as Denmark, employed a mixture of direct municipal provision of homelessness services and service agreements with NGOs. In France, the UK, Ireland, the Netherlands and Portugal, the bulk of homelessness services were provided by NGOs under commission from municipal and regional authorities⁴⁶. Research covering 15 EU Member States and the UK revealed that **homelessness services** include both **accommodation** (emergency and/or temporary) and **non-housing focused services** (day centres, food distribution, outreach services, medical services).

Evidence on the availability of **temporary accommodation services for victims of domestic violence**⁴⁷ reveals variation in the number of shelters. In 2018, there were 360 shelters in Spain that provided assistance and support to victims of violence, while in Poland there were 35. In smaller countries such as Slovakia, Malta, Czechia and Cyprus, fewer than 10 shelters were accessible to women during the same year. However, the importance of accommodation services for the victims of domestic violence is widely acknowledged

⁴⁵ European Observatory on Homelessness, 2018

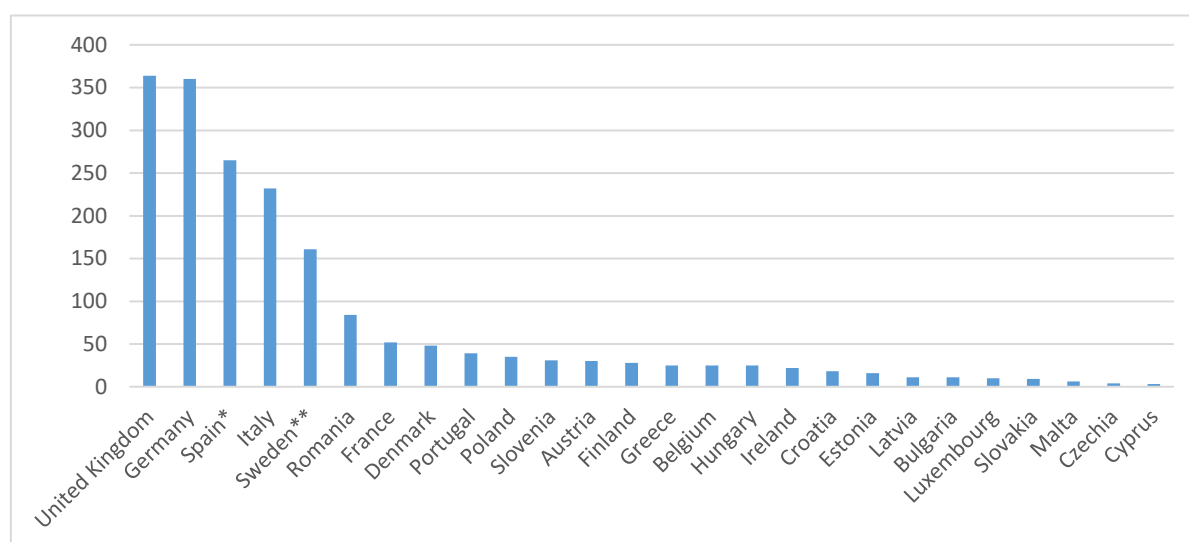
⁴⁶ Ibid 42.

⁴⁷ WAVE, 2019

across the EU, and accommodation constitutes an essential part of the eligible services available to this target group.

As part of the EU strategy on victims' rights for 2020-2025, the Commission encourages Member States to set up Family Houses providing **targeted and integrated support for victims of gender-based violence**. A Family House is a model of a safe place for victims of domestic violence in which they can, under one roof, report a crime and receive psychological support and counselling⁴⁸.

Figure 1: Number of shelters accessible to victims of violence in selected EU MS in 2018



(*) Data refers to 2017.

(**) Data from WAVE Report 2015.

Source: Women Against Violence Europe, WAVE Country Report 2019.

3.3.2. Analysis

3.3.2.1. Assessment of data

Overall, only five Member States provided historical data to the study team in relation to this service module. Within this data, notable variation existed in the activities supported, as well as a lack of indication as to their duration. Some Member States offer specialised services, such as crisis interventions with accommodation for people whose health is at risk, or crisis centres for children and young people. However, these interventions had to be excluded from the sample due to insufficient data being available.

As a result, calculations in this service module are based on four interventions from Greece, which comprised:

- two interventions supporting services for homeless persons; and
- two interventions supporting victims of domestic violence.

In the case of the latter, it is important to note that interventions in question referred to schemes addressing only female victims of domestic violence. Data on services provided

⁴⁸ EU Strategy on victims' rights (2020-2025), pg. 11

to male victims of domestic violence or to mixed types of victims was not available and could not be compared for purposes of drawing wider inference. Qualitative descriptions, as well as further details regarding how these interventions have operated historically, are presented in Box 2.

Box 2: Example of services provided to homeless persons and victims of domestic violence and their children in Greece

SERVICES FOR HOMELESS PERSONS AND DOMESTIC VIOLENCE VICTIMS (GREECE)

Day centres and sleeping centres for the homeless

The objective of this action was to meet the urgent housing and living needs of the homeless.

Day Centres for the Homeless are open-access structures addressing the basic needs of their clients. They provide psychosocial support services, primary health care, individual care and hygiene, as well as liaising with services that provide housing, catering, psychological support, legal assistance etc.

Sleeping Centres for the Homeless are accommodation structures that operate only during the night and cover the emergency housing needs of those who live on the street. They provide overnight individual care and hygiene services as well as psychosocial support, and they cooperate with other relevant services. Furthermore, the operation of the above structures includes networking and cooperation with other relevant social service providers at local level, including agencies responsible for housing arrangements.

Counselling centres for victims of domestic violence and guest houses for victims of domestic violence

This is a nationwide network of social structures for the support of victims of domestic violence (as well as their children), operating under the supervision of the General Secretariat for Gender Equality. This network comprises 39 Counselling Centres and 21 Shelters in all 13 regions of Greece. Services include safe accommodation and the provision of meals in the 21 shelters, as well as social and psychological support, legal counselling and legal aid, job counselling, possible referral to health care services, social services, etc. However, it was indicated that the cost of the guest house premises was not included in the data regarding costs. Details on the interpolation for these costs can be seen in section 3.3.2.2.

The services provided to women and their children are related to the type of the structure concerned and are assisted by the provision of interpretation and intercultural mediation services. Since 2017, the target group was broadened in order to include female refugees and asylum seekers, as well as people at risk of being abused and their children, including those who are single parent families.

Source: prepared by PPMI, based on historical data submitted by Greece.

Based on the content of these interventions, the service module should cover both immediate crisis support in the form of emergency accommodation, as well as ongoing crisis support such as counselling.

This data sample is supplemented by data on the value of services supplied by the Greater Manchester Combined Authority (GMCA)⁴⁹. This unit database brings together in one place more than 800 value estimates, most of which are national values derived from government reports and academic studies. The database enables a proper comparison of the majority of social services implemented in the UK and serves as a high-quality proxy for the extrapolation of values for EU Member States. For the purpose of our study, we use this data source for imputations on the monetary value of temporary accommodation.

Although historical Member State-level data on funded operations and eligible activities for both target groups is limited to a single Member State, the high level of detail concerning the shortlisted interventions, and the established relevance of the eligible operations under

⁴⁹ <https://www.greatermanchester-ca.gov.uk/media/2007/unit-cost-database-v20.xlsx>

this service module, have enabled us to develop an effective solution potentially covering all EU Member States.

3.3.2.2. Calculation method

The indicators used to establish the FNLC solution related to the provision of services are the total eligible estimated value and the total number of *service hours* provided that are dedicated to tackling homelessness, as well as the value per person of services dedicated to tackling domestic violence.

To establish unit values, we first calculated SCO values based on the yearly averages of values per intervention. Weights⁵⁰ were assigned on the basis of the number of participants involved in each intervention in the sample.

Unit values were calculated using the formula provided below. The outputs of these calculations are **yearly values for each Member State in the historical sample**.

$$FNLC_{crises\ and\ emergencies} = \frac{\sum_i^n (C_{total} * W)}{\sum_i^n (D_{service\ hours} * W)}, \text{ where}$$

C_{total} is the total (eligible) value for an intervention facilitating services for domestic violence victims and homeless persons, in EUR.

$D_{participants}$ is the total number of service hours provided for all participants receiving services for domestic violence victims and homeless persons, in hours.

W is the weight used to equalise the differences in the number of observations per intervention.

i is the first year for which value data are available, and

n is the last year for which value data are available.

Interventions targeting homeless persons include additional categories of direct costs, such as the accommodation, which was not included in the categories covered by the interventions targeting victims of domestic violence. For this reason, we had to unify the eligible categories between all interventions in the sample. To account for the monetary value of temporary accommodation, we have interpolated the value data from the GMCA on temporary accommodation. This was operationalised by extrapolating the value from the UK to Greece, based on socioeconomic data. After obtaining yearly values per Member State, we adjusted the values to 2021 price levels (based on LCI indices from Eurostat⁵¹).

Lastly, the figures for all countries are extrapolated based on selected indices. The indicators used to extrapolate values for countries without historical data were as follows:

- GDP per capita in purchasing power standards (PPS) (by NUTS1 and NUTS2 classifications) (2014-2020);
- Comparative price levels (of final consumption by private households including indirect taxes) (2014-2020);
- Harmonised Index of Consumer Prices (HICP) for services (overall index excluding goods 'SERV') source: Eurostat, [prc_hicp_aind]).

⁵⁰ This was carried out because a simple arithmetic average would have resulted in interventions with more participants having a larger impact on the average unit cost. Thus, to eliminate this bias, we used weighted averages.

⁵¹ Labour cost for LCI (compensation of employees plus taxes, minus subsidies). Percentage change on previous period.

For further technical details on the calculation and extrapolation processes for this solution, please refer to Annex 2: 'Detailed methodology'.

3.3.2.3. Results

Calculating rates for the provision of services

The variations in monetary value between the eligible operations within this service module reveal only minor differences between services dedicated to victims of domestic violence (36 EUR/hour) and services dedicated to homeless persons (42 EUR/hour). Given the relative similarities both in the calculated figures and eligible operations addressing the selected target groups, we provide a single unit value for all eligible operations under this service module (see Table 16). In addition to hourly unit values, daily and monthly rates are calculated for the SCOs.

Table 16: Unit values for the service module 'Crises and emergencies'

Country	Extrapolation index (GDP PPS and CPI and AIC)	Unit value (hourly), EUR	Unit value (daily), EUR (*)	Unit value (monthly), EUR (**)
Greece	1.00	37.75	302	6,040
Cyprus	1.15	43.47	348	6,955
Czechia	1.02	38.59	309	6,175
Latvia	0.89	33.65	269	5,384
Malta	1.11	41.87	335	6,699
Portugal	1.06	39.99	320	6,398
Austria	1.53	57.90	463	9,264
Belgium	1.48	55.81	447	8,930
Bulgaria	0.66	24.96	200	3,994
Croatia	0.83	31.17	249	4,988
Denmark	1.65	62.22	498	9,955
Estonia	0.99	37.45	300	5,991
Finland	1.49	56.31	450	9,010
France	1.40	52.80	422	8,447
Germany	1.50	56.73	454	9,077
Hungary	0.84	31.66	253	5,065
Ireland	1.71	64.66	517	10,346
Italy	1.28	48.27	386	7,722
Lithuania	0.98	37.07	297	5,931
Luxembourg	2.26	85.48	684	13,676
Netherlands	1.53	57.77	462	9,244
Poland	0.87	32.83	263	5,253
Romania	0.78	29.52	236	4,723
Slovakia	0.95	35.84	287	5,735
Slovenia	1.07	40.27	322	6,443
Spain	1.18	44.62	357	7,139
Sweden	1.55	58.60	469	9,376

(*) Based on eight service hours

(**) Based on 160 service hours

Source: prepared by PPMI, based on historical data from Greece.

Setting conditions for successful outcomes

Based on findings from the SOC⁵², the way in which outcomes are defined has a significant influence on encouraging or discouraging perverse incentives such as creaming and parking. Outcomes are often defined using a binary or a frequency approach. When binary outcomes are chosen, beneficiaries must achieve an absolute target, and no payment is granted for achieving lesser results. An example of a binary outcome would be whether or not a person has entered employment, education or training or was moved from temporary to permanent accommodation. In frequency schemes, rewards are staggered according to an agreed frequency of results, with payments increasing as results increase. For example, beneficiaries would receive additional payments for every three months that participants stayed in employment or permanent housing. Of these two models, binary outcomes are more often associated with creaming and parking because the target outcome (e.g. change in occupational or housing status) was often out of reach for some participants, motivating the beneficiaries to focus on other clients. To discourage perverse incentives and accommodate different stakeholder interests, the study recommended combining both frequency and binary outcome measures when defining conditions.⁵³

To define outcome-based conditions that would trigger payments to Member States, we reviewed relevant national schemes that implemented outcome-oriented payment models. This process was informed by the results of the 'Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions' (published in March 2021), together with additional desk research conducted by the study team. Based on the available literature, outcome conditions for both target groups are typically twofold: **moving from temporary to permanent housing** and **entry into the labour market**.

To this end, we selected **Fair Chance Fund (UK)**, which was designed to achieve outcomes related to entry to accommodation, education and employment for homeless young people aged 18 to 24 in the UK. Participants were typically described as facing a wide range of profound challenges and issues, often in tandem, and including **homelessness**, significant mental health problems, histories of ongoing substance abuse and **experience of family breakdown and domestic violence**⁵⁴. The programme was funded from government funds on a payment-by-results (PbR) basis, with each project backed by a social impact bond (SIB). More details on this scheme can be seen in Box 3.

Box 3: Support for homelessness prevention in Fair Chance Fund (UK)

FAIR CHANCE FUND (UK)

Description: This programme targeted homeless young people not in education, training or employment (NEETs), who were defined as not being in priority need according to homelessness legislation, and who faced a range of barriers to securing and sustaining accommodation and employment. It was funded on a 100% payment-by-results (PbR) basis, with projects being backed by social impact bonds (SIBs) following a competitive bidding process. Social investors funded project providers to set up and deliver services, recouping their investments as and when outcomes were achieved, and triggering payments against a set of specific metrics and tariffs.

⁵² Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions', March 2021.

⁵³ Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions', March 2021, pg. 12.

⁵⁴ Evaluation of the Fair Chance Fund, Final Report, 2019, pg. 58.

Main activities of the intervention:

- Intensive holistic support – delivered by an identified key worker in six of the seven projects, and through a team approach in the seventh;
- A 'housing-led' approach – with accommodation as the foundation for achieving other outcomes;
- A similar participant journey, including opportunities to engage with education, training and employability provision, voluntary placements and support to find and sustain work;
- Specialist staff to support the achievement of the education/training and employment outcomes.

Source: prepared by PPMI, based on the Evaluation of Fair Chance Fund, Final report.

We also used information on **Perspektive:Arbeit** (Austria), a scheme dedicated to the provision of services for domestic violence victims. Here, successful outcomes were defined in terms of sustained employment. The scheme used the financial instrument known as 'social impact bond' (SIB) in order to address vulnerable target groups and in particular, test innovative interventions for which vulnerable people formed the core target group. More details on this scheme can be seen in Box 4.

Box 4: Support for domestic violence victims under Perspektive:Arbeit (Austria)

PERSPEKTIVE:ARBEIT (AUSTRIA)

Description: The specific group addressed by this scheme (victims of domestic violence) was outside the core mission of the investor, the ERSTE Foundation. However, the foundation decided to fund the scheme to experiment with a new financial instrument, the SIB, as a tool to test innovative social solutions. Furthermore, victims of domestic violence were chosen as a target group for the SIB because they would otherwise not have received specific services based on the allocated annual budget. Although the SIB technically failed to achieve the targeted outcomes, all stakeholders nevertheless perceived the programme as a success. They argued that the programme was too short to provide the necessary training and skills to help victims of domestic violence find jobs, which was used as justification to fund the programme traditionally in other Austrian states. Impact was created on various levels and for a number of individuals, albeit that the targets were not technically achieved.

Main activities of the intervention:

- developing and providing individual counselling and assistance from multiple perspectives (social work, training)
- offering protection, housing and supporting mobility,
- supporting via stable and complementary childcare,
- facilitating education and training, providing career guidance and job placement beyond existing services such as counselling and providing shelter.

Source: prepared by PPMI, based on desk research conducted during the study 'Study on the benefits of using social outcome contracting in the provision of social services and interventions'.

Overall, both schemes focused on target groups and implemented services that are similar to the operations eligible under the 'Crises and emergencies' service module. On the basis of this, the outcome measurement and payment mechanisms used in these schemes are relevant indicators for a possible EU-level solution to financing successful outcomes. Outcome conditions from both schemes are presented in Table 17.

Table 17: Outcome conditions for operations targeting homeless persons and victims of domestic violence

Outcome measured	Target groups	Condition(s)	Outcome achieved	Payment(s)	Scheme
Moving from emergency/temporary accommodation into permanent (supported) housing.	Homeless persons; Victims of domestic violence	Entry into accommodation Sustained accommodation for 3, 6, 12 and 18 months.	The projects secured accommodation for 1,657 young people (87% of all participants). Out of the successful participants: • 93% achieved a 3-month sustained outcome (81% of all participants); • 86% achieved a 6-month sustained outcome (74% of all participants); • 73% achieved a 12-month outcome (63% of all participants); and • 62% achieved an 18-month sustained outcome (53% of all participants).	Entry to accommodation: 500 GBP Sustained accommodation for 3,6,12,18 months: 1500 GBP for each target	Fair Chance Fund (UK)
Education, training and employment outcomes	Homeless persons; Victims of domestic violence	Entry to education and training, and the achievement of entry-level, Level 1 and Level 2 qualifications, provided a required number of guided learning hours was met.	1,041 participants (55% of all participants) started some form of education or training. Out of the successful participants: • 32% achieved an entry-level qualification (representing 17% of all participants); • 35% achieved a Level 1 or equivalent qualification (19% of all participants); and • 5% achieved a Level 2 or equivalent qualification (3% of all participants).	Entry to education or training: 500 GBP; First entry-level qualification (min. 45 guided hours): 1,500 GBP First Level 1 qualification (e.g. NVQ), minimum 120 guided learning hours: 2,500 GBP First Level 2 or equivalent qualification (minimum 325 guided learning hours): 3,500 GBP	Fair Chance Fund (UK)

Outcome measured	Target groups	Condition(s)	Outcome achieved	Payment(s)	Scheme
	Victims of domestic violence	Number of women from the target group placed in a job with the following characteristics: the job is subject to social insurance contributions; it pays a living wage (i.e. EUR 19,500 gross salary specific to Austria), at least 20 hours per week; at least 12 months during the term of the project.	52 women were successful cases according to the agreed targets (outcome target was 75 women)	EUR 2,587 per serviced participant (311 participants) EUR 15,475 per serviced participant <u>and</u> successful outcome (52 successful participants, 17% out of all participants)	Perspektive: Arbeit (Austria)

Source: prepared by PPMI, based on the Fair Chance Fund Final report and SOC study.

Calculating payment amounts for outcome-based payments

Two mutually exclusive approaches can be used to establish the payment amounts for successful outcomes (i.e. positive changes in educational and/or occupational status of supported domestic violence victims, or positive changes in housing status of supported homeless persons) achieved under this service module.

The first approach allows to determine a **fixed amount paid per successful outcome**. The inspiration for this approach comes from the Fair Chance Fund scheme in the UK, which offered fixed payments for each outcome achieved, both for positive changes in educational and/or occupational and housing status:

- 500 GBP for entry into permanent accommodation by homeless persons OR entry to education, training or employment by victims of domestic violence, and
- 1,500 GBP for sustaining the positive change in housing status for homeless persons OR educational and/or occupational status⁵⁵ for victims of domestic violence, for a duration of 3, 6, 12 and 18 months after receiving the eligible services. Separate payments are issued for each achieved 'threshold'.

The aforementioned amounts were converted to euros and extrapolated for all EU Member States. See Table 18 for the results of this calculation method.

Table 18: Payment amounts for FNLC based on fixed amounts set for achievement of successful outcomes, by country

Country	Extrapolation index (GDP PPS and CPI and AIC)	Positive change in educational and/or occupational status OR housing status, in EUR	Sustained outcomes for 3, 6, 12 and 18 months, in EUR
United Kingdom	1.00	587(*)	1,761(*)
Austria	1.04	611	1,832
Belgium	1.00	589	1,766
Bulgaria	0.45	263	790
Croatia	0.56	329	986
Cyprus	0.78	458	1,375
Czechia	0.69	407	1,221
Denmark	1.12	656	1,968
Estonia	0.67	395	1,185
Finland	1.01	594	1,781
France	0.95	557	1,670
Germany	1.02	598	1,795
Greece	0.68	398	1,194
Hungary	0.57	334	1,001
Ireland	1.16	682	2,045
Italy	0.87	509	1,527
Latvia	0.60	355	1,065
Lithuania	0.67	391	1,173

⁵⁵ To ensure sound financial management, the payments for achieving and sustaining positive changes in the occupational status were capped of at 500 GBP and 1500 GBP respectively. This is despite the referenced scheme showcasing higher payments for some of the outcomes of higher qualifications (namely 2500 GBP and 3500 GBP). This was a conscious decision made to bring the outcome-based payments seen under this service module close together with the outcome-based payments for transnational mobility programmes targeting disadvantaged youth, which is seen in section 2.2.

Country	Extrapolation index (GDP PPS and CPI and AIC)	Positive change in educational and/or occupational status OR housing status, in EUR	Sustained outcomes for 3, 6, 12 and 18 months, in EUR
Luxembourg	1.54	901	2,704
Malta	0.75	441	1,324
Netherlands	1.04	609	1,828
Poland	0.59	346	1,039
Portugal	0.72	422	1,265
Romania	0.53	311	934
Slovakia	0.64	378	1,134
Slovenia	0.72	425	1,274
Spain	0.80	470	1,411
Sweden	1.05	618	1,854

(*) Conversion rate 1 GBP = 1.174 EUR

Source: prepared by PPMI, based on the Fair Chance Fund Final report.

The second approach allows to establish a **specific amount paid per successful outcome**. The specific payment amount awarded per each individual case of achieved successful outcomes is established by applying **fixed rates of 10% and 30%** on top of the cost of relevant services provided to the selected target groups. These rates are based on the example of the Youth Contract scheme, which was found to be useful for determining how the rewards should scale based on whether the outcome is first achieved, or is sustained for a period of time. For further justification of these arrangements please refer to our analysis of outcome-based top-up payments in the area of transnational mobility for disadvantaged youth presented in Section 2.2.

The formula used to calculate outcome-based payments is therefore as follows:

*Payment for positive change in educational and/or occupational OR housing status = (number of hours/ days/months of services provided per successful participant * hourly/daily/ monthly rate presented in Table 16) * 0.1*

*Payment for sustained positive change in educational and/or occupational OR housing status = (number of hours/days/months of services provided per successful participant * hourly/daily/ monthly rate presented in Table 16) * 0.3*

Hypothetical payment amounts⁵⁶ calculated in the above-described method are presented in Table 19. These calculations are based on an assumption that all participants are provided with 1 month (160 hours) of relevant services at the monthly rates specified in Table 16. The cost of these services is then multiplied by a factor 0.1 (or 10%) for positive change in educational and/or occupational OR housing status or by a factor of 0.3 (or 30%) for successfully sustaining these outcomes for 3, 6, 12 and 18 months (with separate payments for each 'threshold' achieved).

⁵⁶ The number of hours used for the calculations to calculate the successful outcome, in the case of the second methodology, will depend on the amount of actual number of service hours provisioned to the participant, which may vary.

Table 19: Payment amounts for FNLC based on fixed percentage rates set for achievement of successful outcomes, by country

Country	Extrapolation index (GDP PPS and CPI and AIC)	Unit value for provision of services (monthly, EUR)*	Positive change in educational and/or occupational OR housing status, in EUR (10% of value of services)	Sustained outcomes for 3, 6, 12 and 18 months, in EUR (30% of value of services)
Greece	1.00	6,040	604	1,812
Austria	1.53	9,264	926	2,779
Belgium	1.48	8,930	893	2,679
Bulgaria	0.66	3,994	399	1,198
Croatia	0.83	6,955	696	2,087
Cyprus	1.15	4,988	499	1,496
Czechia	1.02	6,175	618	1,853
Denmark	1.65	9,955	996	2,987
Estonia	0.99	5,991	599	1,797
Finland	1.49	9,010	901	2,703
France	1.40	8,447	845	2,534
Germany	1.50	9,077	908	2,723
Hungary	0.84	5,065	506	1,519
Ireland	1.71	10,346	1,035	3,104
Italy	1.28	7,722	772	2,317
Latvia	0.89	5,384	538	1,615
Lithuania	0.98	5,931	593	1,779
Luxembourg	2.26	13,676	1,368	4,103
Malta	1.11	6,699	670	2,010
Netherlands	1.53	9,244	924	2,773
Poland	0.87	5,253	525	1,576
Portugal	1.06	6,398	640	1,919
Romania	0.78	4,723	472	1,417
Slovakia	0.95	5,735	573	1,720
Slovenia	1.07	6,443	644	1,933
Spain	1.18	7,139	714	2,142
Sweden	1.55	9,376	938	2,813

* Based on the analysis provided in Table 16.

Source: prepared by PPMI, based on historical data from Greece.

FNLC in the form of a fixed amount would be less administratively burdensome, as the exact amount is already defined for each Member State and its changes are only subject to periodic adjustments to offset the effects of inflation. However, this option does not account for participants who may require more support, for whom the proposed amount may not be sufficient.

In comparison, FNLC in the form of specific amounts awarded at fixed rates is more administratively burdensome, as calculations are based on the scope of support each participant has received. For this reason, there is a chance that beneficiaries might purposefully provide more hours of support in order to receive a larger outcome-based payment. On the other hand, this could mean that the person requires more support to begin with, and thus the increased payment for the successful outcome is justified. To overcome this, a cap could be introduced to create a cut-off point in terms of hours of relevant services for which additional payments for successful outcomes can be claimed (as an example, 160

hours of services as shown in Table 19). No additional payments may be claimed for service hours that exceed the cut-off point.

3.3.3. Audit trail

Component	Description	
	Victims of domestic violence and their children	Homeless persons
<i>Description of the operation type</i>	Operations targeting victims of domestic violence, provided as a service package of emergency temporary accommodation for the participant, legal counselling and legal aid, social and psychological support with one-to-one sessions with social workers and referral to further health services, job services and other social services.	Operations targeting persons experiencing short-term or long-term homelessness, provided as a service package of temporary accommodation for the participant, including provision of meals and hygiene services, psychosocial support with one-to-one sessions with social workers and referral to further health care services, accommodation services and other social services.
<i>Description of conditions to be fulfilled or results to be achieved with a timeline</i>	The release of funds is linked to the fulfilment of the following conditions: • Verified provision of relevant services for a pre-defined fixed-size cohort of participants. Released funds also include payments for achievement of the following outcomes: • Victims of domestic violence entering employment, education or a labour market programme (with additional payments of sustainment of these outcomes).	The release of funds is linked to the fulfilment of the following conditions: • Verified provision of relevant services for a pre-defined fixed-size cohort of participants. Released funds also include payments for achievement of the following outcomes: • Homeless persons moving from emergency/temporary accommodation into permanent (supported) housing (with additional payments of sustainment of this outcome)
<i>Indicator name</i>	<u>For the provision of services</u> Provision of one hour/day/month of eligible services. <u>For reimbursement of successful outcomes</u> Positive change in educational and/or occupational status (i.e. entering employment, further education or a labour market programme) by a participant receiving eligible services. Sustained outcome in educational and/or occupational status by a participant receiving eligible services.	<u>For the provision of services</u> Provision of one hour/day/month of eligible services. <u>For reimbursement of successful outcomes</u> Positive change in housing status by a participant receiving eligible services. Sustained outcome in housing status by a participant receiving eligible services.
<i>Measurement unit for the indicator</i>	<u>For provision of services</u>	<u>For provision of services</u>

Component	Description	
	Victims of domestic violence and their children	Homeless persons
	Number of service hours/days/months spent providing eligible services. <u>For reimbursement of successful outcomes</u> Number of victims of domestic violence which experienced positive change in educational and/or occupational status. Number of victims of domestic violence who, <u>after</u> a positive change in educational and/or occupational status, have sustained this outcome for a fixed duration.	Number of service hours/days/months spent providing eligible services. <u>For reimbursement of successful outcomes</u> Number of homeless persons which experienced positive change in housing status. Number of homeless persons who, <u>after</u> a positive change in housing status, have sustained this outcome for a fixed duration.
<i>Intermediate deliverables that trigger reimbursement by the Commission</i>	<u>For provision of services</u> Count of supported fixed-size cohorts of participants for the reference year. <u>For reimbursement of successful outcomes</u> Count of achieved outcomes in supported fixed-size cohorts of participants. Specifically: - Count of successful entries to employment, education or labour market programme. - Count of sustained movements to employment, education or labour market programme for 3 months after entry. - Count of sustained movements to employment, education or labour market programme for 6 months after entry. - Count of sustained movements to employment, education or labour market programme for 12 months after entry. - Count of sustained movements to employment, education or labour market programme for 18 months after entry. Successful transitions between different types of desired outcomes will be counted <u>once</u> (i.e. single count). This means that the transitions below will be counted as a single positive change in educational and/or occupational status. In turn, the joint sustained duration of the different outcomes will be taken into	<u>For provision of services</u> Count of supported fixed-size cohorts of participants for the reference year. <u>For reimbursement of successful outcomes</u> Count of achieved outcomes in supported fixed-size cohorts of participants. Specifically: - Count of successful entries to permanent housing. - Count of sustained movements to permanent housing for 3 months after entry. - Count of sustained movements to permanent housing for 6 months after entry. - Count of sustained movements to permanent housing for 12 months after entry. - Count of sustained movements to permanent housing for 18 months after entry.

Component	Description	
	Victims of domestic violence and their children	Homeless persons
	account when issuing the outcome-based payment. • Entering education and then transition to employment; • Entering labour market programme and then transitioning to employment.	
<i>Eligible costs</i>	All eligible costs of the operation.	All eligible costs of the operation.
<i>Categories of costs included in the calculations</i>	• Direct staff wages; • Rent of premises; • Employer social security contribution; • Participant's travel costs; • Publicity and marketing activities; • Other expenses related to operation; • Administrative expenses.	• Direct staff wages; • Rent of premises; • Employer social security contribution; • Participant's travel costs; • Publicity and marketing activities; • Other expenses related to operation; • Administrative expenses.
<i>Arrangements to ensure audit trail</i>	• The following justification documents are required for each participant: Proof of eligibility of the participant: - Letter from a domestic violence advocate, social service agency, emergency accommodation provider or medical assistance provider on letterhead; and/or - Other supporting documentation, such as police report, restraining order or similar documents; medical report of injuries, etc. • Participant entering the eligible operations: - Individual participant file containing date of entry into the operation, name of social worker/counsellor (or similar staff) in the emergency accommodation, details on provided services, signed by the participant and co-signed by the responsible staff member. • Proof of positive change in educational and/or occupational status: - Copy of participants' employment contract with clear indication of start date and end date of employment, or - In the case of enrolment in education, training or labour	The following justification documents are required for each participant: • Proof of eligibility of the participant: - Letter or other form of documentation (e.g. court order of eviction, letter from local fire or police department, insurance company, former landlord, etc.) signed by an outreach worker or service worker from an organisation able to verify that the person in question is, in fact, homeless; or - Written statement prepared by the participant about the participant's previous living place (if unable to verify by outreach worker or service worker). • Participant entering the eligible operations: - Individual participant file containing date of entry into the operation, name of social worker/counsellor (or similar staff) in the

Component	Description	
	Victims of domestic violence and their children	Homeless persons
	market programme, document issued by the respective body indicating the start date of the participants' enrolment in the said scheme.	emergency accommodation, details on provided services, signed by the participant and co-signed by the responsible staff member. • Proof of positive change in housing status: - Copy of tenancy agreements of the permanent accommodation, including clear indication of start date and end date of said tenancy (to be signed by the participant and co-signed by the housing agency or equivalent).
<i>Arrangement to ensure fair application</i>	Monitoring of participants during and after they finish receiving the services, in order to account for the change of status related to education and/or occupational status. In addition, it should be ensured that the change in educational and/or occupational is actual and sustainable – for instance, by consulting the participant on the transition to education, training or employment and the arrangements regarding their intended duration. <u>For outcome-based payments:</u> Beneficiaries are only able to receive outcome-based payments up to a certain number of hours (e.g. maximum of 160 hours provided per participant) in order to avoid over-compensation for successful outcomes.	Monitoring of participants during and after they finish receiving the services, in order to account for the change of status related to housing. In addition, it should be ensured that the change in housing status is actual and sustainable – for instance, by consulting the participant on the transition to permanent housing and the arrangements regarding its intended duration. <u>For outcome-based payments:</u> Beneficiaries are only able to receive outcome-based payments up to a certain number of hours (e.g. maximum of 160 hours provided per participant) in order to avoid over-compensation for successful outcomes.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Risk of creaming, cherry picking⁵⁷ and parking of participants⁵⁸. Preventive measures Combining frequency outcome measures with binary outcome measures⁵⁹ mitigates perverse incentives related to creaming, cherry picking and parking in outcome-	

⁵⁷ Creaming and cherry picking both refer to the selection of those participants who are easiest to help, in order to ensure that providers can achieve the required outcomes, and providers and/or investors receive payments.

⁵⁸ Parking refers to a process, by which providers try to keep costs down by doing little to serve those with the poorest anticipated outcomes, while focusing resources on more able clients with better employment prospects.

⁵⁹ With binary outcomes, beneficiaries have to achieve an absolute target, and no payment is granted for achieving lesser results. An example of a binary outcome would be whether or not a person found a job. In frequency schemes, rewards are staggered according to an agreed frequency of results, with payments increasing as results increase. For example, beneficiaries would receive additional payments for every three months that programme participants remain employed.

Component	Description	
	Victims of domestic violence and their children	Homeless persons
	based funding. ⁶⁰ Therefore, we have set both types of suggested parameters for outcomes within this service module.	
<i>Methods for regular adjustment of the amounts</i>	Adjustments to the amounts calculated for the provision of services These adjustments should be based on Eurostat labour costs and HICP inflation on services and accommodation costs: Unit value for Member State X * LCI and HICP combined index for Member State X Adjustments to the amounts calculated for outcome-based payments These adjustments should be made on the basis of the HICP inflation on services and accommodation costs: Unit value for Member State X * HICP index for Member State X	

3.3.4. Insights on the application of this solution

As established in earlier sections, the proposed FNLC solution meant to assist in crisis and emergency situations would support (in the form of mixed input and outcome-based payments):

- the provision of services;
- the achievement of successful outcomes/fulfilment of conditions – change of educational and/or occupational or housing status and sustainment of these outcomes for 3, 6, 12 and 18 months.

Reimbursement of successful outcomes/fulfilment of conditions can be based on two distinct methodologies:

- outcome-based financing through fixed lump payments;
- outcome-based financing through fixed percentage rates.

It is important to note, however, that the proposed solutions for reimbursement of successful outcomes are **mutually exclusive** (i.e. only one should be chosen).

A core benefit of FNLC-based solutions is the distancing from invoices and verifications, as the payments from the EC to Member States are conditional on the achievement of pre-established results/outputs. In addition, FNLC supports the connection between public support and the achievement of clear policy objectives, simplifies the process of verifying supporting documents by not requesting invoices, and limits the scope of audits to monitoring the achievement of results.

The proposed solution is, however, subject to perverse incentives such as cherry picking. It is likely that beneficiaries might focus their attention to participants who are more likely to achieve a specific outcome. This was the case with the PbR schemes analysed in the SOC study, which determined that outcome-based financing was less effective at serving those groups that were 'harder to help', compared with other groups of participants. Such risks

⁶⁰ Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions', March 2021, pg. 15

can be mitigated by constantly monitoring performance among different groups of individuals (those closer and further from achieving the outcomes). Surveying participant satisfaction might also help to ensure that all participants receive high-quality services.⁶¹

The development of outcome conditions for both target groups of this service module was informed by reviewing the existing policy goals of the EU for tackling homelessness and researching different social services schemes which deal with victims of domestic violence. As identified, the policy response to tackling homelessness should be facilitated by adopting long-term, housing-led, integrated homelessness strategies at national, regional and local level^{62 63}. As for victims of domestic violence, the policy response should involve the process of involving this target group into further education opportunities and ultimately, the labour market⁶⁴. It is important to note that outcome conditions should not be limited to 'hard' outcomes – in addition, outcomes based on existing evidence, including 'soft' or 'distance travelled' outcomes for future reimbursement, such as agreement on an action plan, should also be considered, as they mitigate some of the risks that arise from setting 'hard' outcomes.⁶⁵

For more contextual information on defining outcomes for social services, in addition to the research undertaken in relation to FNLC-based solutions for other service modules, please refer to Annex 3: 'Results of the FNLC analysis'.

3.4. Member State-specific unit cost for 'Social exclusion'

3.4.1. Description of the solution

3.4.1.1. Definition

This Member-State specific SCO would cover the **cost of one participant who received services related to tackling social exclusion**. It would focus on entries to the service module and provide a **single unit cost** covering the entire duration and all costs relating to the services provided to the participant.

3.4.1.2. Operations covered by the solution

Operations covered by this service module aim to tackle the overall social inclusion of people who are in disadvantaged situations such as disadvantaged youth, migrants and Roma minorities. Examples of activities which fall under these operations are socio-cultural activities, outreach activities, and intercultural mediation. This module also includes some services from the initial 'Specific problems' function group, such as debt counselling, financial advice, family counselling, mentoring and psycho-social support. A detailed list of operations eligible for reimbursement is summarised in Table 20.

⁶¹ Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions', March 2021, pg. 12

⁶² European Commission, EU should set goal to end homelessness, <https://www.europarl.europa.eu/news/en/press-room/20201106IPR91005/eu-should-set-goal-to-end-homelessness-by-2030-say-meps>

⁶³ <https://ec.europa.eu/social/main.jsp?catId=1061&langId=en>

⁶⁴ See both SCO schemes identified under Boxes 3 and 4.

⁶⁵ Study on the benefits of using social outcome contracting (SOC) in the provision of social services and interventions', March 2021, pg. 14

Table 20: Eligible activities and intended target groups under the service module 'Social exclusion'

Country	Portugal	Greece	Malta	Czechia
<i>Eligible activities</i>	Operations aimed at social and professional integration of Roma minorities and migrants through specialised services provided by socio-cultural mediators, such as provision of information in different media and languages, intercultural mediation and cultural support services.	Operations aimed at integrating Roma minorities and migrants into society through provision of information, counselling services with an emphasis on education, health protection and welfare, social security, and intercultural mediation/interpretation (not related to integration to the labour market). The operation also includes psychosocial support for children and adults from the intended target groups.	Operations aimed at combatting social exclusion and poverty through community mentoring and social work for people at risk of poverty and social exclusion; community outreach activities, mentoring and guidance counselling of the target groups.	Operations aimed at educating the target group in debt prevention and solving debts through specialised debt counselling and mediation services.
<i>Intended target groups</i>	Roma minorities Migrants	Roma minorities Migrants	People at risk of poverty and social exclusion	People experiencing ongoing issues with debt

Source: prepared by PPMI.

3.4.2. Analysis

3.4.2.1. Assessment of data

A description of the steps taken by the study team to collect the data required to develop this SCO is provided in Section 1.1.2. The initial data sample of historical costs relating to 'Social exclusion' consisted of 30 interventions that were mapped during the data collection process for the 2014-2020 period. However, most of these interventions were accompanied by poor-quality data. For this reason, a comprehensive data cleaning process was undertaken to address certain issues identified by the study team in relation to the availability and reliability of data.

While the interventions under this service module primarily tackle the exclusion from societal life of the target groups, one component frequently included in these interventions is labour market integration services (including those for migrants and Roma communities). It is therefore difficult to establish which part of the calculated unit cost consists of activities geared towards labour market integration, and which are directed at social inclusion activities. The study team scanned the mapped interventions and shortlisted only those interventions that solely or predominantly implemented activities aimed at tackling social exclusion. Notable exclusions from the service module are as follows:

- *Eliminating interventions drawn from the 'Giving a chance to all' theme of the ESF project examples website.* Data extracted from this website lacked sufficient detail to be included in the final data sample, both in terms of eligible operations and eligible costs. In all, 12 interventions were extracted from the ESF website for project examples under the theme 'Giving a chance to all'.
- *Eliminating interventions involving services incompatible with the definition of the service module.* The interventions that were excluded from further analysis included teacher training, the provision of food and/or basic material assistance to the most deprived, and a specialised educational support program for the inclusion of students with disabilities. In Croatia, preparatory artistic and cultural activities for people over 54 years of age were also excluded, as it also involved the training of culture professionals who were trained to work with vulnerable groups (people over the age of 54). In some cases, the target group for the intervention (for example, Roma minorities) was indicated in the description. However, in terms of eligible operations, this intervention lacked sufficient detail to make any assumptions as to what these operations actually entailed – therefore, such cases were excluded from the sample.
- *Eliminating interventions with insufficient cost data.* Some interventions were excluded from the sample due to insufficient data, e.g. the proposed option could not be calculated on the basis of the historical data available. In most cases, the number of participants was not available and therefore, no cost per participant could be calculated. Interventions that lacked detail concerning operations funded were also excluded from the final sample.
- *Eliminating interventions with insufficient or partial data on eligible operations.* For some interventions, only partial information was available on eligible operations. Therefore, the study team could not accurately define an audit trail due to shortcomings in the level of detail provided in the data. Thus, data from Belgium, Croatia, Lithuania and Slovenia had to be excluded from the Final Report. However, the data that was available for the aforementioned interventions has been retained

in detail in Annex 1. This will enable these Member States to add to the existing data in the future, and thus develop the SCO.

In total, the sample contains four interventions that are deemed sufficiently relevant to appear in the final sample, from four EU Member States (Czechia, Greece, Malta and Portugal). Here, the key data points required to establish unit costs were consistently available, such as the total eligible costs, number of participants and detailed lists of eligible operations. The level of detail in the data from the shortlisted interventions was sufficient: all countries provided aggregated-level data per period (for example, 2016-2020).

3.4.2.2. Calculation method

The process of calculating unit costs for this service module follows the same logic used for the service module 'Labour market-related services'. Please refer to section 3.2.2.2 for full details of this.

3.4.2.3. Results

The unit costs calculated for this service module differ significantly between Member States. These discrepancies can be explained by the type, duration and nature of the interventions funded under this service module, as well as the scope and quality of data provided by each Member State. However, the lack of any indication of the duration of interventions in some cases does not allow reliable judgements to be made as to whether higher SCO values can be explained by the duration of interventions.

Community social services which tackle social exclusion are often provisioned through **community centres**. In **Greece**, community centres provide all-encompassing support to the wider public through information and guidance to support citizens, as well as cooperation with social services and structures that refer people to other specialised structures according to their needs. These centres are also directly involved in the provision of services such as counselling, vocational guidance, psychosocial support to children, adults and families, creative activities and learning support for preschool and school-aged children. The unit cost is based on 10 hours of support to one participant (at 28 EUR/h). For **Malta**, community centres are aimed at vulnerable individuals in order to help them integrate into the labour market and societal life through community mentoring, community development work, regional community development work, community-based programmes/initiatives, and community social work. The unit cost is based on 135 hours of support to one participant (at 21 EUR/h).

Many eligible operations in the relevant Member States include services that tackle the social inclusion of Roma minorities. In **Greece**, separate branches within the aforementioned community centres exist to offer specialised support to Roma communities and refugee populations. These centres provide specialised services with an emphasis on employment, education, health protection and welfare, social security, intercultural mediation and interpretation. In **Portugal**, the unit cost covers specialised assistance for migrants and intercultural mediation with migrants and Roma minorities with the help of socio-cultural mediators. These services are typically provisioned on a one-off basis and may be provided as a group service if deemed necessary. The number of participants for this service is also substantial (over 1.2 million participants services between 2015 and 2020), suggesting that the calculations are based on a robust sample. This, in addition to the already mentioned parameters, explain the very low unit cost value for such services in Portugal.

Other services within this service module were more niche, and thus returned lower unit cost values, suggesting that the services provided were less costly and of a shorter duration.

In **Czechia**, the services provided were aimed at reducing debt or supporting out-of-court conflict resolution, and supporting the debt relief process through services such as debt counselling. Table 21 presents Member State-specific SCO values representing the cost per participant receiving the eligible services within the service module 'Social exclusion'.

Table 21: Unit costs for the service module 'Social exclusion'

Country	Unit cost (participant, EUR)
Czechia	438
Greece	276
Malta	2,818
Portugal	12

Source: prepared by PPMI.

3.4.3. Audit trail

For details of the audit trail for each Member State for this SCO, please refer to Annex 1: 'Details for Member State-specific SCOs'.

3.4.4. Insights on the application of this solution

The risk of perverse incentives related to the slicing of operations is potentially high. In addition, the relevance of this SCO could be affected by ongoing changes in the interventions implemented by Member States, such as changes in the intensity of the services provided per average participant, i.e. the duration of eligible operations. This could result in the SCO under- or over-compensating the actual value of the operations. Changes in the average duration of eligible operations should therefore be considered when adjusting these values in the future.

Since a single rate is applied for the whole duration of the service provided to the participant, it should be ensured that operations provide support for an adequate duration – to ensure this, arrangements have been established for the fair application of the SCO, with regard to the duration of services.

Since this SCO considers entries to services, and not exits, the risk of creaming is mitigated as the vulnerable target groups receive the service and do not need to successfully exit the intervention.

As in the case of the Member State-specific SCO for 'Labour market-related services', Member States for which SCOs could not be developed in this study should still be able to benefit from the added value provided by the proposed SCOs. These Member States could consider using the proposed unit cost values as an adjustable proxy to establish an SCO for similar interventions of their own.

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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

Annex 1. Details for Member State-specific SCOs within the
area of community services

Written by PPMi
August – 2021

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1. Details for MS-specific SCOs in ‘Labour market-related services’

1.1. Italy

Audit trail for the service module ‘Labour market related services’– Italy	
<i>Description of the operation type</i>	Operations aiming to re-integrate prisoners into society and the labour market through individual support and training, vocational rehabilitation and counselling services.
<i>Indicator name</i>	Participants provided with training, counselling and vocational rehabilitation services. ‘Participant’ refers to the individual receiving the eligible services of the operation – in this case, prisoners or persons with person subjected to measures by the Judicial Authority.
<i>Measurement unit for the indicator</i>	Number of participants provided with training, counselling and vocational rehabilitation services.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant from the target group may include: • an extract from the prisons register confirming the identity of the prisoner (e.g. an individual case file of the prisoner which includes the requested details or equivalent); • documents confirming situations of <i>force majeure</i> in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: • a register of participants in the operation, with signatures from participants for each day of the operation; • an individual case file of the prisoner, including the date of entry into the operation and details disclosing the programme/contents of the operation.
<i>Arrangements to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to <i>force majeure</i> situations).
<i>Key risks and measures to prevent ‘creaming’ of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.

<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Italy * LCI index for Italy
<i>Reimbursed amount in EUR</i>	1,618 EUR per participant

1.2. Lithuania

Audit trail for the service module 'Labour market-related services' - Lithuania	
<i>Description of the operation type</i>	Operations aiming to integrate NEETs and people with disabilities to the labour market through individual psychological support, vocational guidance counselling and vocational rehabilitation, assessment of skills, employment assistance and workplace support.
<i>Indicator name</i>	Participants provided with individual psychological support, vocational guidance counselling and vocational rehabilitation, assessment of skills, employment assistance and workplace support. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, NEETs or persons with disabilities.
<i>Measurement unit for the indicator</i>	Number of participants provided with individual psychological support, vocational guidance counselling and vocational rehabilitation, assessment of skills, employment assistance and workplace support.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational and occupational status at date of entry into the operation, such as - extract from the national employment register on the participant's current occupational status; - written statement signed by the participant and the beneficiary confirming that the participant has not enrolled in any education or training activities before entry into the operation. - if the participant has a disability, a document confirming the eligibility to receive disability benefits; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.

<i>Arrangements to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions relating to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Lithuania * LCI index for Lithuania
<i>Reimbursed amount in EUR</i>	1,575 EUR per participant

1.3. Malta

Audit trail for the service module 'Labour market related services' – Malta

<i>Description of the operation type</i>	Operations focusing on current NEETs, as well as on those at risk of becoming NEETs, and providing support through training, personalised assistance and work placements. The operation is divided into two distinct phases: During the first phase, every applicant receives approximately four weeks (80 hours) of training on soft skills modules and industry-based modules. • Training and personalised assistance to young people at risk of social exclusion and young people at risk of becoming long-term unemployed. During the second phase, a participant is offered one of two options: • An unpaid work placement (maximum of 240 hours) with an employer, based on the applicant's skills and desires. This placement lasts approximately 12 weeks, i.e. 80 hours every 4 weeks. • If the applicant wishes to further their level of education, they can choose a course from an accredited institution and pursue a course there. In this case, it will also cover a maximum of 240 hours.
<i>Indicator name</i>	Participants provided with training, personalised assistance and work placement /education course. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, NEETs.

<i>Measurement unit for the indicator</i>	Number of participants provided with training, personalised assistance and work placements/courses.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational and occupational status before entry into the operation, such as - extract from the national employment register on the participant's current occupational status; - written statement signed by the participant and the beneficiary confirming that the participant has not entered any education or training activities before entry into the operation. - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: First phase: - a register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation. Second phase: - for work placements – copy of participants' work placement agreement issued by the respective body providing the service, with clear indication of start date and end date of the work placement; - for courses – copy of participant's enrolment agreement to the course issued by the respective body providing the service, with clear indication of the start date and end date of the participants' enrolment in the course.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to force-majeure situations). This means that: - Eligible services under the first phase, training and personalised assistance, should be provided for at least 56 hours to a participant; - Eligible services under the second phase, work placement or a course, should be provided for at least 168 hours to a participant. The reimbursement is issued only if the eligible services are provided to the participant for both the first and second phase.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive

	service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Malta * LCI index for Malta
<i>Reimbursed amount in EUR</i>	1,752 EUR per participant

1.4. Portugal

Audit trail for 'Labour market related services' service module - Portugal	
<i>Description of the operation type</i>	Operations focusing on current NEETs and providing information, guidance and referral service in order to re-integrate them into the labour market, as well as services related recognition, validation, and certification of skills already acquired throughout life.
<i>Indicator name</i>	Participants provided with information, guidance and referral services and recognition, validation, and certification of skills services. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, NEETs.
<i>Measurement unit for the indicator</i>	Number of participants provided with information, guidance and referral services and recognition, validation, and certification of skills services
<i>Eligible cost categories</i>	All eligible costs of the operation, including costs arising from employment contracts or contracts for the provision of services by external personnel (provided these are clearly identifiable), including the corresponding contributory benefits incurred.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational and occupational status before entry into the operation, such as - extract from the national employment register on the participant's current occupational status; - written statement signed by the participant and the beneficiary confirming that the participant has not entered any education or training activities before entry into the operation. - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a daily register of participants in the operation, with signatures from participants for each day of the operation;

	an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Portugal * LCI index for Portugal
<i>Reimbursed amount in EUR</i>	263 EUR per participant

2. Details for MS-specific SCOs in ‘Social exclusion’

2.1. Czechia

Audit trail for the service module ‘Social exclusion’ – Czechia	
<i>Description of the operation type</i>	Operations aimed at educating the target group in debt prevention (in cases where the participant has had issues with debt in the past or is currently in risk of falling into debt) and solving debts through specialised debt counselling and mediation services (in cases where the participant currently has issues with debt).
<i>Indicator name</i>	Participants provided with debt counselling and mediation services.
<i>Measurement unit for the indicator</i>	Number of participants provided with debt counselling and mediation services. ‘Participant’ refers to the individual receiving the eligible services of the operation – in this case, persons who had or currently have issues with debt.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents disclosing the creditor/bailiff statements regarding the (anonymised) participant’s past and current financial situation; - documents confirming the eligibility of the participant to receive welfare benefits before entry into the operation; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a daily register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant’s date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to situations of force majeure).
<i>Key risks and measures to prevent ‘creaming’ of participants and perverse incentives</i>	Regarding the risk for creaming, this SCO relates to service entries; therefore, the risks related to creaming of participants are reduced to a minimum. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.

<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Czechia * LCI index for Czechia
<i>Reimbursed amount in EUR</i>	438 EUR per participant

2.2. Greece

Audit trail for 'Social exclusion' service module - Greece	
<i>Description of the operation type</i>	Operations aimed at integrating Roma minorities and migrants into society through provision of information, counselling services with an emphasis on education, health protection and welfare, social security, and intercultural mediation/interpretation (not related to integration to the labour market). Operations also include psychosocial support for children and adults from the intended target groups.
<i>Indicator name</i>	Participants provided with counselling services and intercultural mediation, interpretation services and psychosocial support.
<i>Measurement unit for the indicator</i>	Number of participants provided with counselling services and intercultural mediation, interpretation services and psychosocial support. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, Roma minorities or migrants.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents from the national migration database or equivalent, providing a confirmation that the participant has immigrated to Greece, such as a residence permit or equivalent documentation; - documents from the national register, providing a confirmation of the nationality if the participant in consideration is of Roma descent; - documents confirming situations of <i>force majeure</i> in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a daily register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to situations of <i>force majeure</i>). The unit cost has been calculated on the basis of a planned duration

	of 10 hours; therefore, it is approximated that at least 7 hours of services should be provided in order to claim reimbursement through the unit cost.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Human health and social work activities' (NACE Rev. 2, Q), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Greece * LCI index for Greece
<i>Reimbursed amount in EUR</i>	276EUR per participant

2.3. Malta

Audit trail for 'Social exclusion' service module - Malta	
<i>Description of the operation type</i>	Operations aimed at combatting social exclusion and poverty through community mentoring and specialised psychosocial assistance provisioned by social workers for people at risk of poverty and social exclusion; community outreach activities, mentoring and ongoing guidance counselling of the participants.
<i>Indicator name</i>	Participants provided with one-to-one specialised psychosocial assistance sessions, guidance counselling and mentoring. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, persons from disadvantaged backgrounds experiencing social exclusion.
<i>Measurement unit for the indicator</i>	Number of participants provided with one-to-one specialised psychosocial assistance sessions, guidance counselling and mentoring.
<i>Eligible cost categories</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's occupational status before entry into the operation, such as information from the national employment register; - documents confirming the eligibility of the participant for receiving welfare benefits before entry into the operation; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.).

	Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: • a daily register of participants in the operation, with signatures from participants for each day of the operation; • an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant. The unit cost has been calculated on the basis of 124 hours of planned duration; therefore, it is approximated that at least 86 hours of services should be provided in order to claim reimbursement through the unit cost.
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Human health and social work activities' (NACE Rev. 2, Q), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]'). The formula for adjustment is as follows: Unit cost for Malta * LCI index for Malta
<i>Reimbursed amount in EUR</i>	2,818 EUR per participant

2.4. Portugal

Audit trail for 'Social exclusion' service module - Portugal	
<i>Description of the operation type</i>	Operations aimed at social and professional integration of Roma minorities and migrants through specialised services provided by socio-cultural mediators, such as provision of information in different media and languages, intercultural mediation and cultural support services.
<i>Indicator name</i>	Participants provided with specialised assistance, intercultural mediation and cultural support services. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, Roma minorities or migrants.
<i>Measurement unit for the indicator</i>	Number of participants provided with intercultural mediation and cultural support services.
<i>Eligible cost categories</i>	All eligible costs of the operation.

<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents from the national migration database or equivalent, providing a confirmation that the participant has immigrated to Portugal, such as a residence permit or equivalent documentation; - documents from the national register, providing a confirmation of the nationality if the participant in consideration is of Roma descent; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a register of participants in the operation, with signatures from participants; - an individual action plan, disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	Considering the one-off nature of the operation and the small unit cost value attached to it, no minimum threshold would be set for the provision of services – instead, a register of participants which partook in the operation would suffice to verify whether the participant had participated in the operation.
<i>Key risks and measures to prevent ‘creaming’ of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by the services being of very short duration and a corresponding small unit cost value. Risks of slicing operations is low, since the duration of services is short (typically up to one hour for an average participant). When updating the values, changes in interventions and the average duration per participant should be taken consider as this may result in a higher unit cost – not adjusting the value would result in the SCO becoming unusable by the Member State due to under compensation.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity ‘Public administration and defence; compulsory social security’ (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: ‘Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]’). The formula for adjustment is as follows: Unit cost for Portugal * LCI index for Portugal
<i>Reimbursed amount in EUR</i>	12 EUR per participant

3. Details for MS-specific SCOs in ‘Labour market-related services’ that were excluded from the Final Report

The following Member States were excluded from the final description of SCOs under this service module, since the interventions submitted to the study team by the Member States had already covered a significant amount of activities under the operations which are currently being reimbursed by existing EU-level SCOs for the unemployed. What is more, interventions which were provided to the study team lacked the required qualitative or quantitative detail needed to establish reliable SCO values or the description of operations and audit trail for the SCO.

In order to establish SCOs based on these interventions, further clarifications need to be provided by the owners of the data, particularly regarding the description of the operations – a consultation regarding the compatibility of mapped interventions in view of the existing EU-level SCOs may be necessary.

3.1. Belgium

Audit trail for the service module ‘Labour market-related services’ – Belgium	
<i>Description of the operation type</i>	Services facilitating access to employment for jobseekers and inactive people, including the long-term unemployed and people far from the labour market, as well as local employment initiatives and support for labour mobility. Vocational training and non-formal education for the unemployed, support for the acquisition of work skills, subsidised employment, Sustainable integration of young people into the labour market, in particular those not in employment, education or training (NEETs), including young people at risk of social exclusion and young people from marginalised communities.
<i>Indicator name</i>	A participant provided with vocational training and non-formal education for the unemployed, support for the acquisition of work skills, subsidised employment.
<i>Measurement unit for the indicator</i>	Number of participants provided with vocational training and non-formal education for the unemployed, support for the acquisition of work skills, subsidised employment.
<i>Eligible costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational and occupational status at date of entry into the operation, such as - extract from the national employment register on the participant's current occupational status; - written statement signed by the participant and the beneficiary confirming that the participant has not entered any education or training activities at the date of entry into the operation.

	- if the participant has a disability, a document confirming the eligibility to receive disability benefits; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangements to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions relating to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount, per unit</i>	3,025 EUR per participant

3.2. Sweden

Audit trail for the service module 'Labour market related services' – Sweden	
<i>Description of the operation type</i>	Operations supported under priority axis 2, 'Increased transition to work', of the Operational Programme (Nationellt Socialfondsprogram för investering för tillväxt och sysselsättning 2014-2020 CCI 2014SE05-M90P001). Operations supported under priority axis 3, 'Youth Employment Initiative', of the Operational Programme (Nationellt Socialfondsprogram för investering för tillväxt och sysselsättning 2014-2020 CCI 2014SE05-M90P001), and priority axis 3, 'Youth Employment Initiative'.
<i>Indicator name</i>	A participant provided with vocational training and non-formal education for the unemployed, support for the acquisition of work skills, subsidised employment.

<i>Measurement unit for the indicator</i>	Number of participants provided with vocational training and non-formal education for the unemployed, support for the acquisition of work skills, subsidised employment.
<i>Category of costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational and occupational status at date of entry into the operation, such as - extract from the national employment register on the participant's current occupational status; - written statement signed by the participant and the beneficiary confirming that the participant has not entered any education or training activities at the date of entry into the operation. - if the participant has a disability, a document confirming the eligibility to receive disability benefits; - documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangements to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions relating to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount in EUR</i>	4,845 EUR per participant

4. Details for MS-specific SCOs in ‘Social exclusion’ which were excluded from the Final Report

The following Member States were excluded from the final description of SCOs under this service module, since the interventions which were provided to the study team lacked the required qualitative or quantitative detail needed to establish reliable SCO values or the description of operations and audit trail for the SCO.

In order to establish SCOs based on these interventions, further details must be provided by the owners of data on these interventions, particularly regarding the types of operations within these interventions and the costs associated with the operation in order to justify the amounts calculated for these potential SCOs.

4.1. Belgium

Audit trail for ‘Social exclusion’ service module - Belgium	
<i>Description of the operation type</i>	<u>Services include:</u> • Individual or group motivation, assessment of personal needs, development, maintenance, and restoration of social and work skills. • Socio-cultural services. • Vocational guidance, information, counselling. • Developing general skills (e.g. digital literacy, languages, entrepreneurship).
<i>Indicator name</i>	Participants provided with vocational guidance, information and counselling, socio-cultural services and development of work-related skills.
<i>Measurement unit for the indicator</i>	Number of participants provided with vocational guidance, information and counselling, socio-cultural services and development of work-related skills.
<i>Category of costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: • documents confirming participant's educational and occupational status at date of entry into the operation, such as ○ extract from the national employment register on the participant's current occupational status; ○ written statement signed by the participant and the beneficiary confirming that the participant has not entered any education or training activities at the date of entry into the operation. • documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to:

	- a register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions relating to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount in EUR</i>	3598 EUR per participant

4.2. Croatia

Audit trail for 'Social exclusion' service module - Croatia	
<i>Description of the operation type</i>	<u>Services include:</u> Preparation and implementation of participatory artistic and cultural activities for young people in secondary school, for disadvantaged young people.
<i>Indicator name</i>	Participants provided with services related to participatory artistic and cultural activities.
<i>Measurement unit for the indicator</i>	Number of participants provided with services related to participatory artistic and cultural activities.
<i>Category of costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents confirming participant's educational at date of entry into the operation, such as - extract from the educational registry (if available) on the participant's current educational status or

	○ written statement signed by the participant and the beneficiary confirming that the participant is currently in secondary education • documents confirming situations of force majeure in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: • a register of participants in the operation, with signatures from participants for each day of the operation; • an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions relating to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount in EUR</i>	797R per participant

4.3. Lithuania

Audit trail for 'Social exclusion' service module - Lithuania	
<i>Description of the operation type</i>	<u>Services include:</u> • Individual or group motivation, assessment of personal needs, development, maintenance, and restoration of social and work skills. • Socio-cultural services for Roma minorities. • Vocational guidance, information, counselling. • Developing general skills (e.g. digital literacy, languages, entrepreneurship). • Vocational training; development of practical work skills in the workplace; mediation or other assistance in and after employment.

<i>Indicator name</i>	Participants provided with socio-cultural services, vocational guidance and training and assistance in the workplace.
<i>Measurement unit for the indicator</i>	Number of participants provided with socio-cultural services, vocational guidance and training and assistance in the workplace. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, Roma minorities.
<i>Category of costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: - documents from the national register, providing a confirmation of a participant's nationality if the person in consideration is of Roma descent; - documents confirming situations of <i>force majeure</i> in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: - a daily register of participants in the operation, with signatures from participants for each day of the operation; - an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.
<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount in EUR</i>	3,694 EUR per participant

4.4. Slovenia

Audit trail for 'Social exclusion' service module - Slovenia	
<i>Description of the operation type</i>	<u>Services include:</u> • Participation in activities for preschool children and carry out additional activities in environments where members of the Roma community live, both independently and in cooperation with project providers. • Services facilitated within multipurpose centres for preschool Roma children. • Parental guidance counselling of the families.
<i>Indicator name</i>	Participants provided services for pre-school children and cultural mediation and parental guidance counselling of the families.
<i>Measurement unit for the indicator</i>	Number of participants provided with services for pre-school children and cultural mediation and parental guidance counselling of the families. 'Participant' refers to the individual receiving the eligible services of the operation – in this case, Roma minorities.
<i>Category of costs</i>	All eligible costs of the operation.
<i>Arrangements to ensure audit trail</i>	Supporting documents confirming the eligibility of the participant for the target group may include: • documents from the national register, providing a confirmation of place of living if the person in consideration is of Roma descent; • documents confirming situations of <i>force majeure</i> in the case of exceptions (death, illness, injury, pregnancy of the participant, etc.). Supporting documents relating to proof of participation of an individual and proof of eligible operations having taken place refers to: • a daily register of participants in the operation, with signatures from participants for each day of the operation; • an individual action plan, detailing an individual participant's date of entry into the operation and details disclosing the type of services provisioned in the operation.
<i>Arrangement to ensure fair application</i>	The reimbursement of a unit cost is conditional on at least 70% of the planned attendance by the participant – anything below this threshold will be considered non-compliant and will not result in reimbursement through the unit cost (with exceptions related to situations of <i>force majeure</i>).
<i>Key risks and measures to prevent 'creaming' of participants and perverse incentives</i>	Regarding the risk of creaming, this SCO relates to service entries; therefore, risks related to the creaming of participants are reduced to a minimum. The focus on entries to the programme (rather than exits or results) may incentivise to inflate the numbers of participants entering the operation. However, this risk is mitigated by implementing minimum attendance requirements in order to claim reimbursement for the provided services. Risks of slicing operations are potentially high, and the relevance of this SCO could be affected by changes in the implemented operations, such as more or less intensive service provision per average participant. Therefore, when updating the values, changes in interventions such as the average duration of services per participant should be taken into account.

Annex 1. Details for MS-specific SCOs within the area of community services

<i>Methods for regular adjustment of the amounts</i>	Amounts can be adjusted using the Labour Cost Index (LCI) for the economic activity 'Public administration and defence; compulsory social security' (NACE Rev. 2, O), which is publicly available on the Eurostat website (dataset titled: 'Labour cost index by NACE Rev. 2 activity – nominal value, annual data [lc_lci_r2_a]').
<i>Reimbursed amount in EUR</i>	2,626 EUR participant

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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

Annex 2. Detailed methodology of the study

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs & Inclusion
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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

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1. Feasibility and simplification effect assessment of proposed SCO options

To enable an informed selection of the SCO alternatives for further analysis in the study, a rigorous assessment of their feasibility was undertaken. To that end, each SCO alternative was assessed against the following **set of criteria**: 1) data availability, 2) data granularity, and 3) data reliability. Each criterion is further specified in Table 1.

Table 1: Criteria for feasibility assessment.

CRITERIA	DESCRIPTION	DISTINCTIONS
Data availability	Relates to the collected data sample, its <u>completeness</u> and <u>comprehensiveness</u> . This presumes that all data points needed for calculations and establishment of a particular SCO are sufficiently covered in the data sample, whereas the latter provides a reasonable coverage of Member States. Incomplete data (i.e. provisional/ estimated data or data gaps) is as dangerous as inaccurate data. Gaps in data lead to a partial view of the overall picture. Without a complete picture of how projects are funded, SCOs may be calculated through uninformed actions.	High quality Sufficient quality Low quality
Data granularity	Relates to the <u>level of detail at which data is collected</u> . It is important, because confusion and inaccurate decisions can otherwise occur. Aggregated, summarised and manipulated collections of data could offer a different meaning than the data implied at a lower level. An appropriate level of granularity must be defined to provide sufficient uniqueness and for distinctive properties to become visible. This is a requirement for the development of accurate SCOs.	
Data reliability	Relates to the <u>data accuracy</u> and <u>data logic</u> . The collected data cannot contradict a value residing in a different source or collected by a different system. The data must be logical, without contradiction or unwarranted variance.	

Source: prepared by PPMI.

We used a **traffic-light method** for criterion-specific assessment (cf. Sections 1.1 and 1.2) of each SCO alternative in question. The same colour-coding method is also used for the overall feasibility assessment of each SCO alternative (cf. Sections 1.1 and 1.2):

- **Green** is used to flag SCO alternatives which can be developed and calculated with minor imputation of missing data in the sample or no imputation at all.
- SCO alternatives flagged in **yellow** are also deemed feasible, yet their development is restricted by limitations requiring quite extensive imputation of missing data in the sample or application of other solutions to compensate for incomplete data.
- SCO alternatives flagged in **red** are not supported by the available data and therefore should be discontinued/no longer considered in the analysis.

In addition, in Sections 1.1 and 1.2 we assess how different SCO alternatives compare against each other in terms of their simplification effect. To this end, we 1) point out what proof is needed for audit trail of each SCO alternative in question, and 2) identify all potential risks and perverse incentives associated with their implementation (cf. Table 2 for more

detailed description of each criterion). To ensure consistency, our overall assessment of the simplification effect is also summarised using the traffic-light method.

Table 2: Criteria for assessment of the simplification effect.

CRITERIA	DESCRIPTION	DISTINCTIONS
Audit trail difficulty	Audit trail difficulty depends on the <u>scope, detail and accessibility of evidence</u> required to validate the delivery of reported input, output, or results of supported operations, as well as their compliance with conditions defined ex ante.	High effect
Risk of perverse incentives	Relates to the <u>possibility of undesirable effects</u> of the SCO. The likelihood of these undesirable effects materialising depends on the requirements/ predefined conditions for input, output or result indicators used to account for the costs of the supported operations.	Medium effect Low effect

Source: prepared by PPML.

1.1. Transnational mobility for disadvantaged youth

1.1.1. Option 1: Cost of one successful programme participant

Option 1.1 Cost of one successful participant

This SCO reflects the **average cost of one successful participant in a transnational mobility programme** who completed preparatory, mobility and follow-up phases. The SCO focuses on successful exits of the programme. Broken-off mobilities are not to be rewarded but are included in the overall calculation of the SCO rate and thus covered by a resulting higher rate for each successful exit.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data required to calculate this SCO is available for 6 out of 8 countries/regions that have launched programmes under the coordinated call of TLN mobility network. Data from Andalusia, Spain was excluded due to the small sample of one pilot project, data from Trento, Italy was excluded due to insufficient detail. Data from 2020 is incomplete and was excluded from further analysis. The remaining data is mostly complete and comprehensive. Imputations may be required for latest data on the number of participants in the follow-up phase.	
<i>Data granularity</i>	Data granularity is sufficient. The only downside is that several countries or regions provided cumulative data for a period of several years (Czech Republic and Poland), while others provided annual data.	
<i>Data reliability</i>	Some inconsistencies in the data on reported number of participants in the follow-up phase were identified due to reporting inconsistencies on the project level (Germany and Sweden). Otherwise, the data was found to be reliable.	
Simplification effect		

<i>Audit trail difficulty</i>	The audit trail of this option focusing on programme exits is fairly simple. To prove that relevant activities took place and that all reported successful participants completed the programme, signed participants' lists and signed reports prepared by guidance counsellors (or similar staff) in the home organisation would be required. Both types of proof should be easily accessible, especially in countries where Managing Authorities and ESF Implementing Bodies launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and Young Adults. All required documentation was also identified in the Manual of Guidance developed by the TLN Mobility network for the Coordinated Call.	
<i>Risk of perverse incentives</i>	Risk of creaming. As the SCO is based on successful completion of the mobility programme, organisations might be incentivised to select candidates less likely to drop out for various reasons. More vulnerable target groups might be excluded. Risk of slicing of operations. The organisations might be incentivised to organise shorter activities since the SCO does not account for programme duration, which might differ greatly across Member States and programmes. Other risks. There is a risk of organisations adjusting the duration of project phases in favour of less costly activities, such as organising shorter mobility and longer preparation periods. There is also a risk of locking-in of operations meaning that Member States that have organised mobility programmes for less vulnerable target groups might be disincentivised to organise costlier programmes for more vulnerable target groups needing more support. The same would apply for programme duration meaning that countries that have previously organised shorter programmes would be disincentivised to increase the duration of activities.	

Option 1.2 Daily cost of one successful participant

This SCO uses the same indicators and logic as Option 1.1 but instead of the cost of a whole mobility programme, reflects the **cost of one day of participation in the programme**. The calculation of a daily rate allows to better account for programmes of varying duration and mitigates the risk of locking in of operations.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Same as in Option 1.1. (data on average project duration does not pose additional limitations)	
<i>Data granularity</i>	Same as in Option 1.1. (data on average project duration does not pose additional limitations)	
<i>Data reliability</i>	Same as in Option 1.1. (data on average project duration does not pose additional limitations)	
Simplification effect		
<i>Audit trail difficulty</i>	Audit trail is slightly more complicated than in the case of Option 1.1. In addition to documentation required in Option 1.1, participants' contracts or other documentation proving the declared duration of activities per participant would be required. All proof should be rather easily accessible, especially in countries where Managing Authorities and ESF Implementing Bodies	

	launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and Young Adults. All required documentation was also identified in the Manual of Guidance developed by the TLN Mobility network for the Coordinated Call.
<i>Risk of perverse incentives</i>	Risks of creaming and slicing of operations remain the same as in Option 1.1. Other risks. The risk of locking in of operations is mitigated by calculating a daily rate. In this case, for example, Member States that organised shorter programmes would face no difficulty in extending the duration if the costs would be covered based on the days of programme duration.

1.1.2. Option 2: Cost of one mobility participant

Option 2.1 Cost of one participant

This **SCO** reflects the **average cost of one participant** in a transnational mobility programme for disadvantaged youth. It focuses on the entries in the programme. As a result, broken-off participation would be reimbursed in the same way as completed participation, which is problematic but relevant considering the relatively high drop-out rate and perverse incentive of creaming in the selection of participants that this option mitigates.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data required to calculate this SCO is available for 6 out of 8 countries/regions that have launched programmes under the coordinated call of TLN mobility network. Data from Andalusia, Spain was excluded due to the small sample of one pilot project, data from Trento, Italy was excluded due to insufficient detail. Data from 2020 is incomplete and was excluded from further analysis. The remaining data is mostly complete and comprehensive. Imputations may be required for latest data on the number of participants at certain projects.	
<i>Data granularity</i>	Data granularity is sufficient. Some countries provided data for a period of several years (Czech Republic, Poland), while others provided annual data.	
<i>Data reliability</i>	Data is generally reliable and ready to be used for calculations.	
Simplification effect		
<i>Audit trail difficulty</i>	The audit trail of this option is uncomplicated. To prove that reported participants were involved in the programme and that project activities actually took place, participant contracts and signed participant lists would be required. Signed participant lists could also serve as proof for reimbursement of broken-off mobilities which pass the minimum duration threshold. Alternatively, signed reports prepared by guidance counsellors (or similar staff) in the home and host organisations could serve the same purpose. All proof for audit trail should be rather easily accessible, especially in countries where Managing Authorities and ESF Implementing Bodies launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and Young Adults. All required	

	documentation (including participant lists signed every day during the total stay abroad) was also identified in the Manual of Guidance developed by the TLN Mobility network for the Coordinated Call.
<i>Risk of perverse incentives</i>	Risk of slicing of operations. The organisations might be incentivised to organise shorter activities since the SCO does not account for programme duration, which might differ greatly in the context of mobility programmes. Other risks. Risk of slicing of operations by adjusting the duration of project phases in favour of less costly activities, such as organising shorter mobility and longer preparation periods, or shortening the duration of activities altogether. Lack of monitoring of results or exits might incentivise the organisations to inflate the number of participants (this issue could be addressed by adding a minimum duration of participation requirement). There is also a risk of locking in of operations since Member States that have organised shorter programmes to date would not be incentivised to increase their duration.

Option 2.2 Daily cost of one participant

This **SCO** reflects the **average cost of one day for one participant** in a mobility programme for disadvantaged youth. The indicators and the logic are the same as for option 2.1. but instead of reflecting the cost of the whole mobility period, this SCO provides daily rates.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Same as in Option 2.1. (data on average project duration does not pose additional limitations)	
<i>Data granularity</i>	Same as in Option 2.1. (data on average project duration does not pose additional limitations)	
<i>Data reliability</i>	Same as in Option 2.1. (data on average project duration does not pose additional limitations)	
Simplification effect		
<i>Audit trail difficulty</i>	In addition to documentation required in Option 2.1, participants' contracts or other documentation proving the declared duration of activities per participant would be required. All proof should be rather easily accessible, especially in countries where Managing Authorities and ESF Implementing Bodies launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and Young Adults. All required documentation was also identified in the Manual of Guidance developed by the TLN Mobility network for the Coordinated Call.	
<i>Risk of perverse incentives</i>	Calculating a daily rate mitigates the risk of locking in operations but, considering the lack of monitoring of results under this option, organisations might be incentivised to organise programmes that are longer than necessary. Other risks: Same as in Option 2.1	

1.1.3. Option 3: Cost of organising transnational mobility for disadvantaged youth per programme phase

Option 3.1 Cost of one participant per programme phase

This SCO reflects the cost of organising mobility for disadvantaged youth split into three programme phases including a **preparatory phase** (partner-finding (where applicable) and programme preparation, participant recruitment and preparatory activities), a **mobility phase** (travel and subsistence costs of participants and accompanying staff, costs of the hosting organisation), and a **follow-up phase** (support and monitoring of participants after the transnational mobility period).

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data required to calculate this SCO is available for 3 out of 8 countries/regions that have participated in the TLN mobility, namely Czechia, Slovenia and Poland. Data from Andalusia, Spain, was excluded due to the small sample of one pilot project. Data from Italy (Trento), Germany, Sweden and Spain (Catalonia) were extrapolated within interventions due to insufficient detail and incomplete data for preparatory and follow-up phases.	
<i>Data granularity</i>	Data granularity is sufficient. Some countries provided data for a period of several years (Czech Republic, Poland), while others provided annual data.	
<i>Data reliability</i>	The reliability of the data is limited. There are significant discrepancies between member states in initial calculated values per programme phase. In addition, in some Member States, programme phases did not always take place in the same year leading to difficulties in interpreting annual data on costs and numbers of participants.	
Simplification effect		
<i>Audit trail difficulty</i>	To prove that participants took part in activities of each phase and passed to the next, the following proof would be needed: - participant contracts; - signed participant lists or signed reports of guidance counsellors (or similar staff) in the home and host organisations. All proof should be rather easily accessible, especially in countries where Managing Authorities and ESF Implementing Bodies launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and Young Adults. All required documentation was also identified in the Manual of Guidance developed by the TLN Mobility network for the Coordinated Call.	
<i>Risk of perverse incentives</i>	This option reduces risks of creaming in the selection of participants because it allows to account for broken-off mobilities at the end of a programme phase. It also reduces the risk of slicing of operations by offering separate reimbursement rates for different activities within the transnational mobility. Notably, these activities may have drastically different costs needed to facilitate them, thus having multiple rates attached to these activities mitigates the risk of slicing of operations.	

The option entails the risk of locking in operations. For instance, Member States that have organised shorter programme phases in the past would be disincentivised to increase their duration.

Option 3.2: Cost of one participant per day of programme phase

This option follows the same logic as option 3.1. However, the rates are calculated **per day of each programme phase**.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Same as in Option 3.1 (data on average project phase duration does not pose additional limitations)	
<i>Data granularity</i>	Same as in Option 3.1 (data on average project phase duration does not pose additional limitations)	
<i>Data reliability</i>	Same as in Option 3.1 (data on average project phase duration does not pose additional limitations)	
Simplification effect		
<i>Audit trail difficulty</i>	Same as in Option 3.1., since proof of total planned duration can be found in participant contracts, whereas proof of total factual duration is available from signed participant lists and reports of guidance counsellors (or similar staff) in the home and host organisations.	
<i>Risk of perverse incentives</i>	Same as in Option 3.1. In addition, organisation of longer phases than necessary might be encouraged.	

1.1.4. Option 4: Cost of one participant who experienced positive changes in individual employment status

Option 4.1. Cost of one participant who experienced a positive change in his/her individual employment status

This SCO reflects the average cost of one participant in a transnational mobility programme for disadvantaged youth who, **as a result of the participation, experienced a positive change in his/her employment status** within a pre-defined period of time.

As indicated by some TLN network partners, outcomes of transnational mobility experience on disadvantaged participants are quite diverse. Therefore, a result indicator linking financing to changes in employment status of a participant does not fully account for the vulnerabilities of certain target groups, such as disabled or long-term unemployed participants without completed formal education. At the same time, it has been admitted and demonstrated that measuring of soft outcomes is methodologically difficult. In the monitoring data provided to the study team (cf. Table 5), change in employment status of participants was the only result indicator measured by the majority of TLN network partners. Meanwhile methods for measurement of soft outcomes are either not yet established or tend to vary across Member States where they exist.

Overall, data on changes in employment status of individual participants, even if limited, allows the development of a result-based SCO.

Table 3: Participant monitoring indicators for Option 4.

COUNTRY	EMPLOYMENT, EDUCATION, OR LABOUR MARKET PROGRAMME AFTER 6 MONTHS	EMPLOYMENT OR LABOUR MARKET PROGRAMME AFTER 6 MONTHS
Spain (Catalonia)	63%	N/A
Czechia	42 %	39 %
Germany	55%	N/A
Poland	45%	40%
Italy (Trento)	N/A	44%
Slovenia	58%	54%
Sweden	52%	39%

Source: prepared by PPMI.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Same data of for calculation of Option 1.1. would be used in addition to indicators for positive change in employment status, which are measured in all the participating countries or regions. Differences in the methodology of measurement of these indicators might pose an additional challenge.	
<i>Data granularity</i>	Data granularity is sufficient. Data from calculation for Option 1.1. would be used to establish this SCO.	
<i>Data reliability</i>	The reliability of the data is limited. There are some divergent interpretations and methodologies which utilise result-based indicators for the purpose of reimbursement. While all Member States measure the change in employment status in a unified way, the methodologies for measuring soft outcomes are still being developed or differ across the Member States regarding the sets of skills and competences and how they are being assessed.	
Simplification effect		
<i>Audit trail difficulty</i>	To prove that participants experienced positive changes in their employment status within a set period of time after their participation in the programme, the following proof would be required: - participants' contracts and/or signed participants' lists; - information from national employment register. The accessibility of this proof may be limited, as partner organisations are unlikely to have access to information from national employment register. Currently, in countries where Managing Authorities and ESF Implementing Bodies launched their national or regional calls in line with the Coordinated Call on ESF Transnational Mobility Measures for Disadvantaged Youth and	

	Young Adults, change in employment status is monitored by mentors/guidance counsellors in the home organisations through contacts with participants and their potential employers, also employment agencies and job centres. This may be insufficient for audit trail and result in limited accessibility of proof for Managing Authorities and ESF Implementing Bodies, as capacities of home organisations vary depending on composition of partnerships.
<i>Risk of perverse incentives</i>	Risk of creaming. There is a high risk of creaming in the selection of participants, since, considering the specific vulnerabilities of the target group, the result to be achieved is fairly ambitious.

Option 4.2. Top-up for one participant who experienced positive change in individual employment status

This option follows the same logic as Option 4.1. by rewarding successful participation in the programme that led to a change of employment status of the individual. However, instead of a standalone SCO rate calculated based on the share of participants who experienced change in employment status after participating in the programme, the option would offer a top-up for these successful participants. It could either be a fixed sum or a percentage of a unit cost of one programme participant.

The option would need to be combined with any of the Options 1-3 presented above. Applying a top-up as opposed to a result-based SCO under option 4.1. would allow to avoid backloading of payments, which might occur considering that change of employment status of participants may not occur or be immediate.

Considering that in this case the participation in the programme would be covered by a separate SCO (any of the Options 1-3) and the top-up should not be too high in order to discourage creaming in the selection of participants, we would propose a **top up of up to 10% of the total unit cost of one programme participant** if they experience positive change in their employment status within six months in relation with their participation in the transnational mobility programme. Based on the preliminary values of SCO Options 1-3 and if the top-up rate was set to 10%, it would range from about EUR 700 to EUR 3 000 depending on the specific country and programme duration. Based on the current programme result indicators, it could apply to about half of the participants.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	In the case of a top up as a percentage rate of a unit cost, data from the calculations of Options 1-3 would be used.	
<i>Data granularity</i>	In case of a top up as a percentage rate of a unit cost, data from the calculations of Options 1-3 would be used.	
<i>Data reliability</i>	Same as in Option 4.1.	
Simplification effect		
<i>Audit trail difficulty</i>	Same as in Option 4.1.	

*Risk of
perverse
incentives*

Lower risk of creaming in the selection of participants than in Option 4.1. since only the top-up and not the entire unit cost would be at stake in case of no positive change of employment status.

There is a risk of overcompensation of programme results if compared to the compensation arrangements based on historical data provided by TLN network partners.

1.1.5. Summary of the proposed solutions for transnational mobility for disadvantaged youth

During this feasibility assessment exercise, we identified **one green coloured option, two orange- coloured options, one that has a yellow and a green coloured sub-option and three red coloured options** (excluded from the table below). It should be noted that the assessment is relative to the other options presented in this section and heavily relies on data availability (i.e. on the technical possibility to calculate the respective options rather than on the assessment of the simplification effect).

Overall, the most feasible option to emerge from our research was **Option 2**. Upon examining this option, we concluded that we have sufficient data to develop such SCO with the least limitations or risks and, in cases where administrative and monitoring data is unavailable, it can be extrapolated effectively. Option 2 is also feasible, although there are issues for some countries (for example Germany) relating to data reliability. Options 3 and 4 were found to be partly feasible, mostly due to gaps in data necessary for the calculations of the SCOs. In Table 4 we summarise our findings from the feasibility and simplification effect analysis for each SCO alternative deemed feasible for further development in the study.

Table 4: Assessment summary of all feasible SCO alternatives in Task 1.

OPTION	DATA AVAILABILITY	DATA GRANULARITY	DATA RELIABILITY	SIMPLIFICATION EFFECT	OVERALL ASSESSMENT
Option 1.1: Cost of successful participant	High quality	High quality	Sufficient quality	Low effect	
Option 1.2: Cost of successful participant (per day)	High quality	High quality	Sufficient quality	Medium effect	
Option 2.1: Cost of participant	High quality	High quality	High quality	Medium effect	
Option 2.2: Cost of participant (per day)	High quality	High quality	High quality	High effect	
Option 3.1: Cost of one participant per project phase	Sufficient quality	High quality	Sufficient quality	High effect	
Option 3.2: Cost of one participant per day of project phase	Sufficient quality	High quality	Sufficient quality	High effect	
Option 4.1: Cost of one participant who experienced positive change in individual employment status	High quality	High quality	Sufficient quality	Medium effect	
Option 4.2: Top-up for one participant who experienced positive change in individual employment status	High quality	High quality	Sufficient quality	Medium effect	

Source: prepared by PPMI.

Based on the analysis carried out to assess the feasibility of different SCO alternatives and the preliminary calculations of SCO values for Options 1-3, we came to the following conclusions:

- *Set duration versus average duration.* For each option there are two alternatives which represent a set duration (e.g. per day) or an average duration (e.g. per one project participant). We **would suggest opting for a set duration** when developing a unit cost, either a monthly unit cost or a daily unit cost, as currently presented (applies to Options 1-3), because it allows to better account for programmes of different duration (which is common both in-country depending on different target groups, and between Member States) and mitigates the perverse incentives of slicing or locking in of operations.
- *Unit cost per participant (in the entire programme) versus unit cost per programme phase.* This distinction concerns Options 1 and 2 as opposed to Option 3. Even though programme phases give more precision to financing different kinds of programme activities, in practice the SCO proposed under Option 3 is difficult to establish since the sample required to calculate unit costs per programme phase is limited. Only three out of eight TLN network partners provided data detailed enough to be reliably used for calculations of Option 3. Therefore, **we would suggest opting for Options 1 or 2 rather than Option 3.**
- *Successful participants versus all participants (completed and broken-off participation).* This distinction mainly concerns Options 1 and 2. Broken-off participations, which are included under Option 2, are not tied to outcomes and vary significantly in their duration. However, Option 2 entails significantly lower risk of perverse incentive of creaming in the selection of participants, which is particularly relevant considering the vulnerable target groups of the programme. Therefore, **we would suggest an input-based SCO that is proposed under Option 2.** If further developed, additional checks such as minimum duration of participation, or a possibility to reimburse days of participation rather than the whole programme in case of broken-off mobilities could be added to this option.
- *Result oriented SCO versus a top-up (Option 4).* Option 4.1. is related to similar risks of creaming in the selection of participants as Option 1. While accommodating the costs of broken-off mobilities under the higher rates for successful participants, these options entail high risk of creaming in the selection of participants, which conflicts with the aim of the programme to address vulnerable target groups. Option 4 is further constrained by the lack of a unified and consistent approach to measuring the results of the programme, which should ideally include development of soft skills along with change in employment status. Therefore, we propose to further develop Option 4.2., namely, a top-up to reward positive results of the programme.
- Summing up these considerations and constraints, we would propose to further develop **Option 2.2. in combination with Option 4.2.** This would allow to mitigate most of the risks of perverse incentives, specifically the one relating to creaming in the selection of participants, to avoid backloading of payments and would still entail a component focused on the achievement of results.

1.2. Community social services

1.2.1. Option 1: Cost of one participant

Option 1.1 Cost of one participant (average duration)

Description. This SCO reflects the **average cost of one participant** who took part in the activities of a service module. It focuses on the entries to a service module.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data for participant entries and relevant cost categories is available for a sufficient number of EU Member States in the period of 2014-2020. However, the sample size varies greatly by type of community services.	
<i>Data granularity</i>	Data granularity is mostly sufficient. Data is presented at intervention level and project level. This level of data is sufficient to calculate SCOs linked to participants.	
<i>Data reliability</i>	Data is mostly reliable and ready to be used for SCO calculations. However, initial calculations have returned inconsistent values, both in projects within a MS and between different MSs, which require further contextualisation and triangulation with alternative sources.	
Simplification effect		
<i>Audit trail difficulty</i>	The audit trail of this option developed to reimburse costs of supported interventions based on an EU-level SCO is fairly simple. Attendance lists, session/attendance reports, care allowance claim forms or similar documentation (whenever relevant verified by signature of the carer and/or by people in need of care), would be required and serve as proof that relevant activities took place and that all claimed outputs (i.e. number of participant entries) were in fact realised. All required proof should be easily accessible as care provision in the form of day services and in-home services is quite strictly regulated by national law and has to be clearly documented.	
<i>Risk of perverse incentives</i>	Risk of creaming. This SCO relates to service entries, therefore, the risks related to creaming of participants are reduced to a minimum. Risk of slicing of operations. The option does not include a duration parameter, which may result in the beneficiaries introducing shorter durations for eligible activities.	

Option 1.2 Cost of one participant (hour)

Description. This SCO reflects the **hourly cost of one participant** who took part in the activities of a service module. Here, the logic is the same as option 1.1, but instead of reflecting the average cost of one participant, this SCO would introduce a duration parameter and would provide an hourly SCO per participant.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data for participant entries, number of participants hours and relevant cost categories is available for a sufficient number of EU Member States in the period of 2014-2020. However, the sample size varies greatly by type of community services – only data for ‘Caring obligations’ service modules allows us to develop an EU-level SCO.	
<i>Data granularity</i>	Same as in Option 1.1.	
<i>Data reliability</i>	Data is reliable and ready to be used for SCO calculations. Initial calculations have returned inconsistent values, both in projects within a MS and between different MSs, but these values are easier to interpret and extrapolate than Option 1.1 since they are based on a duration parameter. Nevertheless, it will require further contextualisation and triangulation with alternative sources as well.	
Simplification effect		
<i>Audit trail difficulty</i>	The audit trail difficulty of this SCO option is estimated to be relatively high. In addition to documentation required in the case Option 1.1, activity timesheets or other verifiable time management records would be needed to prove that all claimed contact hours were in fact realised.	
<i>Risk of perverse incentives</i>	Risk of creaming. Same as Option 1.1 Risk of slicing of operations. This option allows for flexible handling of services with different durations, which reduces risks of slicing of operations. It could, however, incentivise prolonged operations.	

1.2.2. Option 2: Cost of one participant exit

Description. This SCO reflects the **average cost of one participant exit** from eligible activities under one of the developed service modules. It focuses on the exits from a service module.

Feasibility and simplification effect assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data for successful participant exits, duration of services and relevant cost categories is available for 8 EU Member States in the	

	period of 2014-2020. Most Member States were not able to report data on the number of participants who successfully exited an intervention – 8 Member States provided data on successful exits.	
<i>Data granularity</i>	Same as Option 1.1	
<i>Data reliability</i>	Data is mostly unreliable. The initial calculations have returned inconsistent values which are difficult to explain without a duration parameter. Also, there are divergent interpretations of what constitutes an 'exit' – some cases indicate that this may be understood as 'drop-outs' instead.	
Simplification effect		
<i>Audit trail difficulty</i>	The audit trail of this option developed to reimburse costs of supported interventions based on a MS-specific SCO is fairly simple: in addition to attendance lists, session/attendance reports (or similar documentation) required as proof that relevant activities took place, certificates (or equivalent documentation) of successful completion of implemented activities to prove participant exists would be needed. The accessibility of required proof may be hindered by difficulties to prove that participants belong to a specific target group targeted by supported interventions.	
<i>Risk of perverse incentives</i>	Risk of creaming. The beneficiaries might be incentivised to select participants less likely to drop out of the programme. Risk of slicing of operations. The option does not include a duration parameter, however, this option considers exits, which minimises the risk of slicing of operations.	

1.2.3. Option 3: Cost of one direct staff member and its services

Option 3.1 Cost of one direct staff (monthly FTE) and its services

Description. This SCO reflects **all direct costs of services provided by one direct staff member**. It focuses on the direct staff counted in full time equivalents (FTE). If adopted, the SCO would cover all eligible costs, no other costs could be claimed on top.

Feasibility and simplification assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data for direct staff members and relevant cost categories is available for 12 EU Member States in the period of 2014-2020. However, data for number of direct staff per intervention/project is fragmented depending which service module is analysed.	
<i>Data granularity</i>	Same as Option 1.1	
<i>Data reliability</i>	Data is mostly unreliable. The initial calculations have returned inconsistent values which are difficult to explain without additional context provided by the data owners. There is also a possibility of	

	part-time staff inflating the total number of direct staff involved in the intervention.	
Simplification effect		
<i>Audit trail difficulty</i>	The audit trail difficulty of this SCO option developed to reimburse costs of supported interventions based on a MS-specific SCO is estimated to be relatively high. To prove that all claimed time of direct staff (in FTE) was used to provide community services and that they were provided to their intended target groups, the following proof would be required: - attendance lists, session/attendance reports, care allowance claim forms or similar documentation (whenever relevant verified by signature of participants provided with services); - timesheets or other verifiable time accounting records. The accessibility of required proof may vary depending on the mode of delivery of supported services and target groups covered by the supported services.	
<i>Risk of perverse incentives</i>	Other risks. This SCO provides an incentive to increase the duration of activities or an incentive to organise activities for smaller groups of people (in the case of community service activities provided to groups of participants).	

Option 3.2 Cost of one direct staff hour

Description. This SCO reflects the **cost of one direct staff hour** who is directly involved in the implementation of activities of a service module. Here, the logic is the same as for option 3.1 but instead of reflecting the cost of one monthly FTE, this SCO provides hourly rates for direct staff. The SCO covers all eligible costs, no other costs can be claimed on top.

Feasibility and simplification assessment

CRITERIA	ASSESSMENT	OUTCOME
Feasibility		
<i>Data availability</i>	Data for direct staff members, number of staff productive hours and relevant cost categories is available for 10 EU Member States in the period of 2014-2020. However, data on total duration for direct staff members is fragmented depending which service module is analysed.	
<i>Data granularity</i>	Same as in Option 1.1.	
<i>Data reliability</i>	Same as in Option 3.1.	
Simplification effect		
<i>Audit trail difficulty</i>	Same as in Option 3.1.	

*Risk of
perverse
incentives*

Same as in Option 3.1.

1.2.4. Summary of the proposed solutions for community social services

In this section, we provide an overview of the feasibility and simplification effect analysis of all SCO options, assess their relevance towards each of the service modules and make the final conclusions on further approach taken to facilitate off-the-shelf solutions in the area of community services.

First of all, the feasibility analysis revealed that **Option 1 is the most plausible choice for SCO development**. In general, this option is the least affected by gaps in the data necessary for calculating unit costs compared to other options. It is also assessed to have the highest simplification effect. In terms of sub-options, **Option 1.2** has shown to be more feasible thanks to the more reliable data for its calculation. Meanwhile, both Option 2 and Option 3 should not be developed further due to unreliable data. This conclusion was also informed by the following insights:

- *Set duration versus average duration.* For Option 1, we considered two alternatives of unit costs. Option 1.1 is based on the average duration of supported operations, i.e. it disregards the exact time spent per participant when providing community services. Option 1.2 takes into account our observation that the number of contact hours of personal assistance provided per participant varies significantly between Member States (for example, a participant in Croatia receives significantly more contact hours of personal assistance than in Portugal). In this respect, **Option 1.2 should be favoured over Option 1.1**, as it addresses these intrinsic shortcomings and allows for a flexible provision of services. The unit cost in Option 1.2 can be adjusted to cover a daily, weekly or monthly cost per participant. Moreover, Option 1.2 has only few very significant caveats. Due to **issues with available historical data on contact hours per participant** it will not be possible to calculate hourly rates for all types of services, as data for this parameter is fragmented throughout the sample. In addition, Option 1.2 is considerably more **burdensome in terms of its audit trail**, as it requires time-tracking verification.
- *Unit cost to reimburse outputs versus unit cost to reimburse inputs/process.* This refers to Options 1 and 2 (designed to cover the costs of a (successful) participant) and Option 3 (designed to cover all eligible costs and targeting the financing of direct staff). Based on our previous experience and feedback of MAs, input-/process-based SCOs have lower added value compared to output-based SCO. Output-based SCOs are also more in line with the principles of the EU budget focused on results initiative of the European Commission. Therefore, **we conclude that Options 1 and 2 are more preferable than Option 3**.
- *Entries versus exits.* Option 1 is based on data on participant entries, while Option 2 is based on participant exits, i.e. instances where the participant receives a certification for successfully completing a course or equivalent (such as pre-training activities to enter the labour market). As it stands, data on participant exits is available for a smaller sample of countries and not for all types of services. The latter can be attributed to the nature of activities funded in the area of community services – it is mostly ongoing services without a verified ‘exit’.

In Table 5 we summarise the findings from the feasibility and simplification effect assessment of each option presented in Section 1.2.

The study concluded in Option 1.1 being developed for the 'Labour market related services' and 'Social exclusion' options while Option 1.2 was developed for sub-modules within the 'Caring obligations' service module.

Table 5: Summary of all proposed SCO alternatives in Task 2.

<i>Option</i>	<i>Data availability</i>	<i>Data granularity</i>	<i>Data reliability</i>	<i>Simplification effect</i>	<i>Overall assessment</i>
Option 1.1 Cost of one participant (average duration)	Sufficient quality	High quality	Sufficient quality	High effect	
Option 1.2 Cost of one participant (hour)	High quality	High quality	High quality	Medium effect	
Option 2. Cost of one successful participant exit	Sufficient quality	High quality	Sufficient to low quality	Medium to high effect	
Option 3.1 Cost of one direct staff member (monthly FTE)	Sufficient quality	High quality	Sufficient to low quality	Medium effect	
Option 3.2 Cost of one direct staff member (hour)	Sufficient quality	High quality	Sufficient to low quality	Medium effect	

Source: prepared by PPMI

2. Calculation process for SCO values

2.1.1. Transnational mobility for disadvantaged youth

Cleaning and finalising the data sample

The historical data used to calculate this SCO was collected from the TLN Mobility network partner countries and regions using a structured data collection form. The study succeeded to collect **historical data on implemented programmes from all the eight countries or regions** which launched their national/regional calls under the coordinated call of the TLN Mobility network. After cleaning the data, however, some of it had to be excluded:

- Data from Spain (Andalusia, one pilot project, 14 participants) and Italy (Trento, 3 projects, 18 participants) was excluded due to small sample size.
- Data for the period 2019-2020 was often incomplete and therefore was excluded from the sample. All calculations are based on data from 2016-2018 adjusted to price levels of 2021.
- Data from Catalonia was excluded from the final calculations as an outlier. The Catalan mobility projects were of a relatively short duration compared to other Member States which resulted in inflated unit cost values for Spain and respectively affected the statistical model used for extrapolation of the unit cost values for countries where no historical data was available.

There were several further limitations in the remaining data that was used for calculations:

- Data on cost categories was fragmented and incomplete. It was only used to determine weighting coefficients for cost data in the sample (cf. below for details).
- Data on direct costs was not uniformly provided by the Member State authorities and therefore was deemed unreliable. All calculations for the SCOs are based on the total cost of supported operations.

Sequence of calculations

- 1) SCO values were calculated based on annual average costs incurred by each Member State.
- 2) The SCO values were adjusted to 2021 price levels based on HICP inflation indices. For the Member States that provided aggregated cost data for 2016-2018 (Czechia and Poland) the adjustment was based on the average annual rate of the entire period since annual disaggregation was not possible.
- 3) After adjustment to 2021 price levels, we calculated the unit cost values based on annual or period averages of costs. If countries provided annual data, the values were averaged to correspond to the period for which other countries provided aggregate data (Poland and Czechia for 2016-2018). For the latter, no further calculation was necessary.

- 4) The values were recalculated to represent a full cost item list, e.g. all cost categories that are eligible for financing under the current TLN Manual of Guidance were included in relative terms.
- 5) Finally, the values for countries with no historical cost data were extrapolated based on a linear regression model explained in greater detail in Section 3 of this document.

Weighting of cost data in the sample

As mentioned in the assessment of historical data collected for Task 1, costs incurred at different phases of transnational mobility projects are only partially comparable due to inconsistencies in composition of activities supported in projects funded by different TLN Mobility network partner countries/regions. This inconsistency was addressed by adjusting the partial cost per phase values observed in 'treatment group' (i.e. countries and regions supporting an incomplete set of activities per phase) on the basis of cost per phase values in 'control group' (i.e. countries and regions supporting a complete set of activities per phase). The algorithm to establish the weights considers how the share of total costs per phase varied in 'control group' year by year and computes the simple average of this set of observations.

Weighting addresses the issue of cross-country differences in organising and funding the analysed programmes. The latter were evident from information provided by the Managing Authorities on cost categories covered in different phases of their programmes. For example, comparing Slovenia and Sweden, we see that in preparatory phase of a project Slovenia funds one, while Sweden supports five different types of operation (C1 and C2). This information was used to assign weights for the missing activities and cost categories and respectively even out the observed differences. These adjustments ensure that the unit cost value calculated for Slovenia is not skewed by differences in historical practices. Furthermore, these adjustments reduce the potential bias of the statistical model used to extrapolate the unit cost values for countries where historical data is not available.

Table 6: Outline of cost categories and items funded by TLN mobility partners.

	ES (CAT)	CZ	DE	IT	PL	SI	SE
C1: Costs linked to partner-finding and project preparation							
Participation in partner search fora	x		x		x		x
Partner visits	x		x	x	x	x	x
Preparation of project agreements	x		x	x			x
External advice							
C2: Costs linked to support for participants in their home country							
Joint preparation	x	x		x	x		x
Personal preparation	x	x		x	x		x
Debriefing activities	x	x		x			

	ES (CAT)	CZ	DE	IT	PL	SI	SE
C3: Travel costs and costs during the stay abroad							
Travel costs	x	x	x	x		x	x
Daily subsistence costs	x	x	x	x	x	x	x
Local transport	x	x	x	x	x	x	x
Insurance	x	x	x	x	x	x	x
Pedagogical programme	x	x	x		x		
C4: Costs linked to accompanying staff and project visits							
Travel costs	x	x		x		x	x
Daily subsistence costs	x	x		x	x	x	x
Local transport	x	x		x	x	x	x
Insurance	x	x		x	x	x	x
Salary		x					x
C5: Costs of the hosting organisation							
Administrative costs	x			x		x	x
Monitoring of participants	x	x		x	x	x	x
Induction courses		x		x	x	x	x
Rental/upkeep costs	x				x		x
Pedagogical activities	x	x		x	x	x	x
C6: Indirect costs of the sending organisation							
Administrative assistance	x	x	x		x		x
External evaluation and auditing					x		
Rental/upkeep costs			x		x		x
C7: Additional costs	x	x	x				x

Source: Prepared by PPMI based on data received from TLN Network partners

2.1.2. Community social services

Cleaning and finalising the data sample

The study team has undertaken an extensive data cleaning process in order to prepare data which has been collected from EU MS in relation to Task 2. The data cleaning consisted of:

- translation of data from native languages to English;
- eliminating interventions with missing or insufficient data;
- eliminating interventions that do not comply with the definitions of the service modules;
 - eliminating interventions which are outliers based on the implemented actions (e.g. institutionalised care, training);
 - eliminating interventions which are outliers due to a specific target group (e.g. interventions on funding researcher grants in the 'Labour market related' service module).

Sequence of calculations

- To establish the unit cost values, we first calculated yearly averages of costs per intervention. If a Member State had more than one intervention, weights⁶⁶ were applied based on the number of participants of each intervention. The output of these calculations are **yearly values for each Member State in the historical sample**.
- The yearly SCO values per Member State were then adjusted to 2021 price levels. To this end, we used LCI indices from Eurostat⁶⁷. The output of these calculations are **yearly values (adjusted for inflation) for each Member State in the historical sample**.
- After the adjustment to 2021 price levels, we calculated SCO values per Member State whole period. The output of these calculations are **aggregated (by period) values for each Member State in the historical sample**.
- We introduced **pooling of averages in the historical sample** for EU-level SCOs. This method returned a singular average value aggregated for all Member States with historical data in the respective samples. This was done to address the variation of costs for different operations within the sample (for example, interventions which include home-based therapeutic services or nursing care vs. basic in-home care). This approach ensures that reimbursement through unit costs will not result in overcompensation to Member States which historically implemented costlier services or under compensation for Member States which historically implemented cheaper services. The outputs of these calculations are **aggregated values for the entire historical sample ('Pooled average')**.
- For Member-State specific SCOs, calculations were adjusted to represent unit cost values for all cost categories that are eligible for financing through the ESF. In these instances, we have added a flat rate of 15% of the total direct costs to represent the indirect costs. The outputs are **final values for each Member State in the sample based on the historical data on costs**.

⁶⁶ This was done since a simple arithmetic average would result in a unit cost where interventions with more participants would have a larger impact on the average. Thus, to eliminate this bias we were using weighted averages.

⁶⁷ Labour cost for LCI (compensation of employees plus taxes minus subsidies). Percentage change on previous period.

- Lastly, the values for Member States without historical data were extrapolated based on a selected extrapolation index. The process of selecting relevant indicators for extrapolation is demonstrated in Section 3. The output of these calculations are **final values for each Member State based on the adjustment from the pooled average.**

3. Statistical analysis to establish the missing SCO values

In order to establish unit cost rates for all EU MS for options which were developed into EU-level SCOs, all other unit cost rates for MS with missing data are extrapolated. This is relevant for both options developed within the area of transnational mobility of disadvantaged youth and 'Caring obligations' and 'Crises and emergencies' services modules within the area of community social services. The extrapolation was performed at country/region level. Beforehand, however, weighting of the cost data in the sample used for extrapolation was performed to adjust the partial values. The outline of the extrapolation methodology and the underlying assumptions are presented below.

Extrapolation of unit cost values for Member States not covered by historical data is performed at Member State level. This method of extrapolation is utilised for both Tasks of the study. The following indicators of the socio-economic situation in Member States are considered:

- Comparative price levels (of final consumption by private households including indirect taxes);
- GDP per capita in purchasing power standards (PPS) (by NUTS1 and NUTS2 classifications);
- Harmonised Index of Consumer Prices (HICP) for services (overall index excluding goods 'SERV');
- Labour costs for human health and social workers (Eurostat lc_lci_lev).

The reason for choosing these indicators is that they encompass all relevant aspects for measuring the differences in the socioeconomic status between different Member States. It indicates whether the overall price level for consumer goods and services faced by the average household in one country is higher or lower than the overall price level of consumer goods and services faced by the average household in another Member State, the performance of the whole economy in the form of gross domestic and the remuneration of the workforce in relevant economic sectors within the Member State.

Process of shortlisting explanatory indicators

To make sure that extrapolated values are as accurate as possible, we first test which of the proposed socio-economic indicators have the highest explanatory power to explain the variance of the calculated SCOs or should be complemented with/replaced by other better fit-for-purpose indicators. The extrapolation indicators were subject to t-test analysis, including Pearson correlation analysis and difference in means testing. A T-test is a statistical test that is used to compare the means of two groups. It is often used in hypothesis testing to determine whether a process or treatment actually has an effect on the population of interest, or whether two groups are different from one another. Pearson's correlation coefficient is the test statistics that measures the statistical relationship, or association, between two continuous variables. It is known as the best method of measuring the association between variables of interest because it is based on the method of covariance. It gives information about the magnitude of the association, or correlation, as well as the direction of the relationship. An example of these tests is presented in Figures 2 and 3, which represent the results of the t-test between the socioeconomic indicators (the first

three in the list above) and the labour cost index for in-home care and day care services relevant to Task 2. The key metric to take into account here is the Pearson correlation coefficient, which shows that in both cases, labour cost index has a higher coefficient (thus, better explanatory power) than the socioeconomic indices.

Figure 1: T-test to determine explanatory indicators for extrapolation of values for in-home care services within the area of community social services

t-Test: Paired Two Sample for Means (Labour costs-home care services)

	Variable 1	Variable 2
Observations	7	7
Pearson Correlation	0,749645349	
df	4	
t Stat	-	0,468317875
P(T<=t) one-tail	0,331968847	
t Critical one-tail	2,131846786	
P(T<=t) two-tail	0,663937694	

t-Test: Paired Two Sample for Means (Socioeconomic index-home care services)

	Variable 1	Variable 2
Observations	7	7
Pearson Correlation	0,345429042	
df	4	
t Stat	20,64129732	
P(T<=t) one-tail	1,62708E-05	
t Critical one-tail	2,131846786	
P(T<=t) two-tail	3,25415E-05	

Figure 2: T-test to determine explanatory indicators for extrapolation of values for day care services within the area of community social services

t-Test: Paired Two Sample for Means (Labour costs-day services)

	Variable 1	Variable 2
Observations	5	5
Pearson Correlation	0,508964165	
df	4	
t Stat	-3,822001976	
P(T<=t) one-tail	0,009373046	
t Critical one-tail	2,131846786	
P(T<=t) two-tail	0,018746091	

t-Test: Paired Two Sample for Means (Socioeconomic index - day services)

	Variable 1	Variable 2
Observations	5	5
Pearson Correlation	0,427399149	
df	4	
t Stat	-26,3649987	
P(T<=t) one-tail	6,14974E-06	
t Critical one-tail	2,131846786	
P(T<=t) two-tail	1,22995E-05	

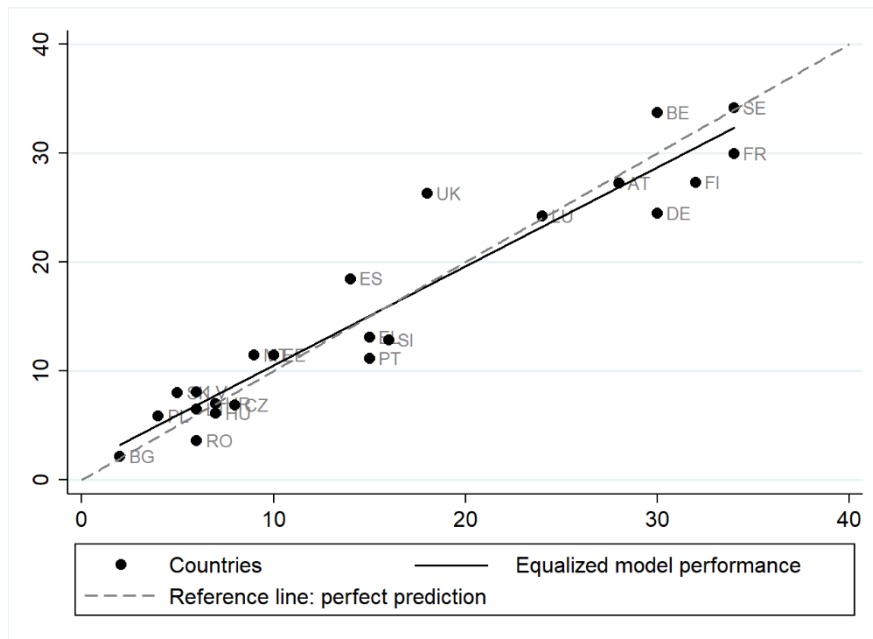
Extrapolation process

The indicators shortlisted for extrapolation are then put into a linear regression model. The unit cost value per Member State in this model is treated as a dependent variable, whereas the shortlisted explanatory indicators – as independent variables.

To improve the model's explanatory power, we have utilised statistical tests to assess how accurate our regression model is in terms of predicting the unknown dependent variable (i.e. a *goodness-of-fit* assessment). A goodness-of-fit test, in general, refers to measuring how well do the observed data correspond to the fitted (assumed) model. In our case, the goodness-of-fit test would compare the observed unit cost values to the expected (fitted or predicted) values. When presented as an output, like in Figure 3, the goodness of fit

measures the distance between a fitted line (cf. 'Equalized model performance') and all of the data points that are scattered throughout the graph. In order to yield credible extrapolation results (e.g. satisfactory 'goodness-of-fit'), the coefficient of determination (also known as R^2) should return a value of >90%.

Figure 3: Predictive power of the linear regression model



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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

**Annex 3. Results for financing not linked to costs in the area of
community social services**

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs & Inclusion
Directorate G — Funds, Programming and Implementation
Unit G.1 — European Social Fund+

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1. Approach to financing not linked to costs

1.1. Background

Article 67(1) of Regulation No 1303/2013 has been amended and a new form of grant and repayable assistance has been introduced. **Financing not linked to costs** is the continuation of the 'payments based on conditions' introduced in the Omnibus regulation. The unique characteristics of this type of payment method are related to the connection between public support and the achievement of policy results and that payments are not associated to invoices or real costs. What audit authorities need to check is the achievement of the pre-established results (Art. 95(1) and 95(4) draft CPR).

Financing not linked to costs (FNLC) is a payment method for grants and repayable assistance where the reimbursement of expenditure is based on the fulfilment of pre-established conditions or results to be achieved.

The basis of FNLC is available in the following legislation:

Article 53CPR on the forms of grants and repayable assistance that can take different forms, among which 53(f) deals with grants involving financing not linked to costs.

Article 125(1)(a) of the Financial Regulation applicable to the general budget of the Union allows EU contributions in the form of FNLC in two alternative cases:

- the **fulfilment of conditions** set out in sector-specific rules or Commission decisions⁶⁸;
- the **achievement of results** measured by reference to previously set milestones or through performance indicators.

Article 51(a) of the draft CPR on the forms of Union contribution to programmes which may take the form of FNLC (in accordance with Article 95).

Article 95 of the draft CPR lays down the steps for FNLC schemes (in accordance with Annex V and VI).

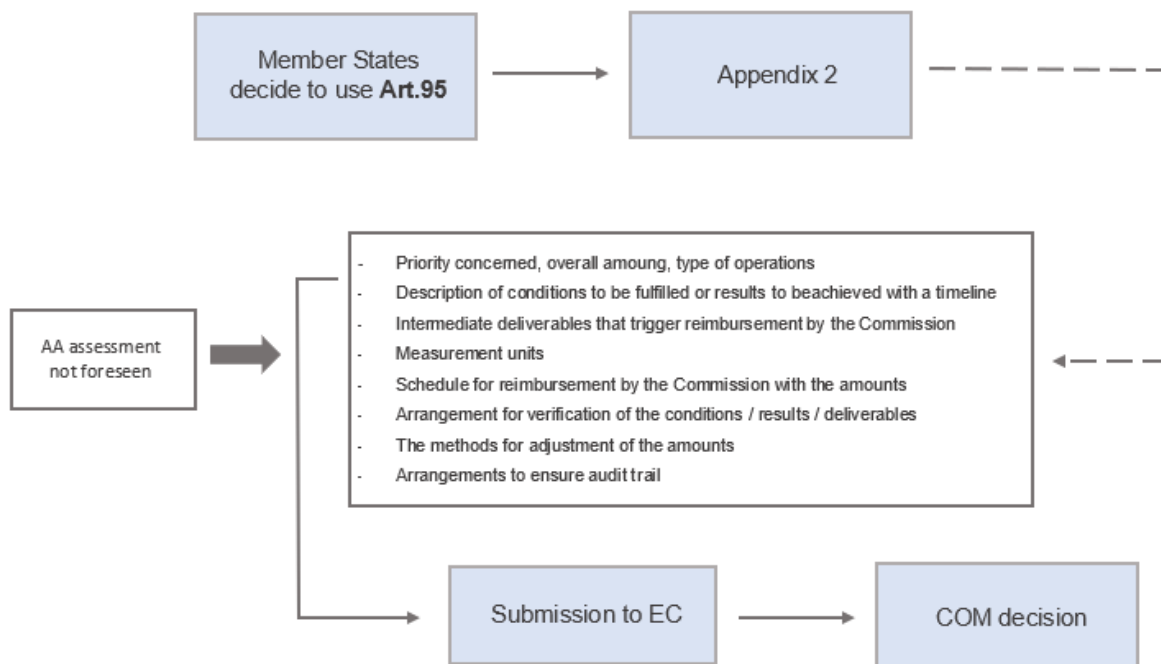
The financing conditions for FNLC refer to a series of intermediate and final financing conditions undertaken to contribute towards the fulfilment of a pre-defined objective.⁶⁹ A core benefit of FNLC is distancing from invoices and financial verifications, as the payments from the EC to Member States are conditional on the achievement of pre-established results/outputs or accomplishing the already-settled actions or processes. Additionally, FNLC supports the connection between public support and the achievement of clear policy objectives, simplifies the process of verification and limits the scope of audits to monitoring the achievement of results.

⁶⁸ For more detailed explanations, see in the Commission Delegated Regulation 2019/694 and its Annex (which, however, applies only to investments relating to energy efficiency and energy from renewable sources for the ERDF and the Cohesion Fund).

⁶⁹ Commission Delegated Regulation of 15.2.2019.

For the Funds covered by the draft CPR, the Commission may design a FNLC scheme at EU-level; the conditions, amounts and results to be achieved are thus set in a delegated act. If a Member State wishes to make use of an individual FNLC for a specific programme, they can design their own methodology and submit a proposal as part of their ESF+ programme. Illustrated in the scheme below are the steps in applying a FNLC methodology for a specific programme by.⁷⁰

Figure 1: Process for setting up financing not linked to costs by a Member State.



Source: SCOs and FNLC in post 2020: Regulatory changes and simplification. DG Presentation by DG Regional and Urban Policy at the online workshop during the 18th European Week of regions & Cities. Available online at: https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/simplified-cost-options/ws/EURegionsWeek%20-%20SCOs%20and%20FNLC%20regulatory%20framework.pdf

FNLC has been applied in the context of the permanent cessation of fishing activities, as well as energy efficiency and renewable energy. Currently, there are other areas under consideration for the use of FNLC, such as research and laboratory infrastructures.⁷¹

The latest scheme using FNLC was set in a delegated regulation and is currently used by the Austrian ERDF programme scheme with an approximated total cost of € 54,16 million and related reduction of 58.000 tons of carbon dioxide. The intermediate financing conditions set in this scheme are constituted by jury meetings. Additionally, there are no checks on single operations other than the ones at the level of the Managing Authority on the application of national standards and for the correct application of the methodology used in calculating carbon dioxide savings.

⁷⁰ Annex V – Appendix 2 of the draft CPR contains the template for data to be submitted to the Commission (under Art. 89 draft CPR) for operations financed through FNLC.

Annex V - Appendix 2 A. consists in the summary of the main elements (total amount covered by FNLC, types of operations, conditions to be fulfilled, results to be achieved) and Appendix 2 B. requires a more detailed description to be completed for every type of operation, including the name of the bodies responsible to ensure the audit trail, deadline for the conditions or results, and others.

⁷¹ ERDF (2020) *FNLC: First Austrian experiences with this new approach*. Retrieved from https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/simplified-cost-options/ws/EURegionsWeek%20_FNLTC%20&%20AT.pdf

1.2. Methodological approach

The methodology of FNLC-based options is based on ‘financeable indicators’ and focuses on the result of the provided service (either a verifiable ‘output’ or an ‘outcome’ based on set milestones). While output indicators measure the specific deliverables of a given activity, outcome indicators capture the effects that a given activity is expected to have on individuals or organisations targeted by the activity. They differ from output indicators in that they capture a change in the situation of organisations or individuals.⁷²

Outcome-based indicators are meant to monitor an achievement of positive outcomes in the form of costs or savings to the public sector due to the successful implementation of community social services (i.e. *intrinsic value*). Outcomes may also be measured based on the avoidance of negative outcomes due to the successful implementation of community social services (i.e. *preventive value*).

The intrinsic value of an outcome is an attempt to put a monetary figure on the long-term benefits that might occur for society when an individual achieves specific outcomes. It goes beyond direct fiscal benefits to the outcome payer. This value is often defined in moral and political terms – it is the reason why we rehabilitate offenders, help rough sleepers, and so on. It is possible to attempt to quantify the value using Cost-Benefit Analysis (CBA). CBA is widely used across governments to appraise spending options. The purpose of this method is to calculate the value to society of achieving the outcome and the fiscal benefits that might occur when an individual or group achieves specific pre-defined outcomes.

On the other hand, calculating the prevented value is an attempt to calculate the fiscal benefits that might occur when an individual or group achieves specific pre-defined outcomes. This approach focuses on how the achievement of certain outcomes now might reduce costs to the outcome payer in the future. It uses a similar form of analysis to the ‘intrinsic value’ approach, but with a narrower focus. Preventing costly social problems from arising in the first place, or reducing their incidence, is often likely to lead both to better social outcomes for people and lower public sector spending. When financing is tied to specific outcomes, data on the cost of not achieving them helps funders to determine how much they should pay. In countries where there is a strong social safety net, direct costs avoided would include for example unemployment benefits in the case of ‘Labour market related’ services, while in low-income countries, where such safety nets may not exist, the estimated value of an outcome may be mostly based on the missed opportunity costs.

Pricing for the established types of outcomes is an important component when facilitating actions whose financing is not linked to cost. Pricing means identifying an amount for the results achieved or the conditions fulfilled, plus amounts corresponding to any intermediate deliverables. It involves either identifying amounts that are proxies for actual costs or providing an incentive for performing the tasks agreed on by the Commission and the Member State concerned.⁷³ To justify the amount, a fair, equitable and verifiable calculation methodology based on statistical data or an expert judgement needs to be provided. Cost estimation can be done in a number of ways. These include examining the historical costs of the service if it has been delivered previously, or – if it has not - comparison to similar services which are likely to use similar resources.

⁷² Roadmap toolkit pg. 23

⁷³ Roadmap toolkit pg. 35

1.3. Data sources

In order to facilitate the calculation of values for FNLC-based options, we would have to rely on proxy data sources. This consists of utilising comparative EU-level datasets such as social protection schemes from Eurostat, The European System of Integrated Social PROtection Statistics (ESSPROS).

ESSPROS is a specialised dataset on social protection information at the European level. This database includes reliable and internationally comparable statistics on public and (mandatory and voluntary) private social expenditure at the national programme level. This dataset provides comparisons between EU Member States of social benefits to households and their financing. ESSPROS has (1) a core system with standard information on social protection receipts and expenditures and (2) modules that cover the number of pension beneficiaries and the net social protection benefits (with its own methodology). The core system deals only with social protection in the form of reimbursements, cash payments (e.g. training allowance, care allowance, unemployment benefits etc.) and in-kind benefits (e.g. in-patient, out-patient health care, medical care products and services, rehabilitation, accommodation) within a classification of benefits.

Table 1: Definitions of the functions of social protection.

Function	Brief description
1. Sickness/Health care	Income maintenance and support in cash in connection with physical or mental illness, excluding disability. Health care intended to maintain, restore or improve the health of the people protected irrespective of the origin of the disorder.
2. Disability	Income maintenance and support people, in cash or in kind (except health care), to engage in economic and social activities in connection with the inability of physically or mentally disabled.
3. Old age	Income maintenance and support in cash or kind (except health care) in connection with old age.
4. Survivors	Income maintenance and support in cash or kind in connection with the death of a family member.
5. Family/children	Support in cash or kind (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members.
6. Unemployment	Income maintenance and support in cash or kind in connection with unemployment.
7. Housing	Help towards the cost of housing.
8. Social exclusion not else where classified	Benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions.

Source: ESSPROS Manual and user guidelines — 2019 edition

Social benefits under ESSPROS are classified as **cash benefits** and **in-kind benefits**. Cash benefits may be granted as flat rate amounts or be determined dependent on the beneficiary's needs, (previous) earnings, social contributions paid and so forth. These benefits are paid in cash and do not require evidence of actual expenditure by the recipients. Examples of these benefits include unemployment benefits, care allowances or income support for socially excluded individuals. In kind benefits are granted in the form of goods

and services, including personal targeted social services. **Statistics on in-kind benefits are therefore the closest source available that gives an indication of expenditure on personal targeted social services in Member States.** For example, in-kind benefits in the disability and old age functions include rehabilitation services, home help, and assistance in carrying out daily tasks. In-kind benefits in the family/children functions include social services specifically designed to assist and protect the family, particularly children etc.

The statistical unit of ESSPROS is social protection schemes. The data extracted for the purpose of this study is expenditure from the social protection schemes per head (PPS adjusted).

To supplement statistical data from ESSPROS where it is no longer feasible to use this source, we have searched for MS-specific databases for unit cost rates relevant to the service modules developed in Task 2. One of these databases is the unit costs database developed by the Greater Manchester Combined Authority (GMCA). This unit cost database brings together more than 800 cost estimates in a single place, most of which are national costs derived from government reports and academic studies. These costs were developed for the purpose of informing proposals for the implementation of new interventions in the area of social services. The database enabled a proper comparison for the majority of social services implemented in the UK and serves as a high-quality proxy for extrapolation of values for EU MS.

Finally, we have also reviewed research conducted at EU-level which would provide estimates on the costs of community social services which could be used for the development of FNLC. A brief description on relevance of each database or study is provided in Table 2.

Table 2: Other data sources relevant for establishment of FNLC-based solutions

Source	Description
Fighting homelessness and housing exclusion in Europe. A study of national policies	National strategies to fight homelessness and housing exclusion.
Fourth Overview of Housing Exclusion in Europe 2019	Financial data, sources to country profiles, national statistics, and papers on specific country-wide case studies about services for people without shelter.
At what cost? An estimation of the financial costs of single homelessness in the UK	Review of existing evidence on the additional costs of homelessness to the public sector. The report contains vignettes with estimated costs on given situations of homelessness.
Cost and Financing of Drug Treatment Services in Europe: An Exploratory Study	Exploratory European overview of costs associated with treatment for drug dependence. Unit costs of the four main drug treatment modalities (detoxification, psychosocial inpatient, psychosocial outpatient, and opioid substitution treatment).
Deinstitutionalisation and community living – outcomes and costs: Report of a European Study.	Report on the transition from institutional care to community-based services in 27 EU Member States. This report contains estimations on service, treatment, and accommodation costs for people moving from psychiatric care to independent living.
Affordable housing database (OECD)	Database which contains various indicators that show how affordable housing is in various OECD countries.

Source	Description
Estimating the costs of gender-based violence in the European Union (EIGE Report 2014)	EU-wide study that measures the costs of gender-based and intimate partner violence.
Report on the transition from institutional care to community-based services in 27 EU Member States (2020)	Contains definitions and country-reports from EU Member States on issues connected to the transition from institutions to community care targeting vulnerable people.

2. Discontinued solutions based on financing not linked to costs

As part of the study, we have developed potential solutions linked to FNLC in the area of community social services for service modules for which we do not have sufficient data and/or where it was difficult to define a standard list of activities needed to develop an EU-level SCO. The following service modules were analysed:

- Labour market related services (values calculated based on ESSPROS data and Eurostat data on long-term unemployment)
- Crises and emergencies (values calculated based on historical data and Greater Manchester Combined Authority database on unit costs).
- Social exclusion (values calculated based on ESSPROS data and Eurostat AROPE data)

During the process of analysis, the study team, with the European Commission, have decided to implement FNLC-based solutions only for the 'Crises and emergencies' service module (please refer to the main study report to see the final results for this service module). For the remaining two service modules, it was opted to develop Member State-specific SCOs instead.

In the following sub-sections we highlight the discontinued FNLC solutions for 'Labour market related services' and 'Social exclusion', identifying the conditions to be fulfilled or results to be achieved, measurement units, intermediate deliverables, method for adjustment of the calculated values and the audit trail. For each solution we elaborate on the calculation method (including indicators being used) and the preliminary results of said calculations. Lastly, we highlight some conditions which are typically implemented within national schemes contracting of successful outcomes in the area of social services (in the form of Social Impact Bonds (SIB) and Payment-by-Results (PbR) schemes). This is done to indicate possible courses of action when defining conditions at the EU-level.

2.1. Labour market related services

Criteria	Description
<i>Description of the operation type</i>	Services and activities described as 'Labour market related services' in the Final Report
<i>Description of conditions to be fulfilled or results to be achieved</i>	The release of funds is linked to the fulfilment of the following conditions: - verified annual provision of relevant services for a pre-defined fixed-size cohort of participants, e.g. per 100 participants [Optional] Released funds could include additional payments for achievement of the following outcomes: - Job entering – participants who enter employment after successful completion of the service module - Job sustainment – participants who sustain their employment for 6 months after they enter employment

Criteria	Description				
<i>Measurement units</i>	no. of serviced participants. [Optional] % of participants with positive outcomes.				
<i>Intermediate deliverables that trigger reimbursement by the Commission</i>	- Annual count of supported fixed-size cohorts of participants (e.g. per 100 participants); OR - % verified output (i.e. goal for total number of participants agreed for the whole period) [Optional] annual count of achieved outcomes in supported fixed-size cohorts of participants <table> <tr> <td>1. X% of participants enter employment</td><td>Additional % of lump sum per 100 participants</td></tr> <tr> <td>2. Y% of participants enter employment and sustain it for 6 months</td><td>Additional % of lump sum per 100 participants</td></tr> </table>	1. X% of participants enter employment	Additional % of lump sum per 100 participants	2. Y% of participants enter employment and sustain it for 6 months	Additional % of lump sum per 100 participants
1. X% of participants enter employment	Additional % of lump sum per 100 participants				
2. Y% of participants enter employment and sustain it for 6 months	Additional % of lump sum per 100 participants				
<i>The methods for adjustment of the amounts</i>	The current calculation method attempts to make reasonable assumptions about the size of the population (i.e. the number of people receiving services defined under this service module). The adjustments method could be used to make both allowances for changes in the initial assumptions and to the amounts calculated for the respective outcomes through indexation.				
<i>Arrangements to ensure audit trail</i>	The MAs are responsible for keeping: - documents setting out the conditions of support; - documents evidencing the ex-ante agreement of the Commission on the conditions to be fulfilled or results to be achieved and corresponding amounts (programme approval or amendment); - documents evidencing the fulfilment of conditions or achievement of results at each step (if done in steps) as well as before the final expenditure is declared to the Commission.				

2.2. Calculation method

The indicators needed to establish this FNLC option are total in-kind benefits from ESSPROS for the function 'Unemployment' and total number of *long term unemployed people* (used as a proxy to determine the target group size as there is no historical data on the number of beneficiaries in ESSPROS schemes). The calculation method of the proposed SCO is presented in the box below.

$$FNLC_{labour\ market} = \frac{\sum_i^n C_{total.in\ kind}}{\sum_i^n P_{total.long\ term\ unemployed}} * 100, \text{ where}$$

$C_{total.in-kind}$ is in kind benefits in the function 'Unemployment' from ESSPROS database

$C_{total.long-term unemployed}$ is total number of long-term unemployed people (aged 20-64 years) from Eurostat. As there are no historical data on the number of beneficiaries in ESSPROS schemes

i is the first year for which cost data is available, and

n is the last year for which cost data is available.

2.2.1. Results

The 'Unemployment' function in ESSPROS includes in kind benefits which cover relevant services such as vocational training, placement services and job-search assistance for the long-term unemployment. As previously established, the service module should not replace but instead complement the EU-level SCOs that cover general active labour market measures. Instead, the service module should tackle the most vulnerable target groups (such as the long-term unemployed).

The expenditure on social protection schemes in unemployment varies considerably across EU Member States. Austria and Denmark are spending the most on such services with more than € 15,000 per beneficiary. On the other hand, Slovakia, Portugal, Romania, and Poland spend around or less than € 50 per beneficiary. It is important to understand that these values were calculated based on actual expenditure of social protection schemes, with per head values extracted directly from ESSPROS database. It is also important to note that the organisation and financing of social protection systems is the responsibility of each of the EU Member States. The models used in the Member States are therefore somewhat different from each other, which may partially explain the differences in values obtained from the calculations. If shortlisted, the values would have to be adjusted to represent a fair value for each MS. Thus, triangulation with data collected from EU Member States or other appropriate sources would still need to be undertaken.

Table 3: Calculated values for 'Labour market related services'

Country	Annual expenditure per inhabitant (in EUR, PPS)	Approximate number of beneficiaries out of entire population*	Expenditure per beneficiary (in EUR)*	Total lump sum per 100 beneficiaries
Austria	€ 150.20	0.86%	€ 17,514.27	€ 1,751,427.00
Belgium	€ 11.91	2.35%	€ 507.38	€ 50,738.00
Bulgaria	€ 5.54	1.08%	€ 511.39	€ 51,139.00

Annex 3. Results for financing not linked to costs in the area of community social services

Country	Annual expenditure per inhabitant (in EUR, PPS)	Approximate number of beneficiaries out of entire population*	Expenditure per beneficiary (in EUR)*	Total lump sum per 100 beneficiaries
Croatia	€ 11.38	2.70%	€ 421.24	€ 42,124.00
Cyprus	€ 2.13	2.06%	€ 103.44	€ 10,344.00
Czechia	€ 4.67	2.08%	€ 224.56	€ 22,456.00
Denmark	€ 136.49	0.80%	€ 16,960.30	€ 1,696,030.00
Estonia	€ 28.94	2.34%	€ 1,237.00	€ 123,700.00
Finland	€ 80.58	2.10%	€ 3,833.93	€ 383,393.00
France	€ 23.45	3.34%	€ 701.12	€ 70,112.00
Germany	€ 24.95	1.44%	€ 1,737.00	€ 173,700.00
Greece	€ 9.43	8.62%	€ 109.36	€ 10,936.00
Hungary	€ 2.95	1.18%	€ 249.70	€ 24,970.00
Ireland	€ 16.15	6.17%	€ 261.67	€ 26,167.00
Italy	€ 2.53	4.41%	€ 57.38	€ 5,738.00
Latvia	€ 16.53	2.27%	€ 729.58	€ 72,958.00
Lithuania	€ 16.23	1.57%	€ 1,035.13	€ 103,513.00
Luxembourg	€ 6.07	0.91%	€ 666.83	€ 66,683.00
Malta	€ 24.48	1.67%	€ 1,468.59	€ 146,859.00
Netherlands	€ 9.80	1.35%	€ 726.48	€ 72,648.00
Poland	€ 1.85	2.91%	€ 63.65	€ 6,365.00
Portugal	€ 0.57	1.41%	€ 40.22	€ 4,022.00
Romania	€ 0.88	2.02%	€ 43.67	€ 4,367.00
Slovakia	€ 0.88	2.32%	€ 38.05	€ 3,805.00
Slovenia	€ 15.87	4.62%	€ 343.43	€ 34,343.00
Spain	€ 34.94	2.49%	€ 1,405.70	€ 140,570.00
Sweden	€ 99.02	1.24%	€ 7,969.93	€ 796,993.00

Source: prepared by PPMI, based on ESSPROs and Eurostat data.

2.2.2. Setting outcome-based conditions

To inform the outcome measurement methodology, we have utilised desk research conducted on relevant national schemes which deal with outcomes in social services. Possible conditions for this service module are presented in Table 4. It is important to note that the following conditions are implemented on a national or at times local levels. Thus, the scaling of interventions to the EU-level based on these conditions can result in a complicated audit trail and verification procedure.

Table 4: Examples of conditions for ‘Labour market related services’

Result measured	Condition(s)	Scheme(s)
Job sustainment	- Sustained employment for 13, 26, 39, and 52 weeks	JobPath
	- Sustained employment for 26 weeks	Pathways to Work
	- Sustained employment for 3 or 6 months depending on the target group	Work Programme
	- Employment measured one year after the end of the intervention. The indicator is proxied by a binary variable which is equal to 1 if the individual has been employed at least 90 working days in the last 12 months.	DUO for a job
	- Job sustainment (6 weeks/6 months)	MHE SIB
Job entering	- Number of Benefit recipients gets a job	Pathways to Work
	- Number of Job entry (>16 hours/week) (<16 hours/week)	Work Programme
	- Movement of out of work benefits	MHEP
		Troubled Families (phase II)
Public savings		BOAS Werkt
	cost How many days each person in the treatment and the control group was claiming unemployment benefits, including respective costs	BOAS Werkt
Level of earnings	- The amount of money earned in earnings from employment compared to the amount of money received in social welfare payments.	JobPath
	- Satisfaction of an earning threshold.	Troubled Families (phase II)
	- Socio-economic classification of current work.	Pathways to Work
	- Level of household income.	
	- Household ability to keep up bills and regular debt repayments over last two years.	

Source: prepared by PPMI, based on ‘Study on the benefits of using social outcome contracting in the provision of social services and interventions’

2.3. Social exclusion

Criteria	Description				
<i>Description of the operation type</i>	Facilitation of eligible services and activities described under 4.2.3 'Social exclusion.				
<i>Description of conditions to be fulfilled or results to be achieved</i>	The release of funds is linked to the fulfilment of the following conditions: - verified annual provision of relevant services for a pre-defined fixed-size cohort of participants, e.g. per 100 participants [Optional] Released funds could include additional payments for achievement of the following outcomes: - no proven re-offending for people that are ex-offenders. - retention in treatment for people with drug and alcohol addictions.				
<i>Measurement units</i>	no. of service participants. [Optional] % of participants with positive outcomes.				
<i>Intermediate deliverables that trigger reimbursement by the Commission</i>	- Annual count of supported fixed-size cohorts of participants (e.g. per 100 participants); OR - % verified output (i.e. goal for total number of participants agreed for the whole period) [Optional] annual count of achieved outcomes in supported fixed-size cohorts of participants <table> <tr> <td>X% of participants have no proven re-offending in a 6-month period.</td><td>Additional % of lump sum per 100 participants</td></tr> <tr> <td>Y% of participants have retained treatment (e.g. did not re-enter services with relapse)</td><td>Additional % of lump sum per 100 participants</td></tr> </table>	X% of participants have no proven re-offending in a 6-month period.	Additional % of lump sum per 100 participants	Y% of participants have retained treatment (e.g. did not re-enter services with relapse)	Additional % of lump sum per 100 participants
X% of participants have no proven re-offending in a 6-month period.	Additional % of lump sum per 100 participants				
Y% of participants have retained treatment (e.g. did not re-enter services with relapse)	Additional % of lump sum per 100 participants				
<i>The methods for adjustment of the amounts</i>	The calculation method must make reasonable assumptions about the size of the population (i.e. the number of people receiving services defined under this service module). The adjustments method could be used to make both allowances for changes in the initial assumptions and to the amounts calculated for the respective outcomes through indexation.				
<i>Arrangements to ensure audit trail</i>	The managing authority is responsible for keeping: - documents setting out the conditions of support; - documents evidencing the ex-ante agreement of the Commission on the conditions to be fulfilled or results to be achieved and corresponding amounts (programme approval or amendment); - documents evidencing the fulfilment of conditions or achievement of results at each step (if done in steps) as well as before the final expenditure is declared to the Commission.				

2.3.1. Calculation method

The indicators needed to establish this FNLC option are total in-kind benefits from ESSPROS for the function 'Social exclusion not elsewhere classified' and total number of

people at risk of social exclusion (used as a proxy to determine the target group size as there is no historical data on the number of beneficiaries in ESSPROS schemes). The latter value is also divided by 10 based on the expert-driven assumption that only a fraction of people which are at risk of social exclusion (which make up a considerable % of population in each EU MS) will receive the services under this module. The calculation method of the proposed SCO is presented in the box below.

$$FNLC_{social\ exclusion} = \frac{\sum_i^n C_{total.in\ kind}}{\sum_i^n N_{total\ people\ at\ risk\ of\ social\ exclusion}/10} * 100, \text{ where}$$

$C_{total.in-kind}$ is in kind benefits in the function 'Social exclusion' from ESSPROS database

$C_{total.long-term\ unemployed}$ is total number of people at risk of social exclusion from Eurostat database

i is the first year for which cost data is available, and

n is the last year for which cost data is available.

2.3.2. Results

Data on expenditure on in kind benefits in the 'Social exclusion' function include services supporting people in vulnerable situations, such as counselling, day shelter, help with carrying out daily tasks and rehabilitation of alcohol and drug abusers.

The results of the calculations for FNLC for the social exclusion service module show a wide range of costs from the expenditure of Sweden (€ 13,459.49), to the one of Ireland (€ 59.20). Sweden and Denmark stand out with the highest amount of EUR per recipient, whereas Ireland, Estonia, Greece, and Romania display the lowest levels of expenditure. Similar to the 'Labour market related services' service module, values were calculated based on actual expenditure of social protection schemes, with per head values that were extracted directly from ESSPROS database differing significantly between EU MS. If shortlisted, the values would have to be adjusted to represent a fair value for each MS. Triangulation with data collected from EU Member States or other appropriate sources would still need to be undertaken.

Table 5: Calculated values for 'Social exclusion'

Country	Annual expenditure per inhabitant (in EUR, PPS)	Approximate number of beneficiaries out of entire population*	Expenditure per beneficiary (in EUR)*	Total lump sum per 100 beneficiaries
Belgium	€ 80.03	2.06%	€ 3,894.31	€ 389,431.00
Bulgaria	€ 30.91	3.77%	€ 820.57	€ 82,057.00
Czechia	€ 12.77	1.32%	€ 970.18	€ 97,018.00
Denmark	€ 187.21	1.72%	€ 10,915.80	€ 1,091,580.00
Germany	€ 41.66	1.92%	€ 2,166.14	€ 216,614.00
Estonia	€ 3.55	2.45%	€ 145.28	€ 14,528.00
Ireland	€ 1.41	2.38%	€ 59.20	€ 5,920.00
Greece	€ 12.65	3.40%	€ 372.36	€ 37,236.00

Annex 3. Results for financing not linked to costs in the area of community social services

Country	Annual expenditure per inhabitant (in EUR, PPS)	Approximate number of beneficiaries out of entire population*	Expenditure per beneficiary (in EUR)*	Total lump sum per 100 beneficiaries
Spain	€ 24.21	2.73%	€ 887.35	€ 88,735.00
France	€ 73.08	1.78%	€ 4,109.69	€ 410,969.00
Croatia	€ 27.79	2.68%	€ 1,036.94	€ 103,694.00
Italy	€ 52.55	2.81%	€ 1,867.82	€ 186,782.00
Cyprus	€ 8.66	2.59%	€ 334.29	€ 33,429.00
Latvia	€ 13.26	2.93%	€ 451.98	€ 45,198.00
Lithuania	€ 28.99	2.85%	€ 1,017.65	€ 101,765.00
Luxembourg	€ 57.01	1.96%	€ 2,916.01	€ 291,601.00
Hungary	€ 16.43	2.51%	€ 655.37	€ 65,537.00
Malta	€ 38.63	2.09%	€ 1,845.48	€ 184,548.00
Netherlands	€ 51.58	1.66%	€ 3,101.00	€ 310,100.00
Austria	€ 115.33	1.80%	€ 6,407.22	€ 640,722.00
Poland	€ 13.58	2.11%	€ 643.41	€ 64,341.00
Portugal	€ 9.79	2.43%	€ 403.32	€ 40,332.00
Romania	€ 5.22	3.60%	€ 144.96	€ 14,496.00
Slovenia	€ 34.91	1.76%	€ 1,981.87	€ 198,187.00
Slovakia	€ 10.73	1.73%	€ 619.52	€ 61,952.00
Finland	€ 157.53	1.64%	€ 9,595.61	€ 389,431.00
Sweden	€ 245.86	1.83%	€ 13,459.49	€ 82,057.00

Source: prepared by PPMI, based on ESSPROs and Eurostat data.

2.3.3. Setting outcome-based conditions

Possible conditions for services tackling social exclusion are presented in Table 6.

Table 6: Examples of conditions for ‘Social exclusion’

Outcome measured	Condition(s)	Scheme(s)
No proven offending/re-offending	Number of patients with no proven offending in a 6-month period from the point of beginning a recovery intervention with a provider.	Drug and Alcohol Recovery Pilots
	Proportion (% of all offenders within the cohort) of offenders who reoffend within a 12-month period.	Transforming Rehabilitation
	Contact(s) with the police in the last six months	Troubled Families (phase II)
Reduction in average cohort offending	Percentage change in recidivism bed days (change in the average number of days these adolescents spent in jail) following arrest on a new charge in the 12-month period following their initial release	Drug and Alcohol Recovery Pilots Adolescent Behavioral Learning Experience SIB
Relationships with probation officers	Frequency of contacts with keyworkers	Transforming Rehabilitation Troubled Families (phase II)
	Improved perception of helpfulness and clarity of the keyworker	Troubled Families (phase II)
	Improved attitudes towards help received from keyworkers	
Average number of re-offences per reoffender	The average number of re-offences per reoffender committed within an annual cohort within a 12-month period.	Transforming Rehabilitation
Action taken to stop anti-social behaviour	Number evictions, warning letters, possession orders.	Troubled Families (phase II)
Improvement of drug and/or alcohol use	Number of patients who reduced their consumption by statistically significant levels for all presenting substances at any two reviews within the last 12 months	Drug and Alcohol Recovery Pilots
	Number of patients who were abstinent for all presenting substances at any two reviews within the last 12 months	Drug and Alcohol Recovery Pilots
Alcohol or drug addiction recovery	Number of patients who completed treatment	Drug and Alcohol Recovery Pilots
	Number of unplanned discharges	Drug and Alcohol Recovery Pilots
	Retention in treatment	Drug and Alcohol Recovery Pilots

Source: prepared by PPMI, based on ‘Study on the benefits of using social outcome contracting in the provision of social services and interventions’

3. Insights and lessons learned on FNLC-based solutions in the area of community social services

Overall, the preparation of FNLC-based solutions in the area of community social services has encountered several obstacles. These are mainly operationalised through the lack of accurate data proxies for the purpose of setting values and issues with setting financeable outcome-based indicators at the level of EU27. Regardless, we can indicate the lessons learned and insights for future consideration when developing EU-level solutions which are based on FNLC methodologies.

Establishing data proxies for FNLC-based solutions

Gathering baseline data is an important precondition to introducing outcomes-based funding. The methodology of FNLC-based solutions would benefit from **comparative EU-level databases** on relevant services within the framework of chosen policy fields, such as **Eurostat ESSPRO** or **OECD SOCX**. As evident from the results presented in chapter 2, these did not include information which was directly linked to the discontinued FNLC, particularly with regards to further details on the operations which are covered by these databases. As a result, several assumptions had to be taken in order to arrive to the calculated values, at times without sufficient justification which would support them. Regardless, result estimates for FNLC solutions which were based on ESSPROS data tended to vary significantly between Member States and thus were discontinued.

As an alternative baseline, **historical costs of services** may be used as was the case with the 'Crises and emergencies' service module. This approach applies if the intended outcome requires a service that has been used previously on a similar target population. In this case, there is a concept of the price of such services which could give an informed estimate of the likely total cost of outcomes, provided that a similar service is proposed for the outcomes contract. The added mechanism of having to achieve outcomes in order to receive payment might increase efficiency, which is likely to bring down the costs of delivering a given number of outcomes. Where there is no historical service to compare, it may be possible to refer to **comparable services which are likely to use similar resources/inputs**. This should provide an approximate of expenses required to deliver the outcomes.

Further steps should be made in researching EU-level databases, historical costs of identical or similar services, comparative EU-level studies, national level proxy databases which could serve as the basis for the calculations.

Setting outcome-based conditions

The financing mechanism which includes outcome-based reimbursement has to be based on financeable indicators to trigger payments. In the area of community social services, this obstacle is particularly exacerbated. Outcome-based conditions have to avoid being too **niche** (as illustrated by selected examples from Table 4 and Table 6), as this would imply very detailed monitoring processes, potential difficulties of scaling up due to overly specific conditions (as this would lead to the necessity of adjusting to national practices) and additional administrative burden thereof. Examples of national schemes which apply detailed outcome-based conditions are Perspektive:Arbeit (Austrian SIB), that targeted female victims of domestic violence, and DUO for a Job (Belgian SIB) which targeted young

unemployed immigrants. On the other hand, being too broad and ‘ambitious’ (an example of such condition would be ‘reduce the homelessness rate by x%’) would not be possible either. The achievement of such conditions is not necessarily attributable to the provision of community social services, but rather to other underlying factors not directly linked to the availability of the aforementioned services, such as the socioeconomic situation in a Member State. Time must be spent selecting outcomes metrics that are aligned with the policy goals and working with beneficiaries to collect any new data required. Necessary actions include the sharing of both **financial data** (to calculate current spending on social problems) and **client data** (to identify target populations and understand their needs). In terms of scaling of schemes which implement outcome-based funding, the main **challenge** mentioned by stakeholders in replicating and scaling the social interventions in the Social Outcomes Contracting study is the **highly contextual nature of social services**. The delivery of social services often needs to be adapted to the **specific needs of users**, which vary between Member States. This is a general issue, regardless of the funding model supporting the intervention.⁷⁴

Perverse incentives when applying FNLC-based solutions

Lastly, there are a number of preventive measures⁷⁵ which should be implemented in future schemes that would reduce the likelihood that beneficiaries would resort to exploiting perverse incentives. These include:

- Paying beneficiaries on the basis of cohort rather than individual outcomes;
- Offering beneficiaries higher payments for success in more complex cases (if the initial provision services is lengthy, using fixed percentage rates to calculate the outcome-based payments will be a better reflection than a fixed lump sum payment);
- Using multiple outcome measures and intermediate deliverables to keep beneficiaries focused on overall program objectives;
- Using a mixed funding model where only a portion of core funding is dependent on achieving predetermined outcomes (binary versus frequency models).

⁷⁴ Study on the benefits of using social outcome contracting in the provision of social services and interventions, pg. 88

⁷⁵ Gold, Jennifer, and Matthew Mendelsohn. Better Outcomes for Public Services: Achieving Social Impact Through Outcomes-Based Funding. Mowat Centre for Policy Innovation, 2014.

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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: a study complementing the ESF+ impact assessment

Annex 10. Ad Hoc Report on feasibility of ‘off-the-shelf’ tools for
food donations

EUROPEAN COMMISSION

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1. Objective and approach of the report

Reducing food waste is one of the key priorities of the EU Farm to Fork Strategy, which is a crucial element of the European Green Deal – a set of policy initiatives from the European Commission to make Europe climate-neutral by 2050⁷⁶. In line with Target 12.3 of the Sustainable Development Goals⁷⁷, the European Commission is committed to halving per capita food waste in retail and among consumers by 2030, and reducing food losses along the food production and supply chains. To this end, a coordinated effort will be made to prevent food waste and limit the generation of surplus food at each stage in the food supply chain.

The best destination for food surplus that cannot be avoided and which would otherwise be wasted is to redistribute this food for human consumption. To encourage and facilitate food donation, the EU Food Donation Guidelines⁷⁸ were adopted by the European Commission in October 2017. These guidelines specifically mention the Fund for European Aid to the Most Deprived (FEAD) and its specific objective to contribute to alleviating the worst forms of poverty in the EU through the provision of non-financial assistance to the most disadvantaged persons in the EU. Assistance from FEAD may take the form of food support, basic material assistance or actions to promote the social inclusion of the most deprived persons. The food distributed to the most deprived persons may be either purchased using FEAD funding or donated.⁷⁹

The traditional delivery model for FEAD co-financed food and material assistance involves the procurement of food through public procurement by partner organisation – either public bodies or NGOs such as food banks, the Red Cross, Caritas or other organisations (see Table 1). A 5% flat rate of the cost of purchasing food is used to reimburse the administrative, transportation and storage costs borne by the partner organisation(s) involved in the distribution of the food and material assistance, in addition to another 5% flat rate on accompanying measures.

Table 1: Partner organisations involved in FEAD delivery

Partner organisations	Member States
National Red Cross	AT, BE, BG, ES, FR, HU, IT, LT, LU, LV, PL, SI, SK
National Caritas	DE, LU, PL, SI, SK
Food banks	BE, CZ, EE, ES, FR, IE, IT, LT, PL, SK
Churches, parishes, religious organisations	FI, HU, LV, SE

⁷⁶ European Commission, Communication from the Commission, “The European Green Deal”, Brussels, 11.12.2019, COM(2019) 640 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1596443911913&uri=CELEX:52019DC0640#document2>

⁷⁷ The United Nations, Sustainable Development Goals, Goal 12: Ensure sustainable consumption and production patterns, <https://www.un.org/sustainabledevelopment/sustainable-consumption-production/>

⁷⁸ European Commission, EU guidelines on food donation, Official Journal of the European Union. Commission notice (2017/C 361/01), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.361.01.0001.01.ENG&toc=OJ.C:2017:361:TOC

⁷⁹ Ibid.

Partner organisations	Member States
Local NGOs, charities	CZ, BE, DE, ES, FI, HR, HU, IE, IT, LT, LU, LV, PL, SE, SI, SK

Source: European Commission, Detailed implementation report of the operational programmes co-financed by the Fund for European Aid to the Most Deprived in 2017, written by Coffey, June 2019.

Article 26(2)(d) of Regulation 223/2014 on the Fund for European Aid to the Most Deprived⁸⁰ also allows FEAD financing of the logistics of food donations, listing as eligible expenditure: “the cost of collection, transport, storage and distribution of food donations and directly related awareness raising activities, incurred and paid for by partner organisations”. However, during the 2014–2020 programming period, only Luxembourg, Estonia and Croatia have taken advantage of this provision to pilot and implement FEAD-funded activities in the area of food donations. Based on an analysis of FEAD annual implementation reports, in Luxembourg the share of food for which only transport, distribution and storage were co-financed by FEAD was, on average, around 50% of all distributed food.

According to the survey of FEAD Managing Authorities conducted in 2019, a vast majority of the Managing Authorities face multiple obstacles to the implementation of Article 26(2)(d). These range from concerns over the capacity of partner organisations and logistical challenges, to administrative burden, issues concerning the eligibility of costs, accounting and audits, food safety and other legal issues⁸¹.

By 2019, only Luxembourg had dedicated FEAD resources to the transportation and storage of food donations. Donated products amounted to 52% of all food aid distributed. In a few other Member States, food donations are collected by FEAD partner organisations and used to supplement the amount of food distributed. This is the case in Ireland, where the partner organisation's main remit is to collect food donations and distribute them to charities. Support from FEAD was combined with this service to provide a regular supply of food. A similar initiative was implemented in Slovakia in partnership with the Slovakian Food Bank; however, this scheme was discontinued due to the reported administrative burden and logistical issues. Belgium has facilitated food donations through a VAT exemption and by establishing a charter between the food aid sector and representatives of mass retailers.

Source: European Commission, Study supporting FEAD monitoring: analysis of FEAD annual implementation reports (2018-2019): Detailed report on the Annual Implementation Reports for the Operational Programmes co-financed by the FEAD in 2018, written by Costanza Pagnini with the support of Andrea Giannetto and Cecilia Pugliese (Fondazione G. Brodolini) and Jasmin Haider (Metis GmbH), July 2020.

For the programming period 2021-2027, the European Commission aims to encourage Member States to support the recovery and redistribution of donated food under the European Social Fund Plus (ESF+). Article 20(1)(d) of the proposed Regulation on the European Social Fund Plus (ESF+)⁸² mentions **the cost of collection, transport, storage and distribution of food donations and directly related awareness-raising activities, incurred and paid for by partner organisations** as one of the categories of costs eligible for ESF+ support in addressing material deprivation. These provisions on material

⁸⁰ Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived, OJ L 72, 12.3.2014, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014R0223>

⁸¹ DG EMPL, Outcome of Survey to Managing Authorities, 2 October 2019.

⁸² Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+), COM/2018/382 final, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52018PC0382>

assistance are almost identical to the legal provisions that allowed the financing of logistics and food donations under FEAD during the programming period 2014-2020.

To integrate already available surplus food into FEAD programmes more extensively, and to overcome the barriers preventing Member States from using EU funds to support the logistics of food donations during the 2014-2020 programming period, the European Commission identified a preliminary list of 'off-the-shelf' solutions (EU-level simplified cost options [SCOs] or financing not linked to costs [FNLC]) for the reimbursement of costs eligible under the ESF+. After discussions with DG EMPL, and taking into consideration its feedback regarding the initial outline of this feasibility check, the study team has explored the feasibility of all main types of cost simplification, including the following options:

- a lump sum per year for each Member State;
- a flat rate of 5% of the estimated value of donated food;
- a unit cost per kilogram of donated food delivered;
- FNLC option, based on the number of end recipients reached.

In this report, the study team presents the results of its analysis to determine **whether it is feasible to develop any of the off-the-shelf solutions above** for use to support the **collection, transport, storage and distribution of food donations and directly related awareness-raising activities** under ESF+ in the programming period 2021-2027. This feasibility assessment is primarily informed by the opinions and perceptions of the stakeholders interviewed at EU and national level, and the data they kindly shared with the study team. As detailed in the table below, we carried out semi-structured interviews with policy officers at the European Commission, representatives of the European Food Banks Federation (FEBA)⁸³ and the Red Cross, as well as stakeholders in nine Member States.

Table 2: List of interviewees

Organisation	Interviewee
FEBA	Angela Frigo, Secretary General
National food banks / members of FEBA (France, Estonia, Italy, Ireland FoodCloud, Lithuania), Hungarian Food Bank Association	Marie Castagné (FR) Piet Boerefijn, Kerttu Olókainen (EE) Marco Lucchini (IT) Emma Walsh (IE) Kristina Tylaitė (LT) Balázs Cseh (HU)
Red Cross	Eberhard Lueder, Head of Social Inclusion Information received from the Red Cross in Italy and Latvia
DG EMPL	Jan Behrens, Policy officer (FEAD)
DG SANTE	Dora Szentpály-Kleis, Policy officer
Food Sustainability Observatory	Paola Garrone, Deputy director for sustainability Giulia Bartezzaghi, Director

⁸³ In 2019, FEBA members (food banks) in 12 Member States benefitted from FEAD co-financed programmes: Belgium, the Czech Republic, Estonia, France, Greece, Ireland, Italy, Lithuania, Poland, Portugal, Slovakia and Spain.

Organisation	Interviewee
Managing Authorities	Malou Kapgen (Ministry of Family and Integration, Solidarity Division in Luxembourg) Naida Mekić, Radomir Đurić, Mirna Ćorić, Mirjana Radovan (Ministry of Labour and Pension System, Directorate for Management of EU Operational Programmes in Croatia) Eleni Fotopoulou (Ministry of Labour, Social Solidarity, Insurance and Welfare in Greece) Susan McGowan (Social Welfare Services in Ireland)

Source: compiled by PPMI.

1.1. Approach to reporting findings

The results of our feasibility assessment are presented in Sections 2.1 to 2.4. For each solution analysed in this report, we specify the **calculation method**, present our findings regarding the **availability of the underlying data**, and subsequently provide conclusions as to its **feasibility**. A brief summary of the key findings is provided at the beginning of Chapter 2, where all of the solutions are compared using the **traffic light method**:

- **red**: solutions that are deemed unfeasible;
- **yellow**: solutions that are considered feasible, but (potentially) difficult to develop and/or implement;
- **green**: solutions that are deemed feasible and are (potentially) the easiest to develop and/or implement.

To ensure that the terms used in the report are consistent with the definitions proposed by the European Commission in the EU guidelines on food donations, we have included a glossary (Table 3).

Table 3. Glossary of terms

Actors	Description ⁸⁴
Donor organisations	Organisations operating at different stages of the food supply chain (primary production, manufacturing, processing, retail, hospitality sector) that donate surplus food.
Receiver organisations	Organisations at various levels that are involved in the redistribution of surplus food.

⁸⁴ European Commission, EU guidelines on food donation, Official Journal of the European Union. Commission notice (2017/C 361/01), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.361.01.0001.01.ENG&toc=OJ:C:2017:361:TOC

Back-line organisations	A type of receiver organisations that are involved in the recovery and redistribution of donated surplus food (food banks and charities).
Front-line organisations	A type of receiver organisations that collect/receive food from back-line organisations and provide food directly to end recipients (e.g. soup kitchens).
Private donors	Private people who donate food on an ad hoc basis.
Delivered food	Food delivered to end beneficiaries, mostly by front-line organisations.
Donated food	Surplus food donated by donor organisations or private donors to receiver organisations.

2. Feasibility of different 'off-the-shelf' solutions for food donations under ESF+

In this chapter of the report, we explore three types of simplified cost options (lump sum, flat rate financing and unit cost), as well as one idea for financing not linked to costs. Each of these potential 'off-the-shelf' solutions is presented and assessed by elaborating on the following aspects:

- **Calculation method:** the formula used to calculate and establish the SCO/FNLC values for each country (i.e. country rates).
- **Eligible costs:** the key categories of costs incurred by partner organisations involved in implementing relevant activities.
- **Data availability:** our findings on the availability and accessibility of the data required to develop a particular 'off-the-shelf' solution.
- **Feasibility of the method and solution:** our insights and conclusions regarding the feasibility of a particular 'off-the-shelf' solution, including an overview of related risks and requirements for an audit trail.

Overall, our interviews with stakeholders revealed that the introduction of off-the-shelf solutions could have a positive effect. The interviewees shared the opinion that it might encourage the use of the ESF+ in the area of food donations. In fact, administrative burden was noted to be the main obstacle in accounting for or securing financing for activities relating to the recovery and redistribution of donated food.

Table 4 below presents a brief **overview of the results of the feasibility check**. Where an option is coloured red, we highlight the obstacles that severely complicate its development and application. Similarly, for each yellow- and green-coloured option, we outline the methodological and/or practical challenges to its development and application in practice. These conclusions focus primarily on the **data availability and quality issues** identified during our interviews and informed by the findings of our desk research. Where relevant, we also indicate the **relevance** and **usefulness** of the options considered.

A detailed assessment of each of the options analysed is presented in Sections 2.1 to 2.4.

Table 4: Overview of the results of the feasibility check

Simplified cost option	Data availability	Risks and limitations/ relevance of SCO	Feasibility assessment
LUMP SUM PER YEAR FOR EACH MEMBER STATE	Data perceived as available and sufficient.	Low relevance for partner organisations. The cycle of food donations is difficult to predict, which increases the risk that the expenditures of partner organisations will not be eligible for reimbursement if the milestones/targets set are not achieved. High risk of 'locking in' the intervention. A lump sum based on historical data only reflects the existing situation and would not be relevant if funding aims to expand the geographical coverage of the services or to increase capacities for food redistribution. Lump sums are complicated to extrapolate in the event that historical data is absent. Medium-level complexity of audit trail. The requirement to verify that donated food has reached the end recipient could impose an increased administrative burden on partner organisations.	
FLAT RATE OF 5% OF THE ESTIMATED VALUE OF DONATED FOOD	Historical data are not required. Currently, the data needed to estimate the value of donated food are limited and incomparable between Member States.	A unified and transparent methodology to estimate the value of donated food needs to be developed and agreed upon with Member States. This could be difficult, due to differences in national legislation and current practices between Member States. Relatively simple audit trail, as only the documentation used to estimate the value of the donated food need to be in place. To reduce the risk of a perverse incentive to collect an amount of donated food that exceeds actual demand and/or the redistribution capacities of the organisation, there should be an additional requirement to prove that a certain proportion of donated food is successfully recovered and delivered to the end recipients (e.g. a target of at least 95 %). Application of a flat rate does not require extrapolations or regular updates.	

Simplified cost option	Data availability	Risks and limitations/ relevance of SCO	Feasibility assessment
UNIT COST PER KG OF DONATED FOOD DELIVERED TO END RECIPIENTS	Data perceived as available and sufficient.	No critical risks and limitations are inherent to this option. Allows Member States and partner organisations to avoid risks relating to the unpredictable cycle of food donations, which heavily affect the relevance and utility of lump sums. Extrapolations could be made for countries that do not possess sufficient data, as well as regular adjustments, on the basis of Eurostat datasets. Medium-level complexity of audit trail. The requirement to verify that donated food has reached the end recipient may impose an increased administrative burden on partner organisations.	
FINANCING NOT LINKED TO COSTS (FNLC) OPTION, BASED ON THE NUMBER OF END RECIPIENTS REACHED	Data perceived as available and sufficient.	The elaboration of FNLC requires administrative capacities at both EU and national levels to set conditions and define intermediate achievements, which will vary between Member States. Risk of a heavy administrative burden exists, compared with the level of funding available for food recovery and redistribution activities under ESF+.	

2.1. LUMP SUM per year for each Member State

The first 'off-the-shelf' solution considered by this feasibility check was a lump sum per year for each Member State. Calculating this SCO requires historical data on the total direct costs incurred to recover and redistribute donated food. These data are mainly available at the level of partner organisations. However, certain challenges pertain to this option, with regard to its relevance and the sufficiency of the data available.

2.1.1. Calculation method

$$SCO_1 = \frac{\sum_i^n C}{n - i + 1}$$

C is total direct costs (for the entire period for which cost data is available) incurred to recover and redistribute food donations (in EUR)

i is the first year for which cost data is available, and

n is the last year for which cost data is available

2.1.2. Data availability

According to information collected by our team, partner organisations involved in the recovery and redistribution of donated food incur the following direct costs:

- Transportation, affected by distance covered and types of vehicles used for transporting non-perishable, refrigerated or frozen foods
- Storage
- Other operational costs (facilities and equipment)
- Development and maintenance of IT systems
- Staff costs – even though the majority of staff in food banks, charities and other organisations involved in food collection and redistribution are volunteers (85%, as estimated by FEBA⁸⁵), some paid personnel are involved in transporting the food, as well as managing operational and administrative matters, who cannot be substituted by volunteers. In-kind contributions in the form of unpaid work by volunteers should also be considered⁸⁶

This standard list of cost categories was identified through interviews with FEBA, pre-selected national food banks and FEAD Managing Authorities. According to our interviewees, all of the cost categories identified are pertinent to both FEAD co-financed purchased food and donated surplus food. Beyond this standard list of direct cost

⁸⁵ European Food Banks Federation, FEAD and the European Food Banks Federation: 2019 annual implementation report, October 2020, https://lp.eurofoodbank.org/wp-content/uploads/2020/10/FEAD_Implementation_Report_2110_pm.pdf

⁸⁶ Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, COM/2018/375 final - 2018/0196 (COD) , Article 61(1) e.

categories, partner organisations in different Member States may also incur other direct or indirect costs. For example, food banks in Ireland mentioned additional costs such as communications costs, marketing and branding, administrative and other costs, depreciation. Notably, most of these costs are **indirect costs** and they were not mentioned by other interviewees. As a result, we do not include them in the list of cost categories relevant to the development of the SCO.

Our inquiries concerning the **availability and accessibility of data** indicate that **food banks** (FEAD partner organisations) **should be able to provide the relevant accounting data** needed for the approximation of real costs. Some of this data, however, is collected and stored at the level of front-line organisations such as soup kitchens, which operate on the ground and later account for their expenses to the food banks. Since food banks in such cases act only as coordinators for front-line organisations, the availability, granularity and reliability of existing relevant data varies:

- **historical administrative data on each cost category** is available from all food banks in Ireland and France;
- in Italy, only **aggregate data** is available; however, it could be disaggregated according to the cost categories upon request;
- the Hungarian Food Bank Association indicated that it has **partial data** on transportation and logistics, which are the main cost categories in Hungary.

In addition, most of the stakeholders interviewed shared the opinion that partner organisations can distinguish those costs that are incurred due to **exceptional circumstances**, e.g. the ongoing **Covid-19 pandemic**. Three main categories of **unexpected costs** were mentioned during interviews. The first were costs incurred for the **personal protective equipment** that food banks and other organisations participating in food collection and redistribution had to buy. Second were **additional deliveries** organised to reach people who could not access charities and other partner organisations. The third category of unexpected costs related to the **processing and distribution of vast quantities of food donated** by the catering, hospitality and food service sector at the **beginning of lockdowns**. The interviewees were uncertain, however, as to whether such costs would be relevant in the future. It is therefore crucial for the food banks and other entities operating in the field of food donations to be able to distinguish these unexpected costs from the regular and standard expenditure incurred during the process of collecting, storing and redistributing donated food.

Nonetheless, our analysis has identified certain challenges relating to the data needed to develop the lump sum option. First, in cases where partner organisations deal not only with food donations but also with other types of assistance, e.g. the distribution of FEAD co-financed purchased food together with material assistance, or food collected during collection events at stores, it might be technically challenging to **identify the costs for different categories of distributed food** in order to avoid double financing. Second, historical data based on the application of lump sums in the past, e.g. in Estonia, could be unreliable and may not reflect the real costs of redistributing donated food, due to the fact that financing has been granted via a competitive public procurement procedure. Interviewees from the Estonian food bank that was selected as the FEAD partner organisation in the area of food donation via a public procurement procedure, indicated that the annual financing of EUR 150,000 – which had to be distributed between 15 food banks – was not adequate to cover the costs of collection and redistribution of the donated food.

2.1.3. Feasibility of the method

The desk research and interviews conducted for this feasibility check show that available data should exist to calculate a lump sum per year for each Member State. Nonetheless, certain challenges remain in relation to the relevance and utility of this SCO in the area of food donations.

Development and application of lump sums assumes that the financing granted:

- is subject to the achievement of predefined outputs/activities
- is subject to conditional or 'results-based' approach, in which reimbursement is made only when the intermediate milestone and/or target is reached;
- applies to clearly defined activities

The main challenge to the application of a lump sum to the area of food donations is the high level of uncertainty and difficulty in predicting the amount of donated food and the frequency of donations. These limitations are particularly relevant if the payment of a lump sum is linked to the achievement of predefined outputs and targets. According to SFC2014 data on FEAD implementation in 2014-2020 and FEAD co-financed food products as a proportion of the total volume of food distributed by partner organisations (see Table 5), FEAD partner organisations in five Member States (BG, CY, EL, ES, HU) are not involved in activities relating to the redistribution of donated food, and in four Member States (PT, LV, RO, SK), donated and collected food constitutes less than 20% of the total amount of food distributed.

Table 5: FEAD co-financed food in Member States.

Types of assistance	Member States (FEAD co-financed food products as a proportion of the total volume of food distributed by partner organisations in 2019)
Food	BE (50%), BG (100%), EE (40%), ES (100%), FI (19%), FR (27.4%), IT (67.4%), MT (31%), PL (76.21%), PT (87.52%), SI (72%)
Both food and material assistance	CY (100%), CZ (53%), EL (100%), HR (65.9%), HU (100%), IE (63%), LT (47.87%), LU (19.35%), LV (82.04%), RO (85% in 2016), SK (92.1%)

Source: SFC 2014, FEAD annual implementation reports 2019.

Furthermore, a comparison of the SFC2014 data available for the reference period indicates that in several Member States, the share of donated and distributed food collected by partner organisations varied significantly. For example, in Finland this share increased from 55% in 2018 to 81% in 2019, even though the amount of FEAD co-funded food remained at the same level; in Malta, the increase was from 0% to 69% between 2016 and 2019 (the amount of FEAD-purchased food decreased by more than a half during the same period); in Greece, the share of donated food decreased from 25% to 0% between 2017 and 2019 (the amount of FEAD-purchased food increased). These data confirm the concerns expressed by Managing Authorities during the 10th meeting of the FEAD Expert Group, in particular that the overall amount (but also the type and nutritional value) of donated food is difficult to predict.

In the light of such variation, it is hardly feasible to set the predefined outputs and targets required to apply lump sums. In addition, the unpredictable cycle of food donations

increases the risk that the expenditures of partner organisations will not be eligible for reimbursement if the set milestones/targets are not achieved.

Based on interviews, another issue that affects the relevance of applying lump sums to food donations is the risk of 'locking in' the intervention. While a lump sum based on historical data reflects the existing situation, it would be challenging to make adjustments to this sum in the event that an aim was set to expand the geographical coverage of the services or increase capacities for food redistribution. Lump sums would also be relatively complicated to extrapolate in cases where there was an absence of sufficient data.

Complex audit trails can impose a heavy administrative burden on partner organisations and beneficiaries, and can reduce the relevance of a given SCO. The box below presents the main requirements of the audit trail for the lump sum option.

Audit trail. To prove the achievement of outputs and results of the intervention (i.e. audit trail), documentation must be in place regarding the amount of donated food delivered and the number of the end recipients reached, in order to demonstrate that there are no significant deviations from the annual historical average, or that the target for the increased amount of delivered food and number of the end recipients reached has been met.

A good understanding of the audit trail is necessary to ensure that all stakeholders involved in the process know what type of information they need to provide, and that a complete set of useful and necessary information is collected at each stage. Based on the desk research and interviews, however, the requirement to verify that donated food has reached the end recipient may impose an additional administrative burden on partner organisations – both food banks and the front-line organisations that deliver the donated food to end recipients. The risk of a high administrative burden relating to audit trails was also identified by the Managing authorities during the 10th meeting of the FEAD Expert Group. This is one of the reasons why Member States did not actively use the opportunity to use FEAD funding to support activities in the area of food donations during the programming period 2014-2020.

To summarise, the data required to develop lump sums in the area of food donations are mainly available. However, the low relevance and limited applicability of this SCO make this option unfeasible to develop.

2.2. FLAT RATE: 5% of the estimated value of donated food

The option of flat-rate financing (5%) would require data on the estimated value of donated food. This data is, however, largely unavailable at the level of Member States, due to the lack of a common methodology for such estimation. According to our research, approaches in this area are often affected by requirements (or the lack thereof) set in national legislation: the estimated value of donated food may be based on the shelf price, a price determined by the donors, on costs calculated by the organisations receiving the donated food, or on estimations of value informed by statistical data.

2.2.1. Calculation method

$$SCO_2 = C * 0,05$$

where C is an estimated value of donated food redistributed by the partner organisations (in EUR)

2.2.2. Data availability

Calculating this option would require having the data to estimate the value of donated food, e.g. invoices issued at the time the donated food was collected, or other predefined documentation to prove its estimated value. Historically, the data required to estimate the value of donated food are mainly unavailable, and the assumptions and incentives to calculate such values differ significantly between Member States.

Technically, the value of the donated food could be obtained either by requesting data from donor organisations (manufacturers, retailers, food service) or by applying different methods to compute its value:

- In France, where tax incentives for food donations are in place, donors estimate the value of donated food in order to reduce their taxes. However, food banks do not value the food according to the costs claimed by the donors; instead, they work with an institute that obtains average prices for food, which food banks then apply to calculate the value of food saved from food waste.
- In Ireland, some food banks obtain information from donors, who provide the retail price on a per item basis and then use these data to calculate the value of the distributed food. A number of food banks also routinely use conversion factors to estimate the value of donated food. Based on a value outlined by the Environmental Protection Agency in Ireland, it was estimated that 1 kg of food has an approximate value of EUR 3. This value was estimated on the basis of the total cost of an average shopping basket divided by its weight .
- In Italy, the transport documents (i.e. bills of lading) contain the value of the donated food, based on the last selling price. Therefore, data is available on the estimated value of both donated and distributed food.
- Our research and interviews indicate that partner organisations and/or Managing Authorities in some Member States may be unable to estimate the value of donated food. In Estonia, donors cannot reclaim taxes (as they can in France or Lithuania); therefore, the value of the donated food is not calculated.
- In Luxembourg, as indicated by interviewees, it is very hard to estimate the actual value of the food received from donor organisations because retailers may set significantly higher prices than prices set by manufacturers or suppliers.
- In Latvia, organisations involved in the collection and distribution of donated food are not aware of the value of donated food, and these data are unavailable at the level of the partner organisations.
- In Croatia, historical data on the estimated value of donated food are not available at the level of either the FEAD Managing Authority or the partner organisations. However, according to the Managing Authority, the records are probably available from the donor organisations, although historically they have not been collected.

2.2.3. Feasibility of the method

The main advantage of flat-rate financing compared with other EU-level SCOs is that its development does not require historical data on the cost of collection, transport, storage and distribution of food donations. However, the application of a flat rate requires that the **data** used to calculate costs that are eligible for reimbursement under the predefined flat rate are **collected** and **assessed** in a **unified and transparent way**.

The estimated value of donated food could be based on information provided by the donor organisations. However, this method has certain shortcomings. First, it depends on how this value is assessed and what costs are included in the price, e.g. donor organisations can include transportation costs in the estimated value of the donated food in cases where they deliver the food to the premises of back- and frontline organisations working in the area of food donations.

Interviews with stakeholders revealed a great deal of uncertainty about how to calculate the value of donated food. Some concerns included:

- whether it should be based on the cost of producing the items, or on the retail price of certain products?
- how to estimate the value of the donated food when supermarkets do not disclose information on acquisition and/or retail prices?
- how to address the fact that the food donated is usually close to its expiry date or past its 'best before' date (but unspoilt and deemed safe for consumption) – and thus, its value is assumed to be lower than the normal retail price?

Based on our assessment, this type of EU-level SCO is feasible to develop if a unified methodology to estimate the value of the donated food is discussed and agreed with the Member States. This methodology should address differences between national regulations (e.g. rules on tax incentives) and their application in practice, which can affect how the value of the donated food is estimated at national level. The most recent analysis of food redistribution in the EU⁸⁷ sees fiscal incentives as a main driver to facilitate food redistribution; however, national VAT regime structures are complex and vary from one Member State to another, and the guidelines clarifying the VAT treatment of donated/redistributed food (e.g. zero rate, VAT-exempt or normal VAT rate) are not available to food redistribution actors in a number of countries⁸⁸. Based on the findings of that analysis, an EU-developed periodic reporting methodology for food redistribution activities at Member State level, including a set of indicators, has been recommended⁸⁹.

The results of the desk research conducted for this feasibility check showed that FEBA collects data on the activities of the food banks; however, these data mainly focus on the quantities of food redistributed, the number of charities and the end recipients served,

⁸⁷ Directorate-General for Health and Food Safety (European Commission), Wageningen Economic Research and Ecorys in association with Deloitte. "Food redistribution in the EU: Mapping and analysis of existing regulatory and policy measures impacting food redistribution from EU Member States", June 2020. <https://op.europa.eu/en/publication-detail/-/publication/8f5d3481-b753-11ea-bb7a-01aa75ed71a1>

⁸⁸ Ibid. Such guidelines are mostly developed by public-private cooperation, as is the case in Belgium the Czech Republic, France, Italy, Luxembourg, the Netherlands, Portugal and the UK; public bodies developed the guidelines in Germany, Finland and Lithuania, while in Estonia, they were developed by private bodies.

⁸⁹ Ibid.

human resources and financial indicators regarding the activities of food banks⁹⁰. Starting from 2018, a team of experts and representatives of food banks pooled their efforts to develop key performance indicators (KPIs) for activities in the area of food donations, in the framework of the project 'The Future of Food Banks in Europe. Preparing the 20s', implemented by FEBA. The most recent discussions on economic indicators for food banks included topics such as the cost of redistributing donated food, **the commercial value of the food redistributed**, the saved costs by a company, and the multiplier effect of food redistribution by food banks. Based on this discussion, members of the Pilot Group together, with FEBA and external experts, began to compile a list of common indicators as the basis for the online Observatory on Food Donation⁹¹. Although no information is yet available on the common set of indicators developed, the results of this FEBA project may serve as a starting point for the development of a unified methodology to estimate the (commercial) value of donated food.

To summarise, the application of a flat-rate financing option based on the estimated values of the donated food was perceived as unfeasible by most of the stakeholders interviewed, due to the absence of relevant data and/or a clear and unified methodology to estimate its value. However, practices applied by several Member States (outlined in Section 2.2.2), together with FEBA initiatives to develop a common list of economic indicators on the activities of food banks, provide prospects for the development of a common and transparent methodology to estimate the value of donated food in the future. If developed, a flat-rate option could result in a relatively simple audit trail, as the only documentation required would be that used to estimate the value of the donated food. Furthermore, unlike SCOs based on historical data, the development and application of a flat rate would not require extrapolations or regular updates.

Audit trail. To prove the achievement of outputs and results of the intervention (i.e. audit trail), documentation must be in place providing the data used to estimate the value of the donated food in accordance with predefined methodology.

A flat rate based on the value of the **donated food** (as opposed to the value of the donated food **delivered** to end recipients) encodes a **perverse incentive** for receiver organisations to collect an amount of donated food that exceeds actual demand and/or the redistribution capacities of the organisation. To reduce this risk, there should be an additional requirement to prove that a certain proportion of donated food has been successfully recovered and delivered to end recipients (e.g. a target of at least 95 %).

2.3. UNIT COST per kilogram of donated food delivered

This option is based on the amount of delivered food, as opposed to the value of donated food discussed in the previous sub-chapter. The data required to calculate this option include the **total amount of donated food delivered** during a given period, and **the total costs of delivering the donated food**. These data are mostly available at the level of partner organisations (charities, soup kitchens, etc.) and, in some cases, the food banks themselves.

⁹⁰ FEBA report on the skill-sharing session on 'Impactful data for social good' (Brussels, 4-5 February 2019), https://lp.eurofoodbank.org/wp-content/uploads/2020/01/FEBA_Impactful_data_for_social_good_REPORT_FINAL.pdf

⁹¹ FEBA report on the workshop meeting 'Quantifying the Impact of European Food Banks. From Farm to Fork', online meeting, 23 June 2020. https://lp.eurofoodbank.org/wp-content/uploads/2020/09/FEBA_Data_Collection_Workshop_Report_23June_FINAL.pdf

2.3.1. Calculation method

$$SCO_3 = \sum_i^n \frac{C_{costs}}{C_{amount}}$$

C_{costs} is the total costs (for the entire period for which data on the costs are available) of delivering donated food (in EUR)

C_{amount} is the total amount (for the entire period for which data are available) of donated food delivered (in kg)

i is the first year for which cost data are available, and

n is the last year for which cost data are available

2.3.2. Data availability

The data necessary to develop this unit cost are the amount of donated food delivered (as opposed to donated food that has not yet been delivered), as well as the costs incurred by the organisations distributing different types of food. These direct costs include the same cost categories identified for the lump sum option:

- Transportation (including both distance travelled and the various types of vehicles used to transport non-perishable, refrigerated or frozen foods)
- Storage
- Other operational costs (facilities and equipment)
- Development and maintenance of IT systems
- Staff costs

As indicated by FEBA, the Red Cross and interviewees at national level, **reliable data to approximate the real cost** of delivering the donated food to end recipients **are mainly available** at the level of partner organisations – food banks, but also front-line organisations. However, as with the lump sum option, the availability, granularity and reliability of existing data may vary between Member States (see Section 2.1.2).

Our research also shows that Member States make efforts to estimate the costs of delivering of donated food to end recipients at a national level. For example, in **Hungary**, the **estimated cost of delivering 1kg of donated food is around 0.15 EUR**, and less for handling (preparing the donated food for delivery). This figure is not based on real costs but is estimated on the basis of national statistics and research conducted. The Managing Authority in Hungary will implement a pilot project to test these estimations and assess the sufficiency of the amount of support to be provided to partner organisations working in the field of food donations.

In developing unit costs for all Member States, differences in the costs of distributing different types of food must be considered. The types of food recovered for redistribution affect costs dramatically. For example:

- there is a large difference between the 'use by' and 'best before' dates indicated on food labels. While the latter can be stored for a longer time, the former must be distributed to charities and then final beneficiaries very efficiently
- redistribution of frozen food (as opposed to non-perishables) requires special storage spaces (i.e. freeze rooms) and vehicles with particular technical characteristics designed for transportation of frozen food.

However, based on our desk research and interviews, partner organisations would struggle to provide cost data disaggregated by the type and amount of donated food delivered. These data, collected by FEBA for the purposes of annual reporting, also do not distinguish the financials (and in particular, the expenditures incurred) according to the type of food redistributed. Although the types and amounts of donated food delivered differ between Member States (and are often seen as difficult to predict), **historical data** on the amount of donated food delivered and the costs incurred will **reflect these differences**, and should be **sufficient** to calculate the unit cost in each Member State. However, additional checks and weighting would be required in cases where historical data is absent and extrapolation techniques have to be applied.

2.3.3. Feasibility of the method

Analysis of the availability of the data required to develop a unit cost per Member State demonstrates that this is the most feasible off-the-shelf solution:

- First, our exploratory research shows that historical data should exist in relation to redistribution costs
- Alternatively, such information may be extrapolated for countries that do not possess sufficient data.

In conducting this feasibility analysis, we identified relevant sources that can be used to extrapolate the cost of delivering donated food in those countries where such data are unavailable, or to adjust the value of developed SCO in the future. All of the datasets identified come from Eurostat, a source of reputable and regularly updated data. Depending on the available financial data on donated food, the datasets used for the development of this type of SCO could consist of the levels of labour costs in the areas of transportation and storage (lc_lci_lev) and the labour cost index (LCI) for transportation and storage (lc_lci_r2_a). Outside of labour costs, a broader metric used in the Harmonised Index of Consumer Prices (HICP) dataset that assesses all costs for services relating to transport (without storage) could be used.

By applying unit costs to the actual amount of donated food delivered during a given period, Member States and partner organisations can avoid risks relating to the uncertainty and unpredictability of the amount of food donated, which can heavily affect the relevance and utility of lump sums. In addition, the requirement to track the amount of **donated food delivered to the end recipients** (as opposed to the amount of food donated to receiver organisations) does not create perverse incentives relating to the collection of an amount of donated food that exceeds the delivery capacities of receiver organisations and the actual demand for donated food.

Audit trail. To prove the achievement of outputs and results of the intervention (i.e. audit trail), documentation must be in place concerning the weight (e.g. bills of

loading/consignments) of donated food delivered to end recipients (e.g. lists of the end recipients).

Our interviews showed that current FEAD partner organisations, as well as food banks and the Red Cross, already collect these data on the donated and delivered food, as **reporting on food weight** is a part of both FEAD's common indicators and the annual reporting of FEBA. However, as already noted in Section 2.1.3. on lump sums, the requirement to verify that **donated food has reached the end recipient** may impose an **increased administrative burden** on partner organisations – both food banks and the front-line organisations that deliver the donated food to end recipients.

To summarise, a unit cost in EUR for kilogram of donated food delivered is perceived as the most feasible option to simplify the reimbursement of costs incurred as a result of food recovery and redistribution activities. The feasibility check showed that the historical data required to develop this SCO are mostly available at the level of receiver organisations. Based on the personal assessments of the stakeholders interviewed, the quality of the historical data is sufficient to conduct this calculation and develop unit costs. To proceed with the in-depth assessment of the quality of historical data and the feasibility of this SCO, a pilot data collection exercise should be initiated in those Member States in which the collection of data on surplus food recovery and redistribution activities is more advanced, e.g. France, Ireland, Italy and Hungary. In addition, the quality and relevance of historical data on the financial costs incurred by food banks used for reporting purpose by FEBA could be assessed or used as benchmarks to develop unit costs.

2.4. FNLC linked to the number of FEAD-eligible end-recipients served

Simplification measures under EU cohesion policy 2021-2027 include a 'financing not linked to costs' (FNLC) option. This is a continuation of the 'payments based on conditions' option introduced in the Omnibus Regulation⁹². FNLC is based on the fulfilment of conditions relating to the realisation of progress in the implementation of programmes or the achievement of their objectives. It represents a radical simplification in implementation as it changes the focus from costs, reimbursement and checks linked to individual projects to tracking deliverables and results for a project, group of projects or scheme. Audits of the FNLC aim exclusively to verify that the conditions for reimbursement have been fulfilled.

For this feasibility check on food donation, we have examined an FNLC option based on the **number of FEAD-eligible end recipients served**. Our analysis demonstrates that, in most cases, sufficient data exists on the number of end recipients (both FEAD and other recipients of donated food), or could be obtained upon request. In addition, research conducted at EU and international levels provides estimates of the costs of food waste that could be used for to develop such an FNLC.

⁹² Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012. <https://data.consilium.europa.eu/doc/document/PE-13-2018-INIT/en/pdf>

2.4.1. Data availability

The method used to establish the values for FNLC for different Member States will depend on the policy goal to be achieved in the area, e.g.:

- increased number of FEAD-eligible end recipients reached by partner organisations redistributing donated food;
- improved nutrition and health of end recipients;
- reduced food waste, etc.

Our analysis shows that, in most cases, data are available on the number of end recipients and the number of FEAD-eligible recipients benefitting from donated food:

- food banks collect data from charities and other front-line organisations, which declare the number of the end recipients;
- Managing Authorities also collect these data for FEAD purchased food.

Normally, FEAD and other end recipients can be distinguished. Therefore, FNLC linked to the (increased) number of FEAD-eligible end recipients served can be considered a feasible option to support the development of activities in the area of food donations. The whole food donation sector could be considered eligible for funding if the number of FEAD-eligible recipients served can be traced.

Though a FNLC scheme could use unit costs per kilogram of donated food delivered based on historical data (see Section 2.3.), consideration should also be given to an option based on 'non-implementation costs' (e.g. the costs of food waste) and 'prevented costs' (e.g. in case of improved nutrition of the end recipients). In many cases, these costs can be obtained by analysing national regulation, FEAD implementation experience and impact evaluations/cost-benefit analyses.

The Study on Food Waste Management and Reduction conducted by the team from Politecnico di Milano included calculations of cost categories and expenses incurred by donor organisations (i.e. organisations involved at different stages in the food supply chain, including manufacturing, retail and food service), and calculated the **added value of the activities of food recovery**. However, the Politecnico di Milano team indicated that its findings were not based on a representative sample, and could not be used for further generalisations.

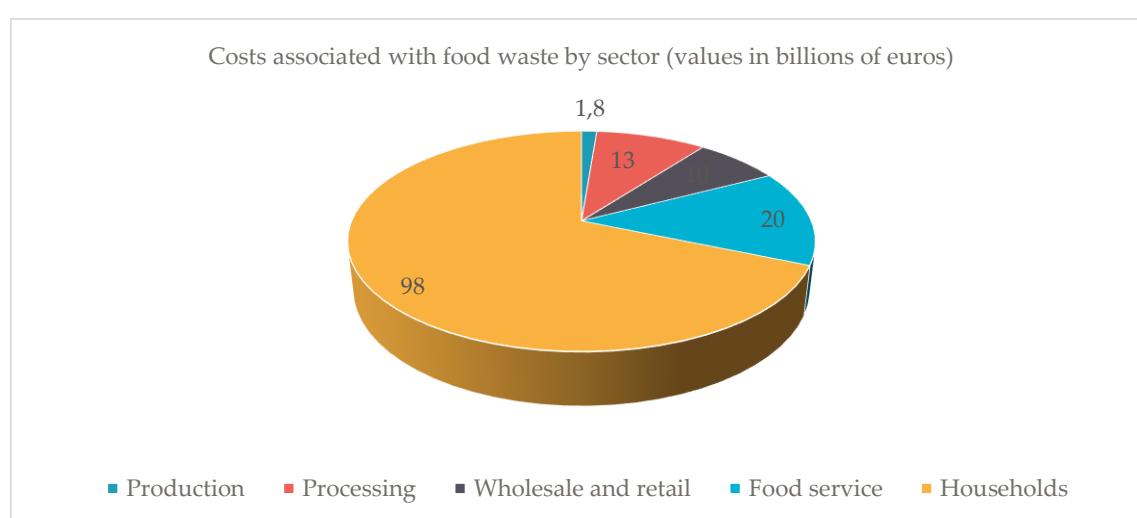
Evidence of the **social and economic impacts of improved nutrition** for specific target groups (e.g. children) is mixed. For example, a systematic global review concluded that the physical and psychosocial health benefits of free school meal programmes to children in economically disadvantaged households may be small ⁹³; however, these gains may be

⁹³ Kristjansson, B., Petticrew, M., MacDonald, B., Krasevec, J., Janzen, L., Greenhalgh, T., Wells, G. A., MacGowan, J., Farmer, A. P., Shea, B., Mayhew, A., Tugwell, P. & Welch, V. (2007). School feeding for improving the physical and psychosocial health of disadvantaged students. Cochrane Database of Systematic Reviews. <https://doi.org/10.1002/14651858.CD004676.pub2>

stronger in low-income countries⁹⁴. A recent review⁹⁵ concluded that in higher income countries there is little evidence of short-term or longer term improvements in health or dietary habits linked to school meal provision.

EU-funded research into the level of the **food waste** in the EU (FUSIONS) provides a data set for food waste in the EU-28, based on estimates aligned to 2012 by sector (primary production, processing, wholesale and logistics combined with retail and markets, food service and households). Overall, FUSIONS concluded that 20% of food produced in the EU is wasted⁹⁶. The costs associated with food waste for the EU-28 in 2012 were estimated at around EUR 143 billion, with two-thirds of that cost associated with food waste from households (around EUR 98 billion (see Figure 1).

Figure 1: Costs associated with food waste by sector



Source: Åsa Stenmarck (IVL), Carl Jensen (IVL), Tom Qvested (WRAP), Graham Moates (IFR). "Estimates of European food waste levels", FUSIONS project, 2016. <https://www.eu-fusions.org/phocadownload/Publications/Estimates%20of%20European%20food%20waste%20levels.pdf>

To estimate the costs associated with the food waste, the FUSIONS project determined the proportion of food waste in each sector that is edible, and calculated value per tonne for this edible food waste (see Table 6).

⁹⁴ Snilstveit, B. & Stevenson, J. International Initiative for Impact Evaluation (3ie). The impact of education programmes on learning and school participation in low- and middle-income countries (2016th ed.). International Initiative for Impact Evaluation (3ie). <https://doi.org/10.23846/SRS007>

⁹⁵ Oostindjer, M., Aschemann-Witzel, J., Wang, Q., Skuland, S.E., Egelanddsdal, B., Amdam, G.V., Schjøll, A., Pachucki, M.C., Rozin, P., Stein, J., Lengard Almli, V. & van Kleef, E. (2017). Are school meals a viable and sustainable tool to improve the healthiness and sustainability of children's diet and food consumption? A cross-national comparative perspective. *Critical Reviews in Food Science and Nutrition*, 57(18), 3942–3958. <https://doi.org/10.1080/10408398.2016.1197180>

⁹⁶ Åsa Stenmarck (IVL), Carl Jensen (IVL), Tom Qvested (WRAP), Graham Moates (IFR). "Estimates of European food waste levels", FUSIONS project, 2016. <https://www.eu-fusions.org/phocadownload/Publications/Estimates%20of%20European%20food%20waste%20levels.pdf>

Table 6: Cost per ton of edible food waste

Sector	Cost per tonne of edible food waste (Euro)	Source of data
Primary production	399	Production weighted average of commodity prices for 18 agricultural food types in meat and dairy, 70 harvested cereals, grains, fruit and vegetables, and all aquaculture and fisheries output ³
Processing	1 490	Production weighted average of sold prices for 233 food types in food processing and manufacturing ⁴
Wholesale and retail	2 768	Assumes a 27.5% mark-up from supply of wholesale and retail to the final price (as charged to households) ⁵
Food service	3 148	Average of wholesale & retail and households
Households	3 529	Data from detailed UK study used as a basis. Converted to euros and adjusted to take into account relative prices of food in UK compared to the EU as a whole (using Eurostat price level indices).

Source: Åsa Stenmarck (IVL), Carl Jensen (IVL), Tom Quedsted (WRAP) & Graham Moates (IFR). "Estimates of European food waste levels", FUSIONS project, 2016. <https://www.eu-fusions.org/phocadownload/Publications/Estimates%20of%20European%20food%20waste%20levels.pdf>

Another study by the UN Food and Agriculture Organization provides further perspective on the economic and environmental impacts of food waste, indicating the total costs of food waste in Europe.⁹⁷ It monetises the inputs of unpriced natural resources to food supply chains, as well as welfare costs relating to the loss of natural resources and ecosystem services. Although this research does not cover all Member States, the results are presented for Europe as a region, proposing a very detailed methodology for the calculation of food waste costs.

2.4.2. Feasibility of the method

The main strength of FNLC as an 'off-the-shelf' tool is that data on the end beneficiaries are mostly available because they are collected by Member States (or can be obtained from partner organisations on the ground and/or social workers). Estimates of the costs of wasted edible food can be obtained from research, and adjusted on the basis of statistical indicators. The main challenge attached to this option is that it requires clear policy objectives to be set at EU or national level, in order to apply an option of 'non-implementation costs' or 'prevented costs'.

Another consideration relating to the development and application of FNLC as a very new simplification measure is that the elaboration of FNLC requires administrative capacities at both EU and national levels, in order to set conditions and define intermediate achievements that will vary between Member States due to structural differences in the sectors dealing with donated food. The first results from Austria, which applies FNLC in the area of energy efficiency and renewable energy, show that FNLC should be considered only in cases where:

- simplification cannot be achieved more simply using SCOs;

⁹⁷ Food and Agriculture Organization of the United Nations (FAO), Food wastage footprint. Full-cost accounting. Final report, 2014. <http://www.fao.org/3/a-i3991e.pdf>

- a significant part of the programme (in terms of funds) can be covered by the FNLC scheme, thereby justifying the efforts required for its elaboration⁹⁸.

To summarise, the development of FNLC linked to the number of FEAD-eligible recipients is perceived as feasible in terms of data on the number of end recipients of donated food and estimations of 'non-implementation costs' or the 'prevented costs' of food waste. However, differences between Member States in the ways in which the recovery and redistribution of donated food is organised, together with the varying 'maturity' of countries and regions in promoting food donations and preventing food waste, imply risks that the elaboration of FNLC will impose a heavy administrative burden compared with the funding available for food recovery and redistribution activities under ESF+.

⁹⁸ Johannes Rossbacher, FNLC: Austrian experience. Simplified cost options and financing not linked to costs in the 2021-2027 programming period, 18th European week of Regions and Cities, 15 October 2020, https://europa.eu/regions-and-cities/programme/sessions/1632_en

3. Conclusions

This feasibility study examined four different off-the-shelf solutions considered by the European Commission to support the recovery and redistribution of donated food under the ESF+ in the programming period 2021-2027. During this feasibility check, we examined the following SCOs and FNLC options:

- Option 1 (lump sum): per year for each Member State;
- Option 2 (flat-rate financing): 5% of the estimated value of donated food;
- Option 3 (unit cost): per kilogram of donated food delivered to end recipients;
- Option 4 (financing not linked to costs): FNLC linked to the number of FEAD-eligible end recipients served.

In the case of each option, we describe how it can be calculated and whether the data required for such calculations are available from the Member States, stakeholder organisations or other sources. All information and evidence for our analysis were gathered through desk research and stakeholder interviews. Although the scope and depth of this analysis are insufficient to form definitive conclusions as to the availability and quality of relevant data in all Member States, it provides solid grounds for the informed rejection of certain off-the-shelf solutions.

Our findings reveal that:

- a lump sum per year for each Member State is unfeasible to develop, due to the low relevance and limited applicability of this SCO. In addition, difficulties in adjusting values and the risk of 'locking in' the intervention indicate that this option should be no longer considered in case of further analysis;
- the most feasible option is a unit cost per kilogram of donated food delivered, as sufficient data to calculate this figure should exist for each Member State, and its application corresponds with the high level of uncertainty and unpredictability inherent to food redistribution activities; the audit trail for this option is similar to that for FEAD reporting obligations, but could potentially increase the administrative burden on partner organisations and beneficiaries;
- a flat rate calculated on the basis of the estimated value of donated food could be considered a feasible option in the future if a unified and transparent methodology is developed to define the monetary value of donated food, and can be agreed upon by the Member States. The audit trail is seen as uncomplicated;
- development of a financing not linked to costs (FNLC) option linked to the number of FEAD-eligible recipients is feasible in terms of data availability, both in terms of the number of end recipients and the estimated costs of food waste in the event of 'non-implementation'; however, the main challenge to the development of this 'off-the-shelf' tool is the need to set conditions and intermediate achievements, which are directly related to strategic and policy goals.

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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

Annex 11. Ad Hoc Report on feasibility of ‘off-the-shelf’ tools for
food donations (Phase 2)

Written by PPMi
September – 2021

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EUROPEAN COMMISSION

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1. Objectives and approach of the feasibility check

Phase 1 of the feasibility check of potential 'off-the-shelf' solutions for food donations concluded that the unit cost of one kilogram of donated food delivered is the most promising option for development of an EU level SCO in this area.

This report summarises the results of Phase 2 of the feasibility check, which **aimed to deepen the analysis carried out in Phase 1 and assess the actual availability and sufficiency of historical administrative data** needed to establish the unit cost value in pre-selected Member States. This task involved undertaking the following steps:

- collecting historical administrative data on the activities in the area of food donation for the period 2014-2020 at the level of national food banks and other partner organisation in pre-selected Member States;
- performing initial calculations based on historical data collected and datasets identified;
- assessing the data sufficiency, its limitations and prospects for further development of EU-level 'off-the-shelf' solutions.

The analysis conducted was primarily informed by desk research and the opinions and perceptions of the stakeholders interviewed at the EU and national level.

1.1. Data collection approach

Data collection was performed in five Member States – France, Hungary, Ireland, Italy, and Lithuania. In Phase 1 of the feasibility check, these countries were identified as highly promising in terms of data availability on relevant cost categories. At the same time, it was considered to be a well-balanced sample for further analysis in Phase 2, consisting of EU13 and EU15 countries with differently structured national food banks: in Hungary, Ireland and Lithuania a single food bank operates in each country and cooperates with other front-line and back-line organisations involved in redistribution of donated food; meanwhile France and Italy have many food banks connected through a centralised network.

The study team cooperated with FEBA (European Food Banks Federation), which helped our team to liaise with national food banks and facilitated the initial communication. The study team organised interviews with the representatives of food banks to communicate the data needs and address questions and comments about the data collection process generally and data collection grid specifically. Most of the contact persons at the national level were interviewed during Phase 1 of the feasibility check and were aware and well-acquainted with the feasibility check activities conducted by our team. During this data collection exercise, we ensured the possibility for data providers to contact and follow-up with the study team if any questions and issues arise regarding data requested. The study team also organised some follow-up calls and correspondence to clarify qualitative aspects of the data. The full list of interviewees and data providers is provided below.

Table 1: List of interviewees

Country	Contact person and organisation
Lithuania	Kristina Tylaitė, Lithuanian Food Bank (Maisto Bankas)
Italy	Irene Ripamonti, Marco Lucchini, Italian Food Bank Network (Fondazione Banco Alimentare Onlus)
Hungary	Balasz Csech, Hungarian Food Bank Association
France	Max Mortier, The French Federation of Food Banks (Fédération Française des Banques Alimentaires)
Ireland	Aoibheann O'Brien, FoodCloud

Our team used a tailored data collection form (see Annex 1) to collect the historical administrative data from national food banks and partner organisations. The form was designed to inform the unit cost calculation method proposed in Phase 1 of the feasibility check. More specifically, it asked for the following data:

- the total amount of donated food delivered during a given period, and
- the total costs of delivering the donated food.

According to information collected by our team in Phase 1, organisations involved in the recovery and redistribution of donated food incur the following direct costs:

- Transportation (including fuel, maintenance and various types of vehicles used to transport non-perishable, refrigerated or frozen foods)
- Storage
- Staff costs (paid personnel involved in transporting the food and managing operational and administrative matters; unpaid work by volunteers)⁹⁹
- Other operational costs (facilities and equipment)
- Awareness-raising activities related to food donations
- Additional costs, e.g. COVID-19 related expenditures

A similar (adapted) breakdown of the cost categories was included in the data collection grid to check if comparable data can be collected from all pre-selected Member States. Furthermore, all data providers were instructed to exclude the data on amount and cost of food donated by private donors during food collection events and FEAD-purchased food. This requirement was included to ensure that findings of the feasibility check concern exclusively surplus food.

⁹⁹ In-kind contributions in the form of unpaid work by volunteers should also be considered based on Article 61(1) e or the proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, COM/2018/375 final - 2018/0196 (COD).

1.2. Feasibility assessment method

Once the historical data were collected, we used the pre-defined criteria to assess the feasibility of the development of unit cost in the aforementioned Member States. We elaborate on the limitations of collected data and summarise the outcomes of this feasibility check using the traffic light method (see Table 2 below).

Table 2: Criteria for the feasibility assessment

Criteria	Description	Assessment
Data availability	Relates to the <u>completeness</u> and <u>comprehensiveness of</u> the collected data sample. This presumes that all data points needed for calculations and establishment of a unit cost are sufficiently covered in the data sample of the selected Member States. Incomplete data (i.e. provisional/estimated data or data gaps) is as dangerous as inaccurate data. Gaps in data lead to a partial view of the overall picture.	High Sufficient Low
Data granularity	Relates to the <u>level of detail at which data is collected</u> . It is important because confusion and inaccurate decisions can otherwise occur. Aggregated, summarised and manipulated collections of data could offer a different meaning than the data implied at a lower level.	
Data reliability	Relates to the <u>data accuracy</u> and <u>data logic</u> . The data must be logical, without contradiction or unwarranted variance.	

Source: prepared by PPMI.

To support and illustrate our findings, we conducted initial calculations of unit costs based on data collected. Furthermore, we analysed the data by cost categories to assess what makes up the total costs and determine whether the data from these five Member States are comparable. Finally, we examined the possibility of extrapolating unit cost per kg of donated food delivered for the other Member States using initial values from this selected sample.

2. Feasibility check

2.1. Data overview

National food banks actively responded to our inquiries and provided most of the data needed to perform this feasibility check. However, a few caveats of the collected data should be mentioned:

- Due to time constraints, Italy was only able to submit data on total costs, direct staff costs and other direct costs for 2018 and 2019. All this data had to be collected from 21 local food banks. Also, Italy did not have data on direct staff members and the total number of productive hours of all direct staff.
- France had only incomplete cost data for 2020 and did not have data on the total number of productive hours of their direct staff.
- Lithuania also did not have data on the total number of productive hours of their staff – primarily due to high employee turnover and high number of volunteers involved in the processing and distribution of donated surplus food. Also, the Lithuanian Food Bank could not submit data on operational and communication costs.
- Ireland could not provide cost data for 2014 and 2015 and generally does not track data on the total number of end recipients each year. However, as the data on end recipients was not directly pertinent to the calculations of unit cost values, this did not affect the overall quality of collected data. Notably, the Irish Food Bank also redistributes donated food in the UK, and their partners FARESHARE in the UK also incur costs on their side. Therefore, the Irish Food Bank provided data on total costs and total impact over the UK and Ireland.
- In Hungary, most of the expenses on staff, transportation and packaging were incurred at the level of other front-line organisations and not by the food bank. Our calculations were adjusted accordingly to establish a more accurate unit cost for Hungary.
- No countries in the sample reported the previous usage of SCOs for donated food delivered.

Table 3 presents the general overview of data availability by relevant categories in each Member State.

Table 3: Overview of the data availability

Country	Total food donated	Total food donated delivered	Total costs	Staff costs	Transport costs	Storage costs	Operational costs	Communication costs	Additional costs	SCOS	Costs by other organisations
Lithuania	x	x	x	x	x	x	x	x	x		
Italy	x	x	x	x	x	x	x	x	x		
Hungary	x	x	x	x	x	x	x	x	x		x
France	x	x	x	x	x	x	x	x			x
Ireland	x	x	x	x	x	x	x	x	x		

Source: prepared by PPMI using historical administrative data.

2.1.1. Staff costs

To check how the countries compare in terms of staff costs incurred by their food banks, we calculated the average cost of staff per one kilogram of donated food delivered and the % share of staff costs in the overall cost structure. The results are summarised in Table 4.

Table 4: Staff costs

Country	Staff costs per 1kg donated food delivered (EUR)	Share of staff costs in total costs (%)
France	0.17	36.9
Italy	0.09	27.6
Ireland	0.2	65.2
Hungary	0.14	67.2
Lithuania	0.06	59.3

Source: PPMI calculations based on historical administrative data.

While some variance has been anticipated in the first column due to differences in labour costs and the share of volunteers involved in redistribution of surplus food, we also observed significant fluctuations in the share of staff costs in total costs – they oscillated between 27.6% to 67.2%, with Italy and France being the outliers. At least partly this variance can be attributed to differences in composition of staff – while volunteers make up the majority of workforce in all European food banks (around 80% by FEBA estimates), their share is particularly high in France and Italy. The French food banks calculated the monetary expression of the volunteer work, and on average, it was three times (294%) higher than the total costs incurred in the period 2014-2019 (this data was not included in the total costs or calculations). In Italy, volunteers made up 94% of all staff involved in the processing and redistribution of donated food.

2.1.2. Transport costs

As shown in Table 5, the % share of transportation costs in the overall cost structure also varied across sampled countries. The observed variance, however, can be explained by the qualitative data collected from the data providers. In Ireland, transportation costs consist of leasing expenses. In contrast, the Hungarian Food Bank owns its vehicles and instead of rent costs incurs insurance, maintenance and fuel costs. Also, some countries experienced ad hoc costs – in 2017-2019 the Lithuanian food bank made significant investments in their infrastructure and purchased 8 new refrigerated vans. This explains why the % share of transportation costs in the overall cost structure in this period is highest in Lithuania. Finally, the cost variance in this category is also likely due to transportation distance differences in sampled countries.

Table 5: Transportation costs

Country	Transport costs per 1kg of donated food delivered (EUR)	Share of transport costs in total costs (%)
France	0.03	6
Italy	0.03	9
Ireland	0.01	3
Hungary	0.02	7.8
Lithuania	0.02	15.8

Source: PPMI calculations based on historical administrative data.

2.1.3. Storage costs

According to data collected from national food banks, the % share of storage costs in the overall structure of costs ranged from 9 to 13.8%, Lithuania being an outlier with 1.5%. Meanwhile average expenses on storage per one kilogram of donated food delivered varied from EUR 0.02 in Lithuania to EUR 0.04 in France. As with transportation costs, other changes within countries were consistent with the increasing amount of food being donated and delivered.

Table 6: Storage costs

Country	Storage costs per 1kg of donated food delivered (EUR)	Share of storage costs in total costs (%)
France	0.04	9
Italy	0.03	9
Ireland	0.03	9
Hungary	0.03	13.8
Lithuania	0.02	1.5

Source: PPMI calculations based on historical administrative data.

2.1.4. Operational and communication costs

The cross-country comparison of operational costs incurred by national food banks is complicated. Based on clarifications provided by the data providers, items covered under this category of costs vary from country to country. While in Hungary operational costs included HVAC (heating, ventilation, and air conditioning), office materials, phone, internet and post, in Ireland these costs consisted of marketing, administrative expenses and

depreciation. The relative cost of operational activities and the % share of these costs in the overall cost structure in all analysed countries are presented in Table 7.

Table 7: Operational costs

Country	Operational costs per 1kg of donated food delivered (EUR)	Share of operational costs in total costs (%)
France	0.22	46.1
Italy	0.09	27.5
Ireland	0.04	12.4
Hungary	0.02	8
Lithuania	0.01	8.6

Source: PPMI calculations based on historical administrative data.

Notable cross-country differences were also evident in the case of communication costs – in Hungary they made up only 0.2% of total costs, while in Italy they accounted for 13% of total costs.

Table 8: Communication costs

Country	Communication costs per 1kg donated food delivered (EUR)	Share of communication costs from all costs (%)
France	<0.01	1.4
Italy	0.04	13
Ireland	0.01	4.4
Hungary	<0.01	<0.01
Lithuania	<0.01	5.6

Source: PPMI calculations based on historical administrative data.

2.2. Estimation of the unit cost values

2.2.1. Unit cost estimates for sample countries

The calculation method for the unit cost is the following:

$$SCO_3 = \sum_i^n \left[\frac{C_{costs}}{C_{amount}} \right]$$

C_{costs} is the total costs (for the entire period for which data on the costs are available) of delivering donated food (in EUR).

C_{amount} is the total amount (for the entire period for which data are available) of donated food delivered (in kg).

i is the first year for which cost data are available, and n is the last year for which cost data are available.

Using the formula provided above and the data collected from the Member States, the study team has performed calculations to establish the unit cost values of one kilogram of donated food delivered. As shown in Table 9, the calculated values oscillate between 0.47 EUR and 0.11 EUR.

Table 9: Unit cost values

Country	value (EUR)
France	0.47
Italy	0.33
Ireland	0.31

Source: PPMI calculations based on historical administrative data.

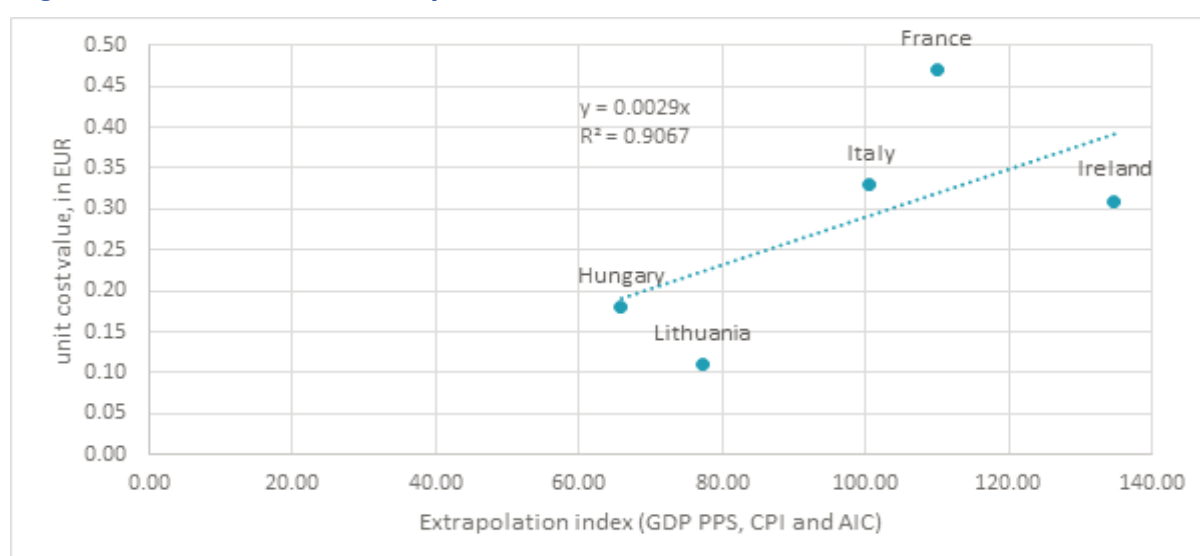
The study team also compared the results of the calculations with the pilot project undertaken in Hungary to calculate the total cost of the redistribution for one kilogram of surplus food. While it used different categories, the data was generally comparable because the Hungarian analysis also excluded FEAD-purchased food and food collected from private donors during events. Their calculated value was 0.62 HUF (0.17 EUR) which is very close to the value (0.18 EUR) calculated using our methodology.

2.2.2. Extrapolation of unit cost values for other countries

As shown in Figure 1, the unit cost value variance observed in sampled countries can be well explained by a linear regression model, where the following indicators were used to establish the extrapolation index (a predictor/independent variable):

- GDP per capita in purchasing power standards, or GDP PPS;
- Comparative price levels of final consumption by private households including indirect taxes, or CPI ;
- Actual individual consumption by private households including indirect taxes, or AIC.

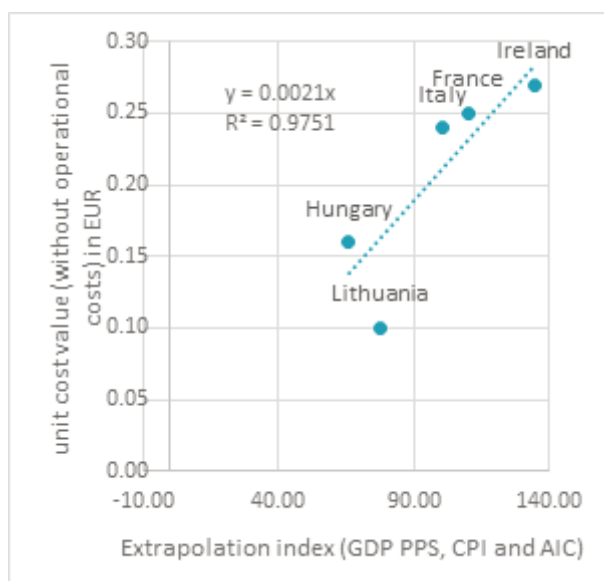
Figure 1: Unit cost value extrapolation



Source: prepared by PPMI based on historical data on food donations and Eurostat data.

The prediction accuracy of this regression model is high ($R^2 = 0.9067$)¹⁰⁰. Accordingly, it is a good fit for extrapolation of the unit cost values for countries not covered by the sample. The accuracy of the model is even higher if we adjust the dependent variables (unit cost values based on historical data) and exclude the operational costs' data from the analysis (see Figure 2).

¹⁰⁰ In statistics, the R-squared coefficient measures the proportion of the variance in the dependent variable that is predictable from the independent variable(s). If the R-squared value is > 0.7 , it is generally considered to have a strong effect size. See Moore, D. S., Notz, W. I., & Flinger, M. A. (2013). The basic practice of statistics (6th ed.). New York, NY: W. H. Freeman and Company.

Figure 2: Unit cost value extrapolation (operational costs data excluded)

Source: prepared by PPMI based on historical data on food donations and Eurostat data.

Despite the good fit of the model, the overall number of observations in the sample is very small. Also, as evident from the assessment of data provided in Sections 2.1.1-2.1.4, the relative weight of certain cost items in the overall structure of costs reported by food banks varies significantly across analysed countries. For instance, in France and Italy the staff costs constitute only 36.9% and 27.6% of the overall cost, respectively. Meanwhile, in Hungary, Ireland and Lithuania this cost item accounts for 59.3-67.2% of the overall cost. A similar discrepancy between the two country groups is evident in the case of operational costs, which hints at a need for tailored extrapolation model for countries with a single food bank and countries with a food bank network.

Overall, the size of the sample is too small to make a definitive conclusion on whether this method is sufficiently reliable to establish the unit cost values for all other countries.

3. Conclusions

This feasibility check aimed to assess the potential of developing 'off-the-shelf' solutions in the area of food donations. Based on the findings of the underlying analysis in Phase 1 of the feasibility check, the unit cost of one kilogram of donated food delivered was identified as the most promising option in this area. To test and to further support this conclusion, a tailored data collection grid was used to collect historical (real cost) data on total amounts of donated food delivered, and the total costs of storing, transportation and redistribution of this food incurred by food banks in France, Hungary, Ireland, Italy and Lithuania. The collected data was used to establish the unit cost values for each sampled country, at the same time identifying any discrepancies/outlier cases and measuring cost variance at the level of individual cost categories. The key findings on the data availability, granularity, reliability, as well as the overall feasibility of developing the unit cost of one kilogram of donated food delivered are summarised in the table below.

Criteria	Description	Assessment
Data availability	Overall, the data from the sample have been complete and comprehensive. All countries from our sample could provide actual historical administrative data on the key cost categories – while there were some gaps identified, they mainly related to categories that were not necessary for the calculations; for example, data on the end recipients were completely unavailable in Ireland. France, Lithuania and Italy could not submit data on productive staff hours. Italy could only provide cost data for 2018 and 2019; however, the data they were able to submit has been complete and not based on the estimates. Therefore, these data gaps did not invalidate our findings.	High
Data granularity	The study team requested for aggregate data by year on total costs and their breakdown by standardised cost categories. The national food banks in sampled countries complied with these instructions and provided data at the level requested. The data submitted largely adhered to the standardised cost categories that have been established. A more detailed information on the specific operations covered under some of the cost categories is needed to explain the outliers and ensure higher overall data cleanliness.	High/sufficient
Data reliability	The study team did not attempt to verify the data received from data providers. However, all cost data should be verifiable since it refers to the real costs incurred by national food banks. In most cases, fluctuations in the amount of donated food and donated food delivered correlated with higher overall costs and overall expenses per different categories of costs. Countries that incurred ad hoc expenses resulting in disproportionately increased expenditure provided qualitative data explaining this change – for example, investments to improve infrastructure in Lithuania in 2017 significantly increased the costs as it almost tripled from previous years; however, it remained lower in the following years.	High
Overall feasibility assessment	Judging from the sample covered by the feasibility check, national food banks can provide the historical data needed for development of a unit cost. Data's availability and quality, however, may vary (as discovered in Phase 1 and confirmed in Phase 2) from country to country. The availability of a proven data collection grid, FEBA's familiarity with the process and insights of the analysis presented in this report should facilitate the further development of a unit cost based on historical data.	High

	The analysed sample and its underlying data are insufficient to consider extrapolation as a method for further development of a unit cost based on extrapolated values.	Low
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Source: prepared by PPMI using historical administrative data.

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‘Simplified cost options’ and ‘Financing not linked to costs’ in the area of social inclusion and youth: A study complementing the ESF+ impact assessment

Annex 12. Ad Hoc Report on feasibility of ‘off-the-shelf’ tools for
Individual Learning Accounts

Written by PPMi
September – 2021

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1. Objectives and methodology

1.1. Scope of the study

This report aims to explore to what extent European Social Fund's (ESF) simplified cost options (SCOs) for employment-related training activities could contribute to funding activities offered through Individual Learning Account (ILA) schemes and what the set-up of such schemes would entail for a Member State. In the field of adult training, ESF SCOs are available to all EU Member States under Article 14.1 of the European Social Fund regulation.

The Delegated Regulation (EU) 2019/2170¹⁰¹ presents up-to-date existing SCOs which are ready for countries to use for reimbursing vocational training interventions.¹⁰² Currently, standard scales of unit costs exist for operations involving training activities for unemployed people, provision of employment services for the unemployed, and training for employed people.

This study concentrates on the following components:

1. Investigate and conduct a structured comparison of the **main characteristics of ILA schemes** and **ESF SCOs** by focusing on:
 - comparability of covered target groups.
 - comparability of supported activities and eligible costs.
 - availability of data on inputs and/or outcomes of supported activities.
 - comparability of costs.
2. Analyse the potential of using existing ESF SCOs for training activities to support ILA training entitlements.
3. Provide guidance on how ESF could respond to Member States asking for assistance in setting up individual learning schemes by exploring their set-up components.

The next chapters introduce the individual learning schemes analysed and establish a comparison with the existing unit costs from the Delegated Regulation, which in turn sheds light on the possible use of these rates in the scope of ILA schemes.

¹⁰¹ EU Commission Delegated Regulation 2019/2170 of 27 September 2019. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2170>.

¹⁰² Ibidem.

1.2. Overall methodological approach

This study is based on data collected through desk research and qualitative semi-structured interviews with stakeholders involved in the selected schemes. In the first part of the research process, information about the selected ILA schemes was collected by using available online resources, such as reports and any up-to-date monitoring data and statistics relating to the implementation and functioning of the schemes. Generally, the desk research aimed at mapping data needs and background information about the analysed schemes used both in the descriptive section and for the comparative analysis (Chapter 3). Detailed information about EU-level SCOs was collected from the Delegated Regulation (EU) 2019/2170 and through information on the audit trail, available in the final report that established the calculations.¹⁰³

In the second part of the research process, relevant stakeholders were asked to participate in the data collection process. Following the desk research, more specific questions were established for the interviews.

Main topics covered during the interviews included:

- Functioning of the selected scheme.
- Comparability of supported target groups.
- Comparability of activities and eligible costs.
- Availability of comparable data on outcomes and inputs.
- Comparability of costs.
- Requirements of setting-up the individual learning scheme.

The focus of the study is the only EU ILA scheme, the French CPF, and four out of the five interviews were conducted with people involved in the management of the CPF and with expertise in how this scheme is financed. Table in the annex contains information about the people we interviewed. More than questions on the availability and accessibility of data on the above topics, actual monitoring, and administrative data on the numbers were provided through the interviews and after the interviews, in written forms.

¹⁰³ European Commission (2018) Developing 'Off-the-Shelf' Simplified Cost Options (SCOs) under Article 14.1 of the European Social Fund (ESF) regulation. Available at: <https://op.europa.eu/lt/publication-detail/-/publication/d7f89afb-c782-11e8-9424-01aa75ed71a1/language-da>

2. Overview of selected ILA schemes

Shifts in the labour market, such as the gig economy or the automation of certain labour sectors, shaped both the existence, design, and uptake of active labour market policies targeting vocational training and career development. According to the OECD, **individual learning schemes** are a broader category of schemes tackling vocational training that include *individual learning accounts (ILAs)*, *individual savings accounts (ISAs)*, and *training vouchers*.¹⁰⁴

Individual learning schemes have been available since the early 2000s in several EU Member States, such as the United Kingdom, Italy, Austria, France, and others. The French *Compte Personnel de Formation* (Personal Training Account, CPF), which supports an individual to exercise their right to upskilling and reskilling for employed and unemployed people, is the only existing ILA scheme in the EU. The CPF offers portable rights across employment statuses and provides individuals with an accumulation of rights acquired in one's professional life.

An ILA is an account that provides individuals with resources equivalent to training credits which are portable between employment statuses, accumulated throughout time, and mobilised at one's own initiative.

Table 1 shows the differences between individual learning schemes.

Table 1. Types of individual learning schemes

Individual Learning Accounts	Individual Savings Accounts	Training Vouchers
- Virtual individual accounts. - Portable between employment statuses. - Training rights are accumulated over time. - Examples: <i>Compte Personnel de Formation</i> (FR).	- Real, physical accounts. - Resources are accumulated over time for the purpose of training. - Unused resources remain the property of the individual and, depending on the scheme, may be used for other purposes (e.g. retirement). - Examples: <i>Learn\$ave</i> (CA) or the <i>lifelong learning accounts</i> (US).	- Provide direct subsidies for training purposes, often with co-financing from the individual. - Oftentimes called 'accounts', but function as a voucher. - Do not allow for any accumulation of rights or resources over time. - Are the most frequently implemented form of an individual learning scheme. - Examples: <i>Cheque formação</i> (PT), <i>Bildungskonto</i> (AT).

The French CPF is financed through **cost-sharing** between the state and employers, with the possibility for individuals to contribute themselves and with the potential use of additional sources (the Regions, public employment service etc.). Generally, most individual learning schemes rely only on state funding and, sometimes, co-payments from individuals themselves (the case of Germany, Portugal, and Upper Austria).

¹⁰⁴ OECD (2019) Individual Learning Accounts. Panacea or Pandora's Box? Available at: <https://www.oecd-ilibrary.org/sites/203b21a8-en/index.html?itemId=/content/publication/203b21a8-en>

This study will focus on the CPF, the only on-going ILA scheme. In addition, Scotland's Individual Training Account (ITA) and Singapore's SkillsFuture Credit (SFC) will be analysed. The CPF is the closest example of a scheme that provides the exercise of a right to training through a simplified and more flexible tool for a wide group of people. Although more similar to other individual learning schemes than to the characteristics of an ILA, the ITA and SFC will be included in the analysis with the purpose of building on a better understanding of the variations in mechanisms used to provide an individual right to training.

2.1. Compte Personnel de Formation (France)

The *Compte Personnel de Formation* (Personal Training Account, CPF) is a vocational training scheme funding lifelong learning in France, under the *Compte Personnel d'Activité* (CPA) account. The CPF aims to reduce recorded inequalities in access to training to the detriment of those who are least qualified and in more precarious employment, encourage personal autonomy in the take-up and choice of training, and adapt skills in a changing labour market.

CPF provides credits to people who started their professional life after the age of 16 until retirement. Periods of unemployment do not entitle people to CPF rights, but unemployed people are receiving credits by the accumulated time in work and with the potential for various top-ups from available funds under CPF for jobseekers (from Pôle emploi or the Regions). The CPF was launched in 2015 and continued the previous scheme, the *Droit Individuel à la Formation* (Individual Right to Training, DIF), available between 2004 and 2015. The CPF took over the remaining training hours financed by the DIF and pursued similar purposes. At the end of 2020, there were 38 million funded CPF accounts for individuals¹⁰⁵ and the number of persons who mobilised their CPF account increased from 53,000 in 2015 to 383,000 in 2018.¹⁰⁶

Eligible applicants:

- Employees (full-time and part-time) with or without qualifications (higher amounts for less qualified).¹⁰⁷
- Employees with a registered disability.
- Unemployed.
- Public servants.
- Self-employed and liberal professionals.

Trainings for employed and unemployed people are financed through money collected through a tax paid by all companies. All businesses pay a compulsory legal contribution to vocational training and devote 0.55% of their gross payroll to financing training when they have less than 11 employees, and 1% when they have 11 or more employees. The funds pooled from companies are gathered by the 11 skills operators (OPCOs), to which

¹⁰⁵ Caisse des Dépôts et Consignations (2020) Les chiffres -clés. Available at: https://retraitesolidarite.caissedesdepots.fr/sites/default/files/210106_MCF_Chiffres_DEMAT.pdf

¹⁰⁶ La Tribune (2020) *Compte personnel de formation: un bilan en demi-teinte*. Available at: <https://www.latribune.fr/economie/france/compte-personnel-de-formation-un-bilan-en-demi-teinte-840112.html>

¹⁰⁷ Part time employees get CPF credits if the hours of the job are between 50%-100% of a standard full-time job, not below this percentage. Since 2020, employees who have worked for more than or equal to half the legal or contractual working time for the whole of 2019. For employees with little or no qualifications who have not reached a level of training certified by a diploma classified at level 3 (CAP, BEP), the annual amount of the CPF credit is increased to 800 euros (with a ceiling of 8,000 euros).

companies are affiliated to according to the labour sector¹⁰⁸, or by the *Fonds Paritaire* (Equal Fund for Securing Professional Careers).¹⁰⁹ Credits expressed in euros are accumulated during periods of employment but can be also used in periods of unemployment, with possibility for additional support from the public employment service. Employed people can also receive top-ups from the employer or skills operators, upon request. Since, 2019 self-employed and liberal professionals have a choice to voluntarily mobilise their account if they pay a flat-rate contribution to the vocational training fund (to *Fonds d'Assurance Formation*, Training Insurance Fund).

Employed people can benefit from training activities during working hours, outside work¹¹⁰ and without involving the employer, or following a dismissal from a company in reorganisation.¹¹¹ During working hours, the employee needs an approval from the employer for a training leave and has the right to receive remuneration while training, whereas outside work, the employee is not required to get an approval by the employer. Furthermore, for employed people, CPF offers different funding mechanisms for varying contexts: employees who lost their jobs due to company changes (e.g. restructuring, closing, moving of the company) can continue accumulating CPF credits and undergo trainings through the *Contrat de Sécurisation Professionnelle* (Professional Security Contract) mechanism; *Transition CPF* covers active people who are undergoing training during their working hours with the permission of the employer.¹¹²

Popular trainings attended by employed people are language courses, IT and digital skills, and classes in the field of transport (including courses for obtaining a driver's license), handling, and warehousing. Transportation, general trainings, security, language, and IT classes were the most attractive courses for unemployed people in the last years.¹¹³

Currently, there are more than 75 000 training operators. After the 2018 vocational training reform, all training programmes had to be registered with the *Registre National des Certifications Professionnelles* (National Registry of Professional Qualifications) or the *Répertoire Spécifique* (Specific Register, formerly Inventaire). Since January 2021, a new law imposes the certification of training providers based on a **unique national repository**.¹¹⁴ Funded activities also include skills assessments (*Bilan de compétence*) and validation of experience (VAE).

Recent years brought a multitude of changes in the management and accessibility of the CPF, firmly marked by developments of the 2018 reforms in vocational training. Certain measures were taken in closing existing pay gaps ('Law for the freedom to choose one's professional future'), monetising the account which was previously credited in hours, extending the target group to self-employed and other groups, and reorganising the management of CPF's administration. In 2020, the *Caisse des Dépôts et Consignations* (CDC), the French public financial institution, started to manage the financing of the CPF

¹⁰⁸ If employees do not want to mobilise their CPF through their employer, employees can autonomously choose trainings activities through 10 OPACIFs (*Organismes Paritaire Agréé au titre du Congé Individuel de Formation*), intermediate agencies without a prior approval by the employer.

¹⁰⁹ Social organisation that redistributes the money collected through the training levy that employers pay.

¹¹⁰ *Projet de transition professionnelle*. This mechanism replaced the *Congé Individuelle de Formation* (Individual Training Leave) in 2019. Available at: <https://travail-emploi.gouv.fr/formation-professionnelle/formation-des-salaries/article/projet-de-transition-professionnelle>

¹¹¹ *Contrat de Sécurisation Professionnelle* (Professional Security Contract).

¹¹² The eligible employee must justify a salaried activity of at least 2 consecutive years or not, including 1 year in the same company, whatever the nature of the successive contracts.

¹¹³ DARES (2020) *Le compte personnel de formation en 2018*. Available at: https://dares.travail-emploi.gouv.fr/sites/default/files/pdf/dares_resultats_compte_personnel_formation_2018.pdf.

¹¹⁴ By 2021, all providers need the Qualiopi certification¹¹⁴ obtained from bodies authorised by the Comité français d'accréditation (French Accreditation Committee, COFRAC).

and its personal training account information system. A new agency, *France Compétences*, is responsible for the governance of the vocational training in France by regulating prices and the quality of trainings and by bringing together the involved stakeholders (the state, the regions, and social partners).

A recent development for funding training for jobseekers in France was the *Skills Investment Plan*, a 5-year action plan led by the Ministry of Labour, which prioritised investing into one million low-skilled or unskilled jobseekers and one million young people who are not in education, employment, or training (NEETs).¹¹⁵ Funds from this national plan also go to the CPF and, for Pole Emploi, the additional funds make it possible to finance more and longer training courses through public procurement.

2.2. Individual Training Account (Scotland)

Launched in 2017 through the new *Labour Market Strategy*, the Individual Training Account (ITA) replaced the previous ILA available in Scotland. Applicants can get up to 200 £ per year with no accumulation of credits and the sum of up to £200 is lost if it is not used during the one-year period. ITA's focus is on people actively seeking employment and people who are currently in low paid work and want to progress.¹¹⁶

Skills Development Scotland (SDS), the national skills agency under the Scottish Government, is responsible for funding and managing this scheme.

Eligible applicants to ITA funding:

- Jobseekers.
- Self-employed.
- Employed with a low income (see below).¹¹⁷

In 2019-2020, there were 19,212 ITA applications approved¹¹⁸ and in 2020, 32% of the applications came from employed, 10% with no income, 47% people who receive unemployment benefits, and 6.5% self-employed.¹¹⁹ For training providers, eligibility to offer ITA trainings comes with at least 2 years of experience and 1 year's full and final annual accounts demonstrating a strong trading record. The eligible providers must pay SDS an annual user permission fee to access the information system.¹²⁰ Each course offers the trainees industry recognised qualifications for the job market.

ITA is scheduled to welcome up to 28,000 new applications until 2022.

¹¹⁵ So far, the main activities supported through this national plan focused on digital skills to the least qualified and apprenticeship for young people. Available at: <https://ec.europa.eu/social/BlobServlet?docId=23755&langId=en>

¹¹⁶ Skills Development Scotland (2020) SDS ITA Providers. Available at: <https://www.skillsdevelopmentscotland.co.uk/for-training-providers/sds-individual-training-accounts/>

¹¹⁷ ITA can be mobilised only by Scottish residents, aged over 16, and not in education or involved in any other programme offered by Skills Development Scotland.

¹¹⁸ Skills Development Scotland (2020) Employability Skills. Available at: <https://www.skillsdevelopmentscotland.co.uk/what-we-do/employability-skills/>

¹¹⁹ Information collected from the interviews.

¹²⁰ Funding Information and Processing System (FIPS).

2.3. SkillsFuture Credit (Singapore)

SkillsFuture Credit (SFC) started in 2015 at the initiative of the SkillsFuture Singapore (SSG) to stimulate participation of adult Singapore citizens in learning and on the ownership of their skills development and lifelong learning. SFC offers credits to Singaporeans who can pay the out-of-pocket fees for trainings starting from an initial opening credit, followed by top-ups.

The **aims** of the SFC scheme are to:

- Help individuals make well-informed choices in education, training, and careers.
- Develop an integrated and high-quality system of education and training that responds to constantly evolving industry needs.
- Promote employer recognition and career development based on skills and mastery.¹²¹

SFC is state-funded and managed by SSG, a board under the Ministry of Education (MOE) that leads the national SkillsFuture movement in the field of lifelong learning. Singaporeans and permanent residents aged 25 and above are offered an opening credit of S\$500. SFC targets a wide target group, emphasising support for mid-career individuals and new graduates in search for full time jobs. SSG targets students, early career, mid-career, and people in later work year in the aim of gaining industry-relevant skills by cooperating with employers, unions, industry associations, education and training institutions.¹²²

Eligible applicants - citizens over 25 years old:

- Employed (early career and mid-career onwards).
- Self-employed.
- Unemployed and inactive.
- Students (above 25 years old).
- Persons with disability (above 13 years old).

The first credit is available for a lifetime, while the two S\$500 top-ups are offered only once with a five-year expiry date that aims to encourage Singaporeans to invest as soon as possible in their upskilling and reskilling without postponing. Training organisations that want to provide SkillsFuture trainings need to respect the eligibility criteria set out for approved training organisations. Popular courses are in the field of information and communications, engineering, and business management.

Employers can benefit by organising trainings and their engagement is incentivised by financial benefits and awards (SkillsFuture Employer Award). A separate strand of SFC for students offers them the opening SFC and a one-off SFC top-up to pay for their out-of-pocket expenditure for approved skills-related courses at certain universities or online courses from several accredited training platforms. A recent development was the SGUnited Traineeships programme from 2020 for recent graduates.¹²³

Recent emphasis has been placed on funding digital workplaces and developing basic digital skills in cybersecurity, data interpretation and analysis, skills that become priorities

¹²¹ SkillsFuture Singapore. About SkillsFuture. Available at: <https://www.skillsfuture.gov.sg/AboutSkillsFuture>

¹²² SkillsFuture Singapore (2019) Our Skills Journey. Annual Report 2019/2020. Available at: [https://www.ssg-wsg.gov.sg/content/dam/ssg-wsg/ssgwsg/about/annual-reports/ssg-ar-2019-\(final\).pdf](https://www.ssg-wsg.gov.sg/content/dam/ssg-wsg/ssgwsg/about/annual-reports/ssg-ar-2019-(final).pdf)

¹²³ SkillsFuture Singapore (2020) Budget 2021. Available at: <https://www.ssg-wsg.gov.sg/budget2021.html>

for the future of the workforce. Additional funds have been allocated in 2020 due to the COVID-19 pandemic to equip people with the necessary skills to work under lockdown conditions.¹²⁴

Overall, the structure of SFC presents ways to stimulate engagement in training activities by Singaporeans with a single opening sum that can be used only once.

¹²⁴ SGUnited Skills targets Singaporeans and permanent residents who have lost their jobs due to the COVID-19 pandemic and aims at providing trainings that are able to give more opportunities to find jobs.

3. Comparison of ILA schemes and EU-level SCOs

This section compares in greater detail the analysed individual learning schemes, focusing on the French *Compte Personnel de Formation* (CPF), with the EU-level SCOs for training activities for unemployed, jobseekers, inactive people, and employees (including self-employed and public servants) set in the Delegated Regulation (amended in 2019)¹²⁵ under ESF. In this comparison we used information collected through desk research with further details and clarifications obtained from the interviews we conducted.

The following four EU-level SCOs are available for financing training activities in all Member States:

- *Amount per participant (unemployed persons, job-seekers, and inactive people) demonstrating a successful completion of a training course:* An output-based SCO, where a successful exit refers to a participant leaving an intervention and obtaining a certificate, accreditation or other national measure providing sufficient assurance of completion.
- *Hourly rate for provision of employment services:* An input-based SCO reflecting the average hourly direct labour costs of public employment services staff providing counselling services in a specific Member State. This particular EU-level SCO will not be considered in our analysis due to its low relevance in supporting ILA schemes.¹²⁶
- *Hourly rate for training of employed persons:* An input-based SCO reflecting the average cost of continual vocational training courses for employees per participant training hour incurred by enterprises in a specific Member State.
- *Hourly rate for salary of employed person:* An input-based SCO of the *trainee salary costs per training hour*, calculated through the median hourly labour costs per employee incurred by enterprises in a specific Member State. It covers all employees in private enterprises which support training.

The following elements and provisions are considered when analysing the compatibility of ILA schemes and the EU-level financing instruments in question:

- Beneficiaries of training activities.
- Supported activities and categories of costs.
- Data on inputs, outputs, and outcomes.
- Amounts and comparability of costs.

¹²⁵ EU Commission Delegated Regulation 2019/2170 of 27 September 2019. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2170>.

¹²⁶ In France, the CPF previously required attendance to a compulsory counselling service from jobseekers through a Pôle emploi advisor before mobilising the credits but recently this condition was removed from being mandatory. Currently, *Conseil en évolution professionnelle* (CEP) is not offered through CPF credits and is available for employed and unemployed people, whereas the SCO for PES is only for the unemployed. For these reasons, is not within the scope of our study to include this cost option.

3.1. Beneficiaries of training activities

Table 2 presents the complete list of beneficiaries of the analysed individual learning schemes.

Table 2. List of beneficiaries supported by the analysed individual learning schemes

Scheme	Beneficiaries
CPF	- Employees (full-time and part-time) with or without qualifications.¹²⁷ - Employees benefiting from an employment obligation (disability registered with ESAT,¹²⁸ work accident, military pension etc.). - Unemployed.¹²⁹ - Seasonal workers. - Public servants.¹³⁰ - Self-employed and liberal professionals.
ITA	- Jobseekers. - Employees working in low paid work (> £22,000/year).¹³¹ - Self-employed. Who: - Are residents of Scotland. - Are not enrolled in any secondary, further, or higher education. - Do not have a degree of secondary, further, or higher education. - Are not training through the Employability Fund or Modern Apprenticeships. - Are not participating in the Community Jobs Scotland,¹³² - Have an income of £22,000/year or less.
SFC	- Early career and mid-career onwards (citizens and permanent above 25 years old). - Employed. - Unemployed and inactive. - Student. - Retired people. - Persons with a disability (above 13). - Self-employed.

¹²⁷ Part time employees get CPF credits if the hours of the job are between 50%-100% of a standard full-time job, not below this percentage. Since 2020, employees who have worked for more than or equal to half the legal or contractual working time for the whole of 2019. For employees with little or no qualifications who have not reached a level of training certified by a diploma classified at level 3 (CAP, BEP), the annual amount of the CPF credit is increased to 800 euros (with a ceiling of 8,000 euros).

¹²⁸ Établissements ou services d'aide par le travail (Establishment or work assistance service, ESAT).

¹²⁹ There are 8 categories of unemployed for administrative purposes and 5 categories for the statistical classification used by institutes managing statistical data on unemployment. Available at: <https://www.droit-travail-france.fr/assurance-chomage.php#:~:text=Le%20ch%C3%B4meur%20se%20d%C3%A9fini%20comme,totalement%20ou%20partiellement%20sans%20emploi.&text=C'est%20un%20crit%C3%A8re%20essentiel,ch%C3%B4mage%20sans%20recherche%20d'emploi>.

¹³⁰ Since the second half of 2018.

¹³¹ ITA can be mobilised only by Scottish residents, aged over 16, and not in education or involved in any other programme offered by Skills Development Scotland.

¹³² Programme dedicated to young unemployed people between 16 to 29. Available at: <https://scvo.scot/jobs/community-jobs-scotland>

Of the three analysed schemes, CPF and SFC seem to target the widest audience. ITA credits are available only to low-paid employees, jobseekers and self-employed (provided the beneficiary meets the condition of not receiving other SDS funding), and they scale depending on beneficiary's income level. SFC targets students, young people, and retired people. CPF covers employed people (seasonal workers, public servants, and other types of employment, including self-employed and liberal professionals) and offers additional support (EUR 800 instead of EUR 500) to employees with disabilities (registered at ESAT with a disability/victims of a work accident) and to employees with lower qualifications. CPF credits are based on the rights accumulated over the years spent in employment, and the level of qualification to counter the inequalities in skills among workers. Unemployed people can use credits that were accumulated in periods of employment. This target group can receive additional funds for trainings from the state. The eligibility criteria used by the French PES for unemployed persons require a person to be totally or partially unemployed and looking for a job.¹³³

In terms of definitions used and the extent of coverage (supporting training activities for the unemployed, jobseekers, and inactive people), CPF beneficiaries overlap with the target groups eligible for support with the EU-level SCOs in question (see Box 1). Although CPF differentiates the support level depending on status (i.e. disability) and educational qualifications of its beneficiaries, it does not prevent using EU-level SCOs to support ILA schemes.

Box 1. Target groups covered by relevant EU-level SCOs

Target groups covered by the EU level SCO for training of the unemployed, jobseekers and inactive people who successfully completed a training course:

- Registered unemployed, i.e. persons considered as registered unemployed according to national definitions.
- Other registered jobseekers, i.e. all persons registered with the PES as jobseekers but who are not considered as registered unemployed according to national definitions. The group of persons registered as jobseekers with the PES normally includes persons already in employment who are simply looking to change jobs and do not need support from an LMP measure. In practice, therefore, the target group of other registered jobseekers refers to persons who are unemployed (but do not qualify as registered unemployed), underemployed or inactive.
- Not registered jobseekers, i.e. persons who are not in employment or where registration with the PES is not a prerequisite for participation in LMP interventions.

Target groups covered by the EU level SCO for training of the employed:

- Any employed person, i.e. person engaged in any sort of employment (including self-employed) in any sector of the economy.

Source: <https://op.europa.eu/lt/publication-detail/-/publication/d7f89afb-c782-11e8-9424-01aa75ed71a1/language-hr> and <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>

¹³³ Droit Travail France. L'assurance Chômage. Available at: <https://www.droit-travail-france.fr/assurance-chomage.php#:~:text=Le%20ch%C3%B4meur%20se%20d%C3%A9fini%20comme,totalement%20ou%20partiellement%20sans%20emploi.&text=C'est%20un%20crit%C3%A8re%20essentiel,ch%C3%B4mage%20sans%20recherche%20d'emploi>

3.2. Supported activities and categories of costs

Table 3 provides an overview of the activities/operations and categories of costs supported by the three individual learning schemes.

Table 3. Activities supported and cost categories covered by the analysed individual learning schemes

Scheme	Activities	Cost categories
CPF	- Eligible activities: a basic knowledge and skills defined by a decree; or sanctioned by a certification registered in the RNCP (all or part identified professional certification aimed at the acquisition of a block of skills); or registered in a specific directory (RS established by France competences); or actions allowing volunteers and volunteers in civic service to acquire necessary skills for their missions; or for a driver's license (B, C, D) - Actions allowing a skills assessment (<i>Bilan</i>) - Advice actions for business creators or buyers - Support actions for the validation of acquired experience (VAE) - Can be fully online, offline, or both - Can be during working hours or outside	- Training costs - Travel expenses can be covered for unemployed people, in some cases (through Pôle Emploi mobility aid)
ITA	- Non-formal training activities. - Must fall within 1 of 13 approved curriculum areas. - Can be fully online, offline, or both. - Can be only outside working hours.	Training costs
SFC	- Non-formal training and formal in the case of paying tuition fees for certain courses for students - List of accredited courses, including MOOCs (massive open online courses)	Training costs

Activities offered through CPF allow individuals to pay for trainings, validation of experience, or skills assessments (*Bilan de compétences*) by using the same training rights accumulated in the account. The *transition CPF* (previously known as *Congé individuel de formation*, Individual Training Leave) covers active people who are undergoing training during their working hours with the permission of the employer.¹³⁴ Sector-wise, CPF is managed with the help of 11 sector-specific skills operators and with 75,000 training operators offering these activities. ITA offers only training activities within 13 curriculum areas. SFC covers several courses for students and various online activities through open online courses offered by an international platform for courses.

¹³⁴ The eligible employee must justify a salaried activity of at least 2 consecutive years or not (what does this mean?), including 1 year in the same company, whatever the nature of the successive contracts.

The core part of activities supported by CPF overlap with operations defined as eligible for reimbursement with relevant EU-level SCOs (see Box 2). A few, however, are potentially outside the scope, namely actions for business creators or buyers and actions allowing volunteers and volunteers in civic service to acquire necessary skills for their missions. Actions for skills assessment (*Bilan*) and validation of acquired experience (VAE) also appear to be ineligible due to lack of the training element. In addition, the following CPF provisions are not fully in line with requirements for trainings reimbursed through relevant EU-level SCOs:

- CPF (and the other two schemes) cover non-formal training activities delivered whether online, offline, or both. However, not all distance learning is considered institutional training in the case of trainings covered by the EU-level SCO for training of the unemployed, job-seekers and inactive people who successfully completed a training course – fully online trainings are not covered by the EU-level SCO in question.
- Under certain circumstances CPF may cover apprenticeship programmes, which is not the case of EU-level SCOs for training for unemployed, counselling services and training for employed persons.

In terms of costs, all three schemes cover only the fees related to training activities and no other costs for transportation, accommodation, and meals. The CPF may cover travel expenses only under certain specific circumstances, for unemployed who get funding through Pôle Emploi. In comparison, the EU-level SCOs cover all ESF-eligible direct and indirect costs of operation. In the case of training for employed persons, this includes travel and subsistence costs, labour costs of trainers, costs of training centre or premises and teaching materials.

Box 2. Operations supported and cost categories covered by relevant EU-level SCOs

EU-level SCO for training for unemployed, job-seekers and inactive people covers any operations (except training activities already covered by other EU-level SCOs approved by the Delegated Act) concerning training of the target groups in question. Supported training courses can be primarily either institutional or workplace-based, as long as they are at least partly delivered in an institutional setting. All ESF-eligible direct and indirect costs of operation are covered.

EU-level SCOs for training for employed persons also covers any operations (except training activities already covered by other EU-level SCOs approved by the Delegated Act) concerning training of the target group in question. All ESF-eligible direct and indirect costs of operation are covered (including salary of the employee while on training, where it is considered an eligible cost), except allowances paid to participants.

Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02015R2195-20200108>

3.3. Availability of data on inputs and outputs

According to the interviewees, data on various indicators (e.g. number of persons in trainings, type of trainings carried out, number of hours of training, etc.) is available from the Statistical Office for Labour and Employment (DARES), also from Pôle Emploi and

CDC.¹³⁵ If needed, these organisations should have information on the number of completed hours of training to employed persons per participant and the number of unemployed, jobseekers and inactive people who successfully completed a training course. This is in line with our finding that CPF payments are based on completed training activities, which implies that data on both indicators should be available. Data on the number of hours of salary paid to employees while on a training course (a second indicator used in the case of SCOs for training for employed people), on the other hand, is not being collected.

In Scotland, information on the actual duration of activities is not being collected. Training providers are only asked by SDS to identify the starting and ending dates of training before the approval for training is given. ITA has no mechanism to follow up on completion of the training activities, yet they use phone surveys to follow-up on training outcomes.

3.4. Amounts and comparability of costs

Table 4 presents the rates used in the three analysed schemes.

Table 4. Amounts allocated for training activities in the analysed individual learning schemes

Scheme	Amounts (in national currencies)
CPF	• €500/year full-time or part-time employees + self-employed (ceiling of €5,000). • €800/year (ceiling of €8,000) for people without qualifications or low qualifications,¹³⁶ as well as people with disabilities.¹³⁷ • Average cost of training around €2,400 (in 2018).¹³⁸
ITA	• £200/person/year (as planned for a single training course/episode).¹³⁹
SFC	• S\$500 opening credit, valid for a lifetime. • One-off SFC top-up of S\$500 (2020-2025). • S\$500 Mid-Career Support (between 40 to 60 years old, since 2020-2025).

As already mentioned in Sections 2.1-2.3, CPF and ITA beneficiaries accumulate funds for training by getting credits allocated on a yearly basis. Meanwhile SFC beneficiaries get a one-off opening credit, which can be topped-up once or twice if certain conditions are met.

The rates for CPF presented in Table 4 were established after analysing the aggregated data accumulated since 2015. In the period until 2019 CPF credited full-time employees with 24h/year and a ceiling of 120h, and part-time employees with 12h/year and a ceiling of

¹³⁵ DARES has data available on the number of hours of training and, according to their evaluation, the average duration of completed trainings for employed people decreased from 117.1 hours in 2015 to 88.1 hours in 2018, with 78.5% of trainings for employed persons being shorter than 100 hours in 2018. Trainings for jobseekers are however longer, although decreasing from an average of 240.6 hours in 2015 to 132.2 hours in 2018. More recent data is not yet available. Available at: https://retraitesolidarite.caissesdesdepots.fr/sites/default/files/210106_MCF_Chiffres_DEMAT.pdf

¹³⁶ Qualification level lower than *Certificat d'aptitude professionnelle*, *Brevet d'études professionnelles*, or professional title/level 3 certification.

¹³⁷ Registered with the *Établissements ou services d'aide par le travail* (Establishment or work assistance service, ESAT).

¹³⁸ The cost of one training is segmented into more years (2-3 years) and paid with accumulated credits.

¹³⁹ In the financial year 2020-2021, the average cost was £188.52.

150h.¹⁴⁰ In 2019, the credits in hours were transformed into euros, as presented in the table above. The average cost of training was around €2,400 in 2018, with a great variation depending on employment sector (e.g. in 2018, the average cost of 57 hours-long language training courses was €2,067, whereas the average cost of similar duration IT courses was €1,228). Meanwhile the average cost of validation of experience offered through CPF credits was €1,500.¹⁴¹

According to the interviewees, it was estimated in 2019 that the average expenditure on training provided to the CPF beneficiaries was around EUR 15/hour. A more recent estimate is not yet available.¹⁴²

Table 5. EU-level SCO rates for training activities in France

SCO	Amount (in EUR)
Amount per participant demonstrating successful completion of a training course	6,274
Hourly rate for training of employed persons	35.99
Hourly rate for salary of employed persons while on a training course	25.29

The publicly accessible information on average cost of training or average hourly cost of training provided to CPF beneficiaries' is insufficient to directly compare these rates against the amounts set for France by relevant EU-level SCOs (see the table above). Nevertheless, the latter appear to be higher than the former:

- EUR 6,274 per participant who successfully completed a training course is around 2.5 times higher than EUR 2,400 on average spent on the training of CPF beneficiaries. The latter amount, however, is an average cost of training for the full spectrum of beneficiaries eligible for CPF support, and it is compared against the rate of an EU-level SCO applicable to operations concerning training of registered unemployed, job-seekers or inactive people. The actual discrepancy is expected to be smaller – the average amount of EUR 2,400 is most likely deflated by fully online trainings or solely workplace-based trainings (i.e. delivered entirely outside the institutional setting) supported by CPF, and (potentially) by some other factors which cannot be controlled without access to more detailed information and data.
- The EU-level SCO rate of EUR 35.99/hour set for operations concerning training provided to employed persons is 2.4 times higher than EUR 15/hour spent on average on training provided to the CPF beneficiaries. Again, the indicators are not directly comparable due to lack of data broken-down by type of the CPF beneficiaries. Also, the average rate of EUR 15/hour is deflated by a more restrictive definition of eligible costs – only the fees related to training activities supported by CPF are covered by this rate. Such expenditure as travel and subsistence costs are not covered by this rate.

¹⁴⁰ For part-time employees, the calculation was made in proportion to the hours worked.

¹⁴¹ Ma Formation (2021) Le coût d'une VAE : tarif et solutions de financements. Available at: <https://www.maformation.fr/droits/combien-coute-vae-prix-tarif-47283>

¹⁴² Individuals can also contribute fully or partially to increasing the available training credits. Additionally, if credits are insufficient for completing a training, additional funding can be requested from the public employment service, the Regions (for jobseekers), and the employer, or skills operator (OPCOs) for employees.

4. Review of ILA set up requirements

Our findings in this section draw on the example of CPF the only ILA scheme in the EU and one of the most comprehensive examples of ILA schemes in general. The scheme, however, is still in flux after undergoing a few reforms in recent years. The relatively constant changes in its governance and implementation arrangements pose difficulties in providing a robust overview of the key elements relevant for setting up other ILA schemes based on the French example. Nonetheless, a few important elements could be identified as vital for the functioning of this ILA scheme.

CPF has oftentimes been presented as an ambitious scheme due to its wide target group and ambitious goals in ensuring the right to training for all individuals, disregarding the sector of their employment. Consequently, **a multitude of stakeholders and public bodies contribute to this goal's achievement**. A key characteristic of CPF is the **cost-sharing between state and private sector**. The compulsory tax for vocational training that companies pay is a fundamental part of how the CPF works and how the necessary funding is accumulated. The interaction of stakeholders who contribute to financing of the scheme is facilitated by **an online platform**. Meanwhile, the funding management system (FMS) is a platform for partners (training providers, programme partners, employers etc.) who allows processing transactions.

Governance-wise, CPF has seen many changes prompting reallocation of responsibilities between multiple agencies. As it stands now, Caisse des Dépôts et Consignations and *France Compétences*¹⁴³ are the responsible bodies for the centralised management of the CPF in collaboration with the regions. In its responsibility within the French vocational training landscape, France Compétences handles the certifications offered to eligible training providers, regulates training prices, and distributes the mutual funds for vocational training (i.e. budget collected in the form of taxes paid by employers and other contributions) to all stakeholders involved in vocational training, including for the CPF.

Another key element – **certification of training activities** – is quintessential for the variety of activities offered by training operators. The 2018 law for the freedom to choose one's professional future¹⁴⁴ shifted the responsibility to France Competences for the registration and eligibility of training certifications in the Specific Registry (i.e. for validating skills and acquired knowledge for professional activities) and the National Registry (i.e. for complementary skills).

Lastly, the CPF offers a simple and accessible way to exercise an individual right to training by facilitating the process through an **online application** (*Mon Compte Formation*) that allows individuals to have all the necessary information, tools, and autonomy to choose between available trainings.

¹⁴³ France Compétences brings together the previous activities of the National Council for Employment, Vocational Training and Guidance (Cnefop), the National Joint Committee for Employment and Vocational Training (Copanef), the Joint Fund for the Security of career paths (FPSPP) and the National Commission for Professional Certifications (CNCP).

¹⁴⁴ Ministry of Labour (2018) Loi pour la liberté de choisir son avenir professionnel. La loi en 10 points clés. Available at: https://idf.drieets.gouv.fr/sites/idf.drieets.gouv.fr/IMG/pdf/loi_pour_la_liberte_de_choisir_son_avenir_professionnel-2-2.pdf

5. Overall feasibility assessment: How can ESF SCOs support ILAs?

The example of CPF analysed in this report provides a picture of a complex mechanism enabling its beneficiaries to exercise their right to training. Meanwhile ITA and SFC, although they pursue similar goals, were found to be missing some of the important aspects of individual learning accounts described in literature. In some respects, these two schemes are (more) resemblant of voucher schemes.

The underlying analysis also suggests that **using EU-level SCOs to reimburse the cost of training activities supported in the form of CPF-inspired ILA schemes seems feasible**:

- All target groups eligible for CPF appear to be also covered by relevant EU-level SCOs. Even if some of the CPF target groups would be considered ineligible, any new CPF-inspired ILA scheme supported from ESF+ would highly benefit from the simplification effect offered by relevant EU-level SCOs.
- The core activities supported by CPF are also eligible for reimbursement with relevant EU-level SCOs.
- Data needed to account for the unemployed, jobseekers and inactive people who successfully completed a training course, the number of completed hours of training to employed persons per participant, and the number of hours of salary paid to employees while on a training course should be easy to provide, especially if Member States designing new ILA schemes are aware of the possibility of being reimbursed for their expenditure on the basis of relevant EU-level SCOs.
- The unit cost rates of relevant EU-level SCOs are sufficient to cover the costs of trainings supported by CPF.

At the same time, however, a few **important implications, caveats and risks** must be considered in advance:

- *Overcompensation risk.* Although information on the average cost of training in CPF is limited and could not be verified within the scope of the feasibility check, the amounts of relevant EU-level SCOs set for France appear to be significantly higher compared to average training costs in CPF.
- *Scope issues.* The overcompensation risk could be exacerbated even further if supported ILA schemes do not have a balanced mix of target groups (e.g. when people with disabilities, or people with low qualification, or other target groups whose training is typically more expensive are not covered by the scheme) and supported activities/operations (e.g. when supported activities are mostly online trainings), or selectively prioritise sectors where training costs are relatively low.
- *Eligibility issues.* If used to reimburse the cost of training activities supported by CPF or by any new CPF-inspired ILA schemes, some of the supported operations would be considered ineligible (e.g. training activities for unemployed persons, job-seekers and inactive people delivered entirely outside the institutional setting). This either complicates the otherwise simplified management of the scheme, or results in exclusion of certain types of operations. The latter could be particularly relevant in the case of new ILA schemes designed to benefit from simplification offered by relevant EU-level SCOs.
- *Indicator alignment.* To get reimbursed by the Commission on the basis of relevant EU-level SCOs any new or existing ILA schemes must collect data on indicators used to account for achieved outputs and tracked inputs.

Annex

Table 6. List of interviewees

Country	Name	Position
France	Ann Vourc'h	OECD economist
France	David Duval	Vocational Training Counsellor at Régions de France
France	Gabrielle Hoppe	Administrative director at the General Delegation of employment and vocational training (director of the CPF)
France	Isabelle Reste	Project Manager at the Department of Skills Development in the Territories (Pole Emploi)
UK (Scotland)	Stewart Forrest	Business Lead, Customer Services Manager at Skills Development Scotland for the Individual Training Account

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