

The Court of Audit examined the management of the European Social Fund in the Flemish Community

The Belgian Court of Audit examined how the European Social Fund (ESF)'s resources for the "Regional competitiveness and employment objective" (objective 2) were organised and managed by the Flemish Community for the period 2007-2013. The Court identified some risks of conflicts of interest, double subsidizing and under-utilization of the ESF's funds. It also found that the procedures and selection methods of the calls for proposals lacked transparency and that the budget did not sufficiently reflect the cofinancing.

Organization and management of ESF's funds in the Flemish Community

The European objectives are incorporated into a national reference framework and a Flemish operational programme (OP 2007-2013). As drafting and approval came late, there is a risk of under-utilization of the funds.

There is also a possibility of double subsidizing as a number of objectives are similar to other European programmes, as the ESF's funds are administered by various policy levels and as there is no centralized recording of subsidies.

The Flemish government entrusted the implementation of the OP and consequently the management of the ESF's funds to the non-profit organisation ESF agency ("ESF-agentschap"). The ESF agency publishes restricted calls for proposals intended for the institutional partners (the departments of Work and Social Economy (WSE), Education (OV) and Economy, Science and Innovation (EWI), the Flemish autonomous agency "Vlaams subsidieagentschap WSE", the "VDAB-actor" and "VDAB-regie" (both entities created by the Flemish Employment and Vocational Training Service "VDAB"), the Flemish Socio-Economic Board "Serv" and the Flemish Education and Training Agency "Syntra"). The Flemish government has allocated financial funds in advance with this aim in mind. On the other hand, the ESF-agency also publishes open calls for proposals. The Flemish Monitoring Committee (VMC), whose powers are not determined clearly enough, is in charge of the supervision. The institutional partners have a seat in the ESF-agency's executive board and in the VMC. They may not join the decision-making process when it comes to evaluating their own project proposals, but they are involved in drawing up the OP and the calls for proposals, the proposals' evaluation and the final evaluation of the ESF-programme. There are not enough instruments for reducing the risks of conflict of interest.

Calls for proposals and selection

On account of the programme 2007-2013's late start, the first calls for proposals were not published until mid-2007. The calls for proposals did not mention sufficiently clearly the admissibility criteria, the assessment criteria and procedure, the cofinancing requirements nor the ESF-funds

available. Furthermore, the European criteria such as additionality, partnership and the promoters' independence from their partners were not given much attention either. The ESF-agency managed to assess the project proposals in due time, but this assessment was less transparent in the case of restricted calls for proposals than for open ones. The required admissibility assessment was not systematically followed up and some project proposals that had been declared inadmissible were approved all the same. The project proposals and the agreements contain no proof of independence, nor do they include any statement of absence of double subsidization.

Financial management

The Flemish Community has ESF-funding of 468.87 million euros at its disposal for the whole programme 2007-2013. Together with the compulsory Flemish cofinancing, aid amounts to 1.11 billion euros for the whole period. However, the total public funds in the annual budgets do not suffice to carry out the OP's commitments, hence the risk of underutilization of the European funds. In 2007-2009, the funds granted for open calls were underutilized. As a result, over 65% of these funds were allocated to restricted calls for proposals. In addition, the budget does not sufficiently reflect the cofinancing. Regarding the restricted calls for proposals, the cofinancing is included in the institutional partners' grants and subsidies; as for the open calls, the system in use is inadequate. The ESF-agency does not draw up an ESA-budget. The lack of transparency is compounded by the fact that the agency does not append its budget to the general expenditure budget.

Ministers' reaction

The Flemish ministers in charge of employment and social economy answer in their joint reply that the Court of Audit's report contains essential findings that require the necessary attention. According to the ministers, some of these findings derive from the fact that the audit took place in the programme's launching period. In the meantime, the ESF-agency is reported to have strengthened its internal control. In the ministers' opinion, their supervision of the risks of conflict of interest is confined to that of non-profit organizations and an ESA-budget for the agency is not practicable. The Court of Audit does not agree with the ministers on these points.