



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.10.2005
COM (2005) 523 final

2004/0165 (COD)

Amended proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Social Fund

(presented by the Commission pursuant to Article 250 (2)
of the EC-Treaty)

EXPLANATORY MEMORANDUM

1. INTRODUCTION

- (1) On 14 July 2004, the Commission adopted a proposal for a new Regulation of the European Parliament and of the Council on the European Social Fund¹. This proposal was forwarded to the European Parliament and the Council on 15 July 2004.
- (2) On 9 March 2005, the Economic and Social Committee gave its opinion on the Commission proposal².
- (3) The Committee of the Regions gave its opinion on the 23 February 2005³.
- (4) The European Parliament gave its opinion at first reading on 6 July 2005⁴.

2. OBJECTIVE OF THE PROPOSAL

The European Social Fund (ESF) contributes to the economic and social cohesion objective set in article 158 of the EC Treaty, by supporting policies and priorities aiming to achieve full employment, improve quality and productivity at work, and promote social inclusion and cohesion, in line with the guidelines and recommendations of the European Employment Strategy (EES).

In order to achieve this objective, the ESF needs to address three major challenges: employment disparities, social inequalities, skills gaps and labour shortages in an enlarged Union; economic and social restructuring due to globalisation and the development of the knowledge-based economy; and demographic changes which have resulted in a shrinking and ageing workforce.

The Commission has proposed a simplified delivery mechanism for cohesion policy while maintaining the key principles of programming, partnership, co-financing and evaluation. A fundamental element of this reform is to encourage a more strategic approach to programming, aiming to enhance concentration and focus of European Social Fund interventions in the context of the Lisbon agenda and the European Employment Strategy.

3. COMMISSION OPINION ON THE ADOPTED AMENDMENTS

On 6 July 2005 the European Parliament adopted 85 amendments. The Commission is prepared to accept, in part or in full, the amendments set out below.

- **Amendment n° 3** (lists policy areas); see recital 7;

¹ COM (2004) 493 final

² OJ C [...], [...], p. [...]

³ OJ C [...], [...], p. [...]

⁴ OJ C [...], [...], p. [...]

- **Amendment n° 4:** (stresses the importance of present and future challenges for the European Union); see new recital 4;
- **Amendment n° 5:** (stresses the importance and modernisation of the European social model); see new recital 4;
- **Amendment n° 6:** (stresses the importance of mainstreaming the different principles of the EQUAL community initiative); see new recital 6;
- **Amendment n° 7:** (lists actions with a view to better anticipating and managing change); see recital 9;
- **Amendment n° 8:** (preventive approach for tackling the relevant dimensions of demographic change); see new recital 8;
- **Amendment n° 9:** (reference to economically inactive persons); see recital 9;
- **Amendment n° 10:** (reference to outermost regions); see article 4 paragraph 2.
- **Amendment n° 11:** (actions in favour of innovative activities); see recital 12;
- **Amendment n° 12:** (stresses the importance of integrating trans-national co-operation as a fundamental dimension in the scope of the ESF); see recital 12;
- **Amendment n° 84:** (concentration of the limited resources available so that expenditure is coherent with other funds and policies); see recital 13;
- **Amendment n° 16:** (ESF support for disadvantaged groups); see recital 15;
- **Amendment n° 17:** (exchange of experience in the domain of social exclusion and discrimination); see recital 16;
- **Amendment n° 87:** (clarification of the mission of the Fund); see article 2, paragraph 1;
- **Amendment n° 19:** (social inclusion); see article 2 paragraph 2;
- **Amendment n° 21:** (reinforces the importance of ESF support to innovative actions in Member States and trans-national co-operation); see article 3, paragraph 4
- **Amendment n° 23:** (includes additional elements such as lifelong learning and business start-ups); see article 3, paragraph 1, point (a) (i);
- **Amendment n° 24 and 93:** (clarification of the text); see article 3, paragraph 1, point (a) (ii);
- **Amendment n° 25:** (ESF support for disadvantaged groups); see article 3, paragraph 1, point (b);
- **Amendment n° 26:** (strengthens the link to the European Employment Strategy); see article 3, paragraph 1, point (b) (i);

- **Amendment n° 27:** (clarification of the text); see article 3, paragraph 1, point (a)(i) and article 3, paragraph 1, point (b)(ii);
- **Amendment n° 28:** (gender mainstreaming); see article 3, paragraph 1, point (b) (iii);
- **Amendment n° 29:** (specific measures to reconcile work and private life); see article 3, paragraph 1, point (b) (ii);
- **Amendment n° 32:** (reinforces the need for combating social exclusion and all kinds of discrimination); see article 3, paragraph 1, point (c);
- **Amendment n° 33:** (ESF support for disadvantaged groups); see article 3, paragraph 1, point (c) (i);
- **Amendment n° 34:** (specific measures to improve social inclusion of migrants); see article 3, paragraph 1, point (b) (iv);
- **Amendment n° 35:** (measures to combat discrimination in the workplace); see article 3, paragraph 1, point (c) (ii);
- **Amendment n° 38:** (actions to facilitate the re-entry to the labour market of those from disadvantaged groups, persons with disabilities and those providing care for dependent persons); see article 3, paragraph 1, point (c) (i);
- **Amendment n° 40:** (visibility for the role of social partners and non-governmental organisations); see article 3, paragraph 1, point (e);
- **Amendment n° 88:** (makes design and introduction of reforms in education and training systems eligible under the regional competitiveness and employment objective); see article 3, paragraph 1, point (d)(i);
- **Amendment n° 89:** (scope of assistance applies to territory of Cohesion Countries); see article 3, paragraph 3;
- **Amendment n° 41:** (includes additional elements such as lifelong learning and business start-ups); see article 3, paragraph 1, point (a) (i) and article 3, paragraph 2, point (a) (i);
- **Amendment n° 42:** (prevention of segregation); see article 3, paragraph 2, point (a) (ii);
- **Amendment n° 46:** (reference to ongoing training and representative professional organisations); see article 3, paragraph 2, point (b) (ii);
- **Amendment n° 48:** (information and awareness raising measures); provisions regarding information and awareness raising actions will be part of the Implementing Regulation;
- **Amendment n° 49:** (technical correction); see article 3, paragraph 5;
- **Amendment n° 50:** (link to the European Employment Strategy and to social inclusion); see article 4, paragraph 1;

- **Amendment n° 51:** (clarification of the type of geographic areas to be taken into account in the operational programmes); see article 4, paragraph 2;
- **Amendment n° 52:** (adds the dimension "*non-discrimination*" and "*equality between women and men*" to quantified objectives and indicators); see article 4, paragraph 4;
- **Amendment n° 53:** (adds the dimension "*non-discrimination*" and "*equality between women and men*" to the evaluation analysis); see article 4, paragraph 5;
- **Amendment n° 54:** (gives visibility to the role of social partners and non governmental organisations); see article 5, paragraph 2;
- **Amendment n° 55:** (information and awareness raising measures); provisions regarding information and awareness raising actions will be part of the Implementing Regulation;
- **Amendment n° 56:** (technical correction); see article 5, paragraph 3, subparagraph 1;
- **Amendment n° 62:** (expanded title – Gender equality and equal opportunities); article 6, title;
- **Amendment n° 63:** (strengthens gender mainstreaming, including in the ex ante evaluation); see article 6;
- **Amendment n° 64:** (strengthens gender mainstreaming); see article 6;
- **Amendment n° 65:** (gender balanced participation); see article 6;
- **Amendment n° 66:** (provisions against discrimination); see article 6 and recital 15;
- **Amendment n° 71:** (title – Progress and implementation reports); see article 10, title;
- **Amendment n° 73:** (provisions for annual reports); see article 10 overall and in particular article 10, paragraph (d);
- **Amendment n° 74:** (reporting on migrants and their access to employment); see article 10, paragraph (b);
- **Amendment n° 75:** (reporting on support for disadvantaged groups); see article 10, paragraph (c) and (d);
- **Amendment n° 76:** (reporting on social integration); see article 10, paragraph (d);
- **Amendment n° 81:** (creation of self-employment and business start-ups); see article 3, paragraph 1, point (a);
- **Amendment n° 82:** (coordination of European Social Fund and the Lisbon strategy); see article 4 paragraph 3;
- **Amendment n° 83:** (social exclusion); see article 10 paragraph (d);

- **Amendment n° 92:** (European Union laws as transposed into national legislation are applicable); see article 11, paragraph 1;

4. CONCLUSION

Having regard to Article 250(2) of the Treaty, the Commission modifies its proposal as follows.

Amended pProposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Social Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 148 thereof,

Having regard to the proposal from the Commission⁵,

Having regard to the opinion of the European Economic and Social Committee⁶,

Having regard to the opinion of the Committee of the Regions⁷,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁸,

Whereas:

- (1) Regulation (EC) No [...] laying down general provisions on the **European Regional Development Fund, the European Social Fund** ~~Structural Funds~~ and the Cohesion Fund⁹ establishes the framework for action by the Structural Funds and the Cohesion Fund and lays down, in particular, the objectives, principles and rules concerning partnership, programming, evaluation and management. It is therefore necessary to define the ~~mission~~**tasks** of the European Social Fund (hereinafter "ESF") in relation to the tasks ~~prescribed under~~**laid down in** Article 146 of the Treaty, and in the context of the Member States and the Community's work ~~towards~~**seeking to** developing a co-ordinated strategy for employment, as ~~provided for under~~**in accordance with** Article 125 of the Treaty. ~~In the interest of clarity, Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund¹⁰ should be replaced.~~
- (2) Specific provisions concerning the type of activities which may be financed by the ESF under the objectives defined in Regulation (EC) No [...] [laying down general provisions on the **European Regional Development Fund, the European Social Fund** ~~Structural Funds~~ and the Cohesion Fund] need to be laid down.

⁵ OJ C [...], [...], p. [...].

⁶ OJ C [...], [...], p. [...].

⁷ OJ C [...], [...], p. [...].

⁸ OJ C [...], [...], p. [...].

⁹ OJ C [...], [...], p. [...].

¹⁰ OJ L 213, 13.8.1999, p. 5.

- (3) The ESF should strengthen economic and social cohesion by improving employment opportunities within the framework of the tasks entrusted to it by Article 146 and Article 159 of the Treaty, in accordance with the provisions of Regulation (EC) No [...] [laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund].
- (4) This approach is all the more significant in the light of the challenges arising from the enlargement of the Union and the phenomenon of economic globalisation. In this connection, the importance of the European social model and its modernisation must be acknowledged.
- (5) In accordance with Article 99 and 128 of the Treaty, and with a view to refocusing the Lisbon strategy on growth and jobs, the Council has adopted an integrated package comprising Broad Economic Policy Guidelines and Employment Guidelines; the latter set out employment objectives, priorities and targets. In this regard, the European Council [of 22nd and 23rd March 2005] has called for the mobilisation of all appropriate national and Community resources including cohesion policy.
- (6) New lessons have been learnt from the Community initiative programme known as EQUAL, especially in respect to the combination of local, regional, national and European action. These lessons should be integrated into all European Social Fund support. Particular attention should be paid to the participation of target groups, the identification of policy issues and their subsequent mainstreaming, innovation and experimentation techniques, methodologies for trans-national co-operation, outreach to groups marginalised from the labour market, the impact of social issues on the internal market, and access to and management of projects taken on by non-governmental organisations.
- ~~(3)~~(7) The ESF should support the policies of Member States which are closely in line with the guidelines and recommendations made under the European Employment Strategy and the agreed objectives of the Community in relation to social inclusion, **non-discrimination, the promotion of equality between men and women**, and education and training. **In this respect, the Education and Training 2010 work programme which is based on comprehensive and coherent national lifelong learning strategies and applies the concept of lifelong learning both within and outside the place of work with special attention to initial training, should be taken into account. Further, the ESF should** ~~to better~~ contribute to the implementation of the objectives and targets agreed at the Lisbon and Gothenburg European Councils, **with a view to establishing conditions which will enable higher levels of productivity and competitiveness to be achieved, greater social cohesion to be generated and better jobs to be created.**
- (8) The ESF should also act in a preventive way by tackling the relevant dimensions and consequences of demographic changes in the active population of the Community, in particular through lifelong vocational training.
- ~~(4)~~(9) With a view to better anticipating and managing change ~~under the regional competitiveness and employment objective~~, assistance by the ESF should focus, in particular, on increasing **the** adaptability of workers, ~~and~~ enterprises, **and** entrepreneurs to the effects of globalisation and business restructuring, it

should concern itself with extending workers' qualifications, encouraging economically inactive persons to re-enter the labour market, improving working conditions, taking proactive measures, such as outplacement and personalised career counselling tailored to the individual's qualifications, to prevent redundancies from resulting in long-term unemployment, enhancing access to employment and participation in the labour market with the goal of achieving full employment, reinforcing the social inclusion of people at a disadvantage and their access to employment, combating the forms of discrimination enumerated by Article 13 of the Treaty, and promoting partnerships for reform.

- (5)(10) In addition to these priorities, in the least developed regions and Member States under the 'Convergence' objective and with a view to increasing economic growth, employment opportunities for women and men and quality and productivity at work, it is necessary to expand and improve investment in human capital and to improve institutional, administrative and judicial capacity, in particular to prepare and implement reforms and enforce the acquis Community legislation.
- (11) Within the range of these priorities, the selection of ESF interventions should be flexible in order to address the specific challenges in each Member State and the types of priority action financed by the ESF should allow a margin of flexibility to respond to those challenges.
- (6)(12) The promotion of innovative activities and trans-national co-operation is should be integrated as a fundamental dimension ~~which should be integrated~~ in the scope of the ESF as regards both the 'Convergence' objective and the 'Regional Competitiveness and Employment' objective. Innovative ideas should be promoted and tried out in accordance with the guidelines and recommendations of the European Employment Strategy, and with the Community's objectives in the field of social inclusion.
- (7)(13) It is necessary to ensure the coherence of the action of the ESF with the policies provided for under the European Employment Strategy and to concentrate ESF support on the implementation of the guidelines and recommendations on employment, the National Reform Programmes and the Community's objectives and the Member States' national action plans on social inclusion. The ESF should also aim at achieving synergies with assistance from the other Funds, in favour of sustainable local, regional and national development. ESF support is also of key importance to achieving the targets regarding social inclusion and education and training.
- (8)(14) An efficient and effective implementation of the action supported by the ESF relies on good governance and partnership between all relevant territorial and socio-economic actors and in particular the social partners and other stakeholders including those at regional and local level.
- (9)(15) The Member States and the Commission must ensure that the implementation of the priorities financed by the ESF under the Convergence and Regional Competitiveness and Employment Objectives contribute to the promotion of equality and elimination of inequalities between men and women; using a gender mainstreaming approach ~~should be combined with specific action~~ to improve access to employment and to increase sustainable participation and progress of women in employment. It must

also contribute to the promotion of equality and prevention of discrimination particularly that faced by disadvantaged groups including people with disabilities, migrants and minorities.

(10)(16) The ESF should also support technical assistance, with a particular focus on encouraging mutual learning through exchanges of experiences, dissemination, ~~transfer~~ of good practices, **and trans-national and inter-regional co-operation**, ~~and on highlighting~~ **thus enhancing** the contribution of the ESF to the policy objectives and priorities of the Community in relation to employment and social inclusion **and combating social exclusion and discrimination.**

(11)(17) Regulation (EC) No [...] [laying down general provisions on the **European Regional Development Fund, the European Social Fund** ~~Structural Funds~~ and the Cohesion Fund] provides that eligibility of expenditure is to be established at national level, with certain exceptions, for which it is necessary to lay down specific provisions. The exceptions relating to the ESF should therefore be laid down.

(18) **In the interests of clarity, Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund¹¹ should be replaced.**

HAVE ADOPTED THIS REGULATION:

Article 1

Subject

This Regulation establishes the tasks of the European Social Fund ("ESF") and the scope of its assistance with regard to the "Convergence" and ~~the~~ "Regional competitiveness and employment" objectives as defined in Article 3 of Regulation (EC) N° [...] and the types of expenditure eligible for assistance.

Article 2

*Mission***Tasks**

1. The ESF shall **contribute to the priorities of the Community as regards strengthening economic and social cohesion, a high level of employment and more and better jobs by improving employment opportunities. It shall do so** by supporting Member States' policies aiming to achieve full employment, improve quality and productivity at work and promote social inclusion, **including disadvantaged people's access to employment**, and the reduction of **national, regional and local** employment disparities.

In particular, the ESF shall support action in line with the guidelines and recommendations adopted under the European Employment Strategy.

¹¹ **OJ L 213, 13.8.1999, p. 5.**

2. In carrying out the tasks referred to in paragraph 1, the ESF shall support the priorities of the Community as regards the need to reinforce social cohesion, strengthen competitiveness and promote environmentally sound economic growth.

In particular, ~~it~~ **so doing, the ESF** shall take into account the **relevant priorities and objectives of the Community in the fields of ~~social inclusion~~, education and training, increasing the participation of economically inactive people in the labour market, combating social exclusion - especially the exclusion of disadvantaged groups - and promoting equality between women and men and non-discrimination.**

Article 3

Scope of assistance

1. Within the framework of the **'Convergence'** and the **'Regional competitiveness and employment'** objectives, the ESF shall support actions ~~under~~ the following priorities:

- (a) increasing adaptability of workers, ~~and enterprises~~ **and entrepreneurs, with a view to improving the anticipation and positive management of economic change**, in particular by promoting:
- (i) **lifelong learning and** increased investment in human resources by enterprises, especially SMEs, and workers, through the development and implementation of ~~lifelong learning~~ systems and strategies, **including apprenticeships**, which ensure improved access to training of, **in particular**, low skilled and older workers, ~~transparency~~ **development** of qualifications and competences, dissemination of ICT, **e-learning** and management skills and the promotion of entrepreneurship, ~~and innovation~~ **and business start ups**;
 - (ii) ~~the anticipation and positive management of economic change, notably through the design and dissemination of innovative and more productive forms of work organisation, including better health and safety~~ **at work**, the identification of future occupational and skills requirements, and the development of specific employment, training and support services, **as well as outplacement, for** ~~to~~ workers in the context of company and sector restructuring.
- (b) enhancing access to employment **and the sustainable inclusion in the labour market** of job seekers and inactive people, preventing unemployment, **in particular long-term and youth unemployment, encouraging active ageing and** prolonging working lives and increasing participation in the labour market ~~of women and migrants~~, in particular by promoting:
- (i) the modernisation and strengthening of labour market institutions, in particular employment services **and other relevant initiatives in the context of the Community's and the Member States' strategies for full employment**;
 - (ii) the implementation of active and preventive measures ensuring early identification of needs **with individual action plans** and personalised

support, job search, and mobility, self-employment and business creation including co-operative enterprises, incentives to encourage participation in the labour market, flexible mechanisms to retain older workers longer in employment and measures to reconcile work and private life, such as facilitating access to childcare and care for dependent persons;

(iii) mainstreaming and specific action to improve access to employment and increase sustainable participation and progress of women in employment, ~~to reduce~~ and to eliminate direct and indirect gender-based segregation in the labour market ~~including~~ inter alia ~~by addressing the roots causes of the gender pay gaps, and to reconcile work and private life including by facilitating access to childcare and care for dependent persons;~~

(iv) specific action to ~~strengthen the social integration of~~ increase migrants' ~~and increase their participation in employment~~ thereby strengthening their social integration, to facilitate geographic and occupational mobility of workers and integration of cross-border labour markets, including through guidance and language training and validation of competences and acquired abroad skills.

(c) reinforcing social inclusion of people at a disadvantage with a view to their sustainable integration in employment and combating all forms of discrimination in the labour market, in particular by promoting:

(i) pathways to integration and re-entry into employment for disadvantaged people such as people experiencing social exclusion, early school leavers, minorities, ~~and~~ people with disabilities and people providing care for dependent persons, through employability measures, including in the field of the social economy, access to vocational education and training, and accompanying actions and relevant social support, community and care services that improve employment opportunities;

(ii) acceptance of diversity in the workplace and ~~the combating against~~ discrimination in accessing to, and promotion within, the labour market, which may be achieved inter alia through awareness-raising and the involvement of local communities and enterprises and the promotion of local employment initiatives.

(d) enhancing human capital, in particular by promoting:

(i) the design and introduction of reforms in education and training systems in order to develop employability, improve the labour market relevance of initial and vocational education and training and continual updating of skills of training personnel with a view to a knowledge based economy;

(ii) networking activities between higher education institutions, research and technological centres and enterprises.

~~(d)~~**(e)** mobilising for reforms in the fields of employment and inclusion, in particular by promoting **business start-ups and the further development and implementation** of partnerships, ~~and pacts~~ **and initiatives** through networking of relevant stakeholders **such as social partners and non-governmental organisations** at national, regional, ~~and local~~ and **trans-national** level.

2. Within the framework of the 'Convergence' objective the ESF shall also support action under the following priorities:

(a) expanding and improving investment in human capital, in particular by promoting:

(i) the implementation of reforms in education and training systems, especially with a view to raising ~~their responsiveness~~ to the needs of a knowledge-based society **and lifelong learning** ~~improving the labour market relevance of initial education and training and continually updating the skills of teaching and other personnel;~~

(ii) increased participation in education and training throughout the life-cycle, including through action to achieve a significant ~~decline~~ **reduction** in early school leaving **and segregation**, and increased access to **and quality of** initial, vocational and tertiary education **and training**;

(iii) the development of human potential in research and innovation, notably through post-graduate studies and training of researchers ~~and related networking activities between universities, research centres and enterprises.~~

(b) strengthening institutional capacity and the efficiency of public administrations and public services at national, regional and local level **and, where relevant, the social partners and non-governmental organisations with a view to embrace reforms, and good governance, and better regulation,** especially in the economic, employment, social, environmental and judicial fields, in particular by promoting:

(i) **mechanisms to improve** good policy and programme design, monitoring and evaluation, through studies, statistics and expertise **advice**, support to interdepartmental coordination and dialogue between relevant public and private bodies;

(ii) capacity building in the delivery of policies and programmes **in the relevant fields,** including with regard to the enforcement of legislation, especially through **continuous** managerial and staff training and specific support to key services, inspectorates and socio-economic actors including social partners, relevant non-governmental organisations **and representative professional organisations.**

3. **The ESF may support the actions set out in Article 3(2) throughout the territory of the Member States eligible for financial assistance under the Cohesion Fund, as defined in Article 5 (3) of [Regulation N° [...]] laying down general provisions**

on the European Regional Development Fund, the European Social Fund and the Cohesion Fund].

- 3-4. In implementing the objectives and priorities referred to in paragraphs 1 and 2, the ESF shall support the promotion and mainstreaming of innovative activities **in Member States** as well as trans-national and inter-regional co-operation in particular through sharing of information, experiences, results and good practices, and through developing complementary approaches and coordinated or joint action.
- 4-5. In implementing the social inclusion priority referred to in paragraph 21 (c) (i), the financing by the ESF of actions within the scope of the Regulation (EC) N° [...] [ERDF] may amount to a maximum of 10% of the priority axis concerned.

Article 4

Coherence and concentration

1. The Member States ~~and managing authorities~~ shall ensure that the action supported by the ESF is consistent with and ~~underpins the implementation~~ **contributes to actions undertaken in pursuance** of the European Employment Strategy. In particular, they shall ensure that the action set out in the **National Strategic Reference Framework** ~~strategic frame of reference~~ and in the operational programmes promote the objectives, priorities and targets of the Strategy in each Member State **within the framework of the national reform programmes and national action plans for social inclusion. Member states shall also** and concentrate support in particular **where the ESF can contribute to policies,** on the implementation of the **relevant** employment recommendations made under Article 128(4) of the Treaty **and** as well as of the relevant **employment related** objectives of the Community in the field of social inclusion, **education and training.**
2. Within operational programmes, resources shall be directed towards the most important needs and focus on those policy areas to which ESF support can bring about a significant effect in view of the attainment of the objectives of the programme. To maximise the efficiency of ESF support, operational programmes shall, **where appropriate,** take particular account of the regions and localities facing most serious problems, **such as including** deprived urban **areas, outermost regions,** and declining rural **areas, areas** and fisheries dependent **on fishing areas and those areas particularly adversely affected by business relocations.**
3. The relevant elements of the Member States' annual report referred to in Article 1966 of the Regulation (EC) No [...] [laying down general provisions on the ~~Structural Funds~~ **European Regional Development Fund, the European Social Fund** and the Cohesion Fund], shall be integrated respectively in the corresponding national ~~action plans~~ **reform programmes** and national action plans for social inclusion.
4. The quantified objectives and indicators selected to monitor the implementation of the ~~n~~ **National Strategic frame of Reference Framework** defined in Article 18 of Regulation (EC) No [...] [laying down general provisions on the ~~Structural Funds~~ **European Regional Development Fund, the European Social Fund** and the Cohesion Fund], shall be those used in the implementation of the European Employment Strategy and in the context of the **relevant** ~~agreed~~ objectives of the

Community in the fields of social inclusion, non-discrimination, ~~and~~ education and training and the promotion of equality between men and women. The monitoring indicators of operational programmes should be coherent with these quantified objectives.

5. Evaluations undertaken in relation to the action of the ESF shall ~~cover~~also assess the contribution of the action supported by the ESF to the implementation of the European Employment Strategy and to the objectives of the Community in the fields of social inclusion, non-discrimination, ~~and~~ education and training and the promotion of equality between women and men in the Member State concerned.

Article 5

Good governance and partnership

1. The ESF shall promote good governance and partnership. Its support shall be designed and implemented at the appropriate territorial level, ~~with~~ particular attention being paid to the regional and local level, according to the institutional arrangements specific to each Member State.
2. The Member States and the managing authority of each operational programme shall ensure the involvement and adequate access of the social partners and adequate consultation and participation of non-governmental stakeholders, at the appropriate territorial level, in the preparation, ~~programming~~, implementation and monitoring of ESF support.
3. The managing authorities of each operational programme shall encourage adequate participation and access of social partners in the activities funded under Article ~~23~~ 3 of ~~this Regulation~~.

Under the "Convergence" objective, at least 2% of the ESF resources shall be allocated to capacity-building and activities jointly undertaken by the social partners, in particular as regards adaptability of workers and enterprises referred to in Article ~~2~~ 3 (1) (a).

4. The managing authority of each operational programme shall encourage adequate ~~participation and~~ access of non-governmental organisations to the funded activities, and their participation therein, notably in the domain of social inclusion and equality between ~~women and men~~ and women.
5. When responsibility for implementation is delegated, support in the framework of a programme may be ~~provided~~ permitted through global grants.

Article 6

Gender equality and equal opportunities

The Member States and the managing authorities shall ensure that operational programmes include a description ~~on~~ as to how gender equality is and equal opportunities are promoted in the ~~programming~~ preparation, implementation, ~~and~~ monitoring including any specific indicators, and in the evaluation of programmes. Member States shall promote a balanced

participation of women and men in the management and implementation of the operational programmes at local, regional and national level.

Article 7

Innovation

In the framework of each operational programme, Member States and managing authorities shall pay particular attention to the promotion and mainstreaming of innovative activities. After consulting the Monitoring Committee referred to in Article 47~~62~~ of Regulation (EC) N° [...] [laying down general provisions on the ~~Structural Funds~~ **European Regional Development Fund, the European Social Fund** and the Cohesion Fund], the managing authority shall choose the themes for the funding of innovation **in the context of partnership** and shall define the appropriate modalities of **arrangements for** implementation.

Article 8

Trans-national co-operation

1. The Member States and managing authorities shall ensure that programming of trans-national and inter-regional co-operation activities takes the form of a specific priority axis within an operational programme or a specific operational programme.
2. The Member States shall ensure coherence and complementarity between the action of the ~~Fund~~ **ESF** and actions supported through other **trans-national** Community ~~trans-national~~ programmes, in particular in the field of education and training, through appropriate co-ordination mechanisms, to optimise the use of Community resources in support of education and lifelong learning.

Article 9

Technical assistance

The Commission shall promote in particular exchanges of experiences, awareness raising activities, seminars, networking and peer reviews **serving** to identify and disseminate good practices and **to** encourage mutual learning, **trans-national and inter-regional co-operation** with the aim of enhancing the policy dimension and contribution of the ESF to the objectives of the Community in relation to employment and social inclusion.

Article 10

*~~Annual and final~~ **Progress and implementation** reports*

The annual and final implementation reports referred to in Article 49~~66~~ of Regulation (EC) No [...] [laying down general provisions on the ~~Structural Funds~~ **European Regional Development Fund, the European Social Fund** and the Cohesion Fund], shall contain a synthesis of the implementation of **the following**:

- (a) gender mainstreaming as well as of any gender specific action;
- (b) action to ~~strengthen social integration and employment of~~ **increase migrants' participation in employment and thereby strengthen their social integration**;

- (c) action to ~~strengthen social integration and employment of~~ **increase minorities' participation in employment with a view to their sustainable integration in the labour market;**
- (d) action to strengthen social integration in employment and social inclusion of other disadvantaged groups including accessibility of persons with disabilities;**
- ~~(d)~~**(e)** innovative activities, including a justification of the themes selected for innovation, a presentation of their results and of their dissemination and mainstreaming;
- ~~(e)~~**(f)** trans-national and inter-regional co-operation activities.

Article 11

Eligibility

1. The ESF shall provide support ~~towards~~ **for** public expenditure which takes the form of non-reimbursable individual or global grants, reimbursable grants, loan interest rebates and micro-credits and the purchase of goods and services **in compliance with** ~~through public tenders~~ **procurement rules**.
2. The following expenditure shall not be eligible for ESF support:
 - (a) reimbursable VAT;
 - (b) interests on debt;
 - (c) purchase of infrastructure, ~~depreciable~~ movables **subject to depreciation**, real estate and land.
3. Notwithstanding paragraph 2 of this Article, the eligibility rules set out in Article ~~6~~ **7** of regulation (EC) N° [...] [on the ERDF] shall apply to actions co-financed by the ESF which fall within the scope of Article [2] of [Regulation on the ERDF]
4. Notwithstanding national eligibility rules, the expenditure declared under the operational programmes co-financed by the ESF can include:
 - (a) the allowances or salaries disbursed by a third party to the benefit of the participants in an operation and certified to the beneficiary, on condition that such disbursements constitute the national public co-financing to the operation, in conformity with national rules in force.
 - (b) the indirect costs of an operation fixed on a flat-rate basis up to 20% of the direct costs declared for this operation, according to the type of operation, the context in which it is implemented and its location.

Article 12

Transitional provisions

This Regulation shall not affect neither the continued implementation nor the modification, including the total or partial cancellation, of measures approved by the Council or by the

Commission on the basis of Regulation (EC) No 1784/99, which applied prior to 1 January 2007.

Applications made under Regulation (EEC) No 1784/94~~99~~ shall remain valid.

Article 13

Repeal

Regulation (EC) No 1784/99 is repealed with effect from 1 January 2007.

References to Regulation (EC) No 1784/99 shall be construed as reference to this Regulation.

Article 14

Review clause

Acting in accordance with the procedure laid down in Article 251 of the Treaty, the European Parliament and the Council shall review this Regulation by 31 December 2013~~at the latest~~.

Article 15

Entry in force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2007.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President