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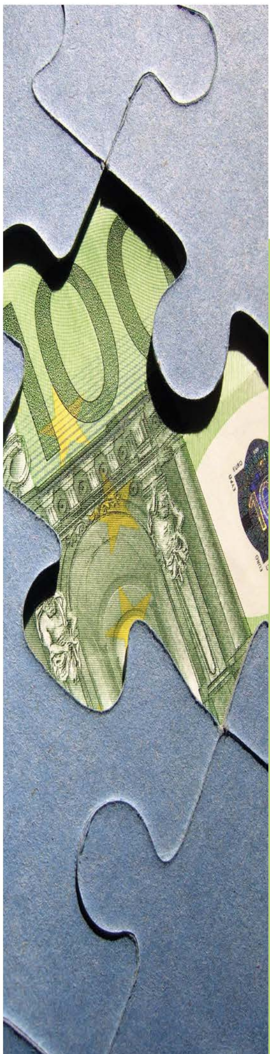

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Assessment of Youth Employment Initiative

IN DEPTH ANALYSIS

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DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D: BUDGETARY AFFAIRS

ASSESSMENT OF YOUTH EMPLOYMENT INITIATIVE

IN-DEPTH ANALYSIS

Abstract

This in-depth analysis assesses the budgetary implementation of the Youth Employment Initiative (YEI) and analyses the impacts of the frontloading and pre-financing of the YEI budget. The analysis is based on the results of a survey and interviews, as well as background research.

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1. INTRODUCTION

High and persistent youth unemployment has been one of the most visible consequences of the economic crisis in the European Union. In 2012, the average unemployment rate for young people under 25 in the European Union reached 23.3 %[1]. A Eurofound study published in the same year estimated the annual costs of 15-24 year persons not in education, employment or training (NEETs) in the EU to be EUR 153 billion or about 1.2 % of EU GDP (Eurofound, 2012). As one consequence, the EU launched the Youth Employment Initiative (YEI) with an overall budget of EUR 6.4 billion for the programming period 2014-2020 in 2013. This amount can be revised upwards for the years 2016 to 2020 in line with the budgetary procedure laid down in the Multiannual Financial Framework (MFF) Regulation[2].

The YEI is nested in broader policy initiatives started in 2012 with the Employment Package. As one of the follow-up actions to the Employment Package, the Youth Employment Package was set up in 2012, and consisted of three main actions: (i) the proposal to establish a Youth Guarantee (YG); (ii) a consultation among social partners on quality traineeships; and (iii) the establishment of a European Alliance for Apprenticeships. In 2013, the YEI was launched to complement other European Social Fund (ESF) or national actions to address high youth unemployment, in particular through the implementation of the Youth Guarantee (YG).

The YEI is implemented in accordance with ESF rules. The total budget of EUR 6.4 billion is equally split between a dedicated YEI budget line (EUR 3.2 billion) and ESF contributions (EUR 3.2 billion). The total contribution to the YG from the ESF and the YEI is EUR 12.7 billion for the same programming period. Thereby, the YEI is more limited in scope and more focused on providing immediate support for young unemployed in the most affected regions than the YG or other ESF funded actions. While all Member States are expected to implement YGs, financial support through the YEI is focussed on young people under 25 not in education, employment or training (NEETs) living in regions where youth unemployment was higher than 25 % in 2012.

Because of the need of YEI to support rapid implementation two important decisions were taken for the 2014-2020 Multiannual Financial Framework. The first was the agreement on frontloading of the YEI to the years 2014 and 2015[3], which increases the amount of funding available for the Youth programmes. The funding has to be committed in the first two years and paid out by 2018 in line with the N+3 rule (as well as the corresponding ESF funding). The YEI does not need co-financing in contrast to the ESF.

However, frontloading fell short as a measure to effectively speed up the programmes, as a number of Member States raised concerns on their inability to finance the programmes. The EU budget generally functions on the basis of reimbursements of claims. The normal pre-financing of all Structural Funds operational programmes is 1 % of the MFF allocation (1,5 % for Member States under financial assistance)[4]. All further financing is done as reimbursement of national expenditures. This is claimed to have led to delays in the implementation at national and regional level[5]. Thus the second decision taken was to allow pre-financing the YEI, thus allowing the funding to be used

[1] Eurostat

[2] Art. 14 Regulation 1311/2013

[3] Art 15 of the European Council Regulation of 25 November 2013 laying down the multiannual financial framework for the years 2014-2020. Note that Article 15 only mentions EUR 2142 million, but subsequent decisions let to a full frontloading of the EUR 3211 million.

[4] Art. 134 of Regulation 1303/2013 laying down the Common provisions of ESIF

[5] European Commission MEMO -15-4101 of 4 February 2015

directly to fund programmes. A Regulation amending the 2013 regulation on the multiannual financial framework allows the Commission to pre-finance YEI. To further accelerate implementation, pre-financing was exceptionally increased to 30 % of total commitments in May 2015 with the provision that Member States have to submit interim payment applications worth at least 50 % of the additional pre-financing by 23 May 2016. If Member States fail to do so, they will have to reimburse the full amount of additional pre-financing to the Commission[6].

The following table shows the allocation of specific YEI resources across all MSs with eligible regions and the amount of pre-financing available after the 2015 amendment of the regulation.

Member State	Region(s) eligible for funding under the YEI	Specific Allocation to YEI (EUR)	Pre-financing from the YEI specific allocation after amendment (EUR)
Austria	No	-	-
Belgium	Yes	42 535 070	12 730 521
Bulgaria	Yes	55 188 745	16 556 624
Croatia	Yes	66 177 144	19 853 143
Cyprus	Yes	11 572 101	3 471 630
Czech Republic	Yes	13 599 984	4 079 995
Denmark	No	-	-
Germany	No	-	-
Estonia	No	-	-
Finland	No	-	-
France	Yes	310 161 402	93 048 421
Greece	Yes	171 517 029	51 455 109
Hungary	Yes	49 765 356	14 929 607
Ireland	Yes	68 145 419	20 443 626
Italy	Yes	567 511 248	170 253 374
Latvia	Yes	29 010 639	8 703 192
Lithuania	Yes	31 782 633	9 534 790
Luxembourg	No	-	-
Malta	No	-	-
Netherlands	No	-	-
Poland	Yes	252 437 822	75 731 347
Portugal	Yes	160 772 169	48 231 651
Romania	Yes	105 994 315	31 798 295
Slovakia	Yes	72 175 259	21 652 578
Slovenia	Yes	9 211 536	2 763 461
Spain	Yes	943 496 315	283 048 895
Sweden	Yes	44 163 096	13 248 929
United Kingdom	Yes	206 098 124	61 829 437
Total		**3 211 215 406**	**963 364 625**

Source: EPRS (2015: 4), CoA (2015)

[6] Regulation 2015/779

The YEI funds are aimed for direct targeting of NEETs, i.e. individuals, rather than structures. The activities typically undertaken under the YEI framework are: (i) apprenticeships; (ii) traineeships; (iii) job placements; and (iv) further education[7].

Concerning implementation, all eligible Member States have submitted operational programmes for the YEI by September 2015. However, one main hindrance for the implementation of the YEI remains the designation of national authorities in accordance with Art. 123 CPR[8]. As of December 10, 2015 the Commission had only received designation notifications for six (PT, BG, GR, LV, HU and FR) of 34 YEI-relevant operational programmes (OPs).

No comprehensive data on the number of projects funded by the YEI is available yet. However, in 2014 **110,300 unemployed young people participated in YEI actions, and by the end of 2015 EUR 1.3 billion have already been allocated to projects on the ground**[9]. Further, more recent data from individual countries however indicates that those numbers have increased substantially since then (see below).

2. EVALUATION OF YEI IMPLEMENTATION AND EFFECTIVENESS

The implementation and effectiveness of the YEI is assessed through the standard ESIF reporting cycle as well as provisions specific to the YEI. Starting April 2015, Member States have to annually submit structured data on specific output and result indicators on the YEI[10]. From 2016 until and including 2023, each Member State has to submit to the Commission annual reports on the implementation of their Operational Programmes which have to include additional information on the implementation of the YEI[11]. Further, progress reports to be submitted by 31 August 2017 and 31 August 2019 reporting on the implementation of the partnership agreement shall contain additional information on, and assess the implementation of, the YEI[12]. The Commission will provide summaries of both, the annual implementation reports and the progress reports, to the European Parliament and will attend the Parliament's debates of those reports. A good overview of what is expected from the YEI programme can be found in the evaluation guidance by the Commission, which provides a list of quality requirements[13].

[7] See further information on DG EMPL's webpage dedicated to the YEI: http://ec.europa.eu/social/main.jsp?catId=1176&langId=enhttp://ec.europa.eu/social/main.jsp?catId=1176&langId=en. Policy documents that provide the background to the YEI include Dhéret and Morosi (2015), available at http://www.epc.eu/documents/uploads/pub_5619_one_year_after_the_youth_guarantee.pdf and EPRS (2015), available at: http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/547548/EPRS_BRI(2015)547548_EN.pdf

[8] Regulation 1303/2013 'Common Provisions Regulation'

[9] Response by DG EMPL

[10] Art. 19(3) Regulation 1304/2013

[11] Art. 19(2) Regulation 1304/2013 and Art. 50(1) and (2) Regulation 1303/2013

[12] Art. 19(5) Regulation 1304/2013

[13] European Commission (2015), 'Guidance on Evaluation of the Youth Employment Initiative', September 2015

Further, two evaluations by the Member States will assess the effectiveness, efficiency and impact of the joint support from the ESF and the specific allocation for YEI including for the implementation of the YG[14]. The first evaluation was planned to be completed by 31 December 2015. The main findings of the evaluation will be included in the annual implementation reports to be submitted by 31 May 2016. The second evaluation will be completed by 31 December 2018. In addition, in autumn 2016 the Commission will publish a report on the implementation of the YG and the operation of the YEI[15].

Instrument	Date
Data on output and result indicators	Annually, April 2015
Implementation Reports	Annually, from May 2016 until and including 2023
Progress reports	31 August 2017 and 31 August 2019
Evaluations by the Member States	31 December 2015 and 31 December 2018
Commission report on the YG and the YEI	Autumn 2016

3. PRELIMINARY ASSESSMENT OF THE YEI

It is currently too early to draw firm conclusions on the economic performance of the programme, notably due to the lack of hard data on the matter. Therefore, this section offers a preliminary assessment by: (i) providing theoretical and empirical insights into the expected effects of the YEI; (ii) assessing the budgetary implementation; and (iii) reviewing the policy focus of the first initiatives.

3.1. ACTIVE LABOUR MARKET POLICIES TO FIGHT YOUTH UNEMPLOYMENT: THEORY AND EVIDENCE.

The Active Labour Market Policies (ALMPs), such as those financed by the YEI, find their rationale in the need to address rigidities and distortions between supply and demand in the labour markets, boost productivity and keep vulnerable cohorts close to the labour markets (Layard et al., 2009). The reason why the policy debate is particularly concerned about youth unemployment is essentially due to the perception that the "scarring" effect of long unemployment spells has more severe consequences on later labour market outcomes for the younger and less experienced cohorts. While some authors (Barslund and Gros, 2013) have recently argued that the scarring effect is not necessarily more important for the youth, recent research highlighted the persistent share of youths experiencing longer-term unemployment spells in the EU, with a significant bias towards those with low educational attainment (Quintini, et al 2007). The focus of the YEI on ALMPs that seek to tackle structural problems hindering youth integration in the labour markets is thus relevant. The rest of this section discusses the two broad forms of ALMPs concerned by the YEI and their effects on the youth workers and job seekers. We then discuss the implications of the currently weak aggregate demand in Europe.

[14] Art. 19(6) Regulation 1304/2013

[15] Conclusions of the European Council of 27/28 June 2013

The labour market training component is a central aspect of the YEI. According to economic theory training permits to smooth the school-to-work transition by extending the skillsets of job seekers. In particular, measures geared towards making structural improvements in the areas of vocational and education training to address issues associated with skill mismatches and early drop-outs are likely to deliver positive effects over the long run (Barslund and Gros, 2013). Caliendo and Schmidl (2015) find that training provide mixed results on unemployment: it has positive effects in 50 percent of the research, but is insignificant or even negative the rest of the time. Overall, this suggests that the impact of training varies depending on the magnitude and nature of the skills mismatch, and the way it is designed. For instance, Hancké (2013) argues that more targeted training would be immediately relevant in a country like Spain, notably due to the past trend for young people to drop out from school and accept relatively high paying jobs in low-skilled sectors such as construction and tourism.

Since the return to better skills is directed related to the demand for young workers, ALMPs also aim at boosting youth labour demand. If for instance low job-specific experience is a barrier to initial employment because the young worker wage and training cost would be higher than their productivity (Wolter and Ryan, 2011), then ALMPs that subsidize employment, traineeships and apprenticeship to incentivize the hiring of young people may be an effective tool to improve youth integration and upgrade their skills and employability. The impact of such programme on employment is found to be generally positive for employment, though quite small (Caliendo et al 2011). One potential drawback of these policies is related to the fact that true gains only occur at the margin – i.e. where the subsidy influences the firm's decision to hire someone, and leads to sustainable employment. It is likely that significant resources go to subsidize jobs that would have been created in its absence, which in that case implies a deadweight loss. There is also a risk of financing short-term jobs or traineeships that have no prospect of becoming sustainable over the longer run.

Overall, **theoretical accounts and empirical studies suggest that a programme like the YEI can play a (moderate) positive role as a long term policy**, and, in particular **if it is combined with structural improvements in the labour market such as a reduction of the segmentation of the labour market** (Dolado et al, 2013). However, its potential as a short-term boost should not be overestimated, and it should currently rather be considered more as a budget support. Indeed recent studies (see Banerji et al. 2014) show that in the short run movements in youth unemployment are more correlated with total unemployment and macroeconomic factors than specific aspects such as training or schooling.

A final point is the fact that youth unemployment has been a persistent and structural problem in several countries for several decades, including during credit boom periods, **suggests that reversing the tendency in terms of youth unemployment will require to address simultaneously much deeper structural issues**. The potential of the YEI as a youth employment boost is likely to remain contained as long as Europe remains crippled with low aggregate demand and job creation. For

ALMPs to deliver positive outcomes, it is key that once NEETs have completed further training, new jobs are available to absorb them; otherwise it would only lead to a crowding out effect on other age groups. Further efforts in fostering SME funding, assistance to create new businesses and generally fostering demand are therefore warranted as an indispensable complement. Similarly, increasing intra-EU mobility remains a potentially strong way of addressing locational skill mismatch that could be reconciled with mobility enhancing labour market policies that could serve more the younger and more mobile workers.

4. EVALUATION OF THE FIRST YEI FUNDED INITIATIVES

The first YEI evaluation by MSs is due at the end of 2015. A clearer picture on the activities that have been undertaken under the YEI, as well as their quality, will be therefore only available in 2016. However, we are able to propose here some headline indicators for three countries – France, Italy and Spain – that have been made available by DG EMPL. Whilst these indicators clearly cannot account for the full picture, they are nonetheless interesting since they refer to the three largest recipients of YEI funds. Indeed, France, Italy and Spain make up 56 % of the total YEI allocation.

Furthermore, five countries (Portugal Croatia, Hungary, Lithuania and Poland) provided some information on the YEI implementation through our online surveys. The following table provides an overview of some interim performance indicators for eight countries as of October / November 2015 using data from DG EMPL or own data collected through the survey.

Country	Headline indicators

France	• 32,000 participants in YEI actions
	• At the end of the action:
	    • *21% have a fixed term contract of more than 6 months*
	    • *19% fixed term contract of less than 6 months*
	    • *22% are in education or training*
	    • *5% are in subsidized jobs*
	    • *33% still looking for a job*

Italy	• 758,000 NEET registered in the electronic portal for the Youth Guarantee (i.e. 50% of all eligible) • 538,000 contacted and profiled (71% of registered) • 100,000 in YEI-supported actions (81% increase from April) • Most significant support goes to traineeships and work placements • New microfinance instrument launched for self-employment
Spain	• 168,000 registered on the Youth Guarantee portal
Portugal	• Two measures with respectively 12.525 and 34.452 participants since 2013
Croatia	• 3852 participants in active labour market measures for youth
Hungary	Common output indicators • unemployed participants, including long-term unemployed: 18 842 • long-term unemployed participants: 5877 • inactive participants: 582 Result indicators • participants in employment, including self-employment, upon leaving: 11 273

Lithuania	• Started two programmes in September and December 2015 respectively
Poland (preliminary data)	Common output indicators • unemployed, including long-term unemployed: 4 113 • long-term unemployed: 1 624 • inactive, not in education or training: 2 521 Result indicators • Participants who completed the YEI supported intervention: 1661 • Participants who received an offer of employment, continued education, apprenticeship or traineeship upon leaving: 600 • Participants who are in education/training, gain a qualification, or are in employment, including self- employment, upon leaving: 1137

Source: DG EMPL, 2015c; information provided by the MSs

According to the information received by DG EMPL, results reported from 2014 'are limited but are broadly commensurate with the Commission's estimates in relation to the OP targets and the available (1-1.5 %) pre-financing in 2014'. Overall, albeit limited, DG EMPL deems the first results 'encouraging'. Furthermore, it is noted that 'in **2015 significant measures are being mobilised and young people are receiving services and support.** This reflects the expectation of the 30 % pre-financing increase, which will allow for additional financial liquidity disbursed to projects'[16].

In particular, DG EMPL praised those **approaches that favoured the individualised assessment of young people followed by tailored services.** This has been for instance the case in the Italian approach and it builds on best practices of MSs that have an established and successful track record in policies analogous to the current YG schemes, such as Austria, Finland or Sweden, where indeed 'customised programmes are important elements of the youth policy mix (see Eurofound, 2015 for more information on best practices running guarantee schemes for young people).

In terms of shortcomings that hindered the implementation of the YEI, DG EMPL has flagged the following four main items:

- setting up and designation of the management structures for the OPs by the MS;
- ensuring the functioning of the payment and certification cycle on the ground in view of submission of payment claims to the Commission;
- allocation of sufficient administrative and human resources to key services and structures implementing YEI actions.
- promotion of simplified cost options.

[16] Written Communication to the authors by DG EMPL

In addition, the managing authorities (MAs) that responded to the online survey indicated the following factors hindering the YEI implementation (in brackets the frequency of the response):

- Changes in the regulation (2),
- little information about YEI guidelines and rules during the design of the operational programme (2),
- late adoption of the operational programmes (2),
- delayed adoption of the ESF regulation and late submission of documents by the Commission explaining the YEI implementation (3),
- YEI started before the administrative system was ready (1).
- complexity of the indicator system (3),
- frequency of reporting (1),
- requirement to prove the eligibility of the target group (1)
- administrative procedures associated with approving the new programming period of EU structural funds (1)
- limited internal resources (1)
- Bulgaria and Greece mentioned that low labour demand due to the overall economic situation hindered the effective implementation of the YEI (2)

Putting together the factors listed by DG EMPL with those provided by the MAs, we note a number of YEI-specific issues flagged by the MAs (such as the changes in YEI target groups or the lack of information on the YEI). However, the large majority of factors that emerge on both sides have to do with long standing problems related to the absorption of structural funds, namely that of administrative capacity of MAs (see e.g. Milio, 2007) which stands out as the key factor threatening a smooth and effective policy implementation.

4.1. OVERALL APPRISAL AND EU ADDED VALUE

The extent to which the YEI is supporting broader policy objectives, notably those set out in the **Europe 2020 strategy**, is difficult to assess. In the absence of a clear and detailed picture at MS level, which will presumably not be available until the evaluations are released, we can only rely on limited qualitative data coming from the survey responses. The research team identified three Europe 2020 objectives that are to an extent inter-linked with and relevant to the YEI, namely (i) employment rate; (ii) early school leaving rate; and (iii) tertiary education achievement rate. According to respondents, the YEI seems to have linked well with increasing the employment rate, whilst it seems not to have affected the tertiary education rate targets. The picture is rather mixed in terms of early school leaving. The responses to the survey are summarised in the following table.

Europe 2020 indicator	No progress	Some progress	Significant progress	Total
Employment rate	2 (Lithuania, Italy)	5 (Bulgaria, Hungary, Spain, Greece, Croatia)	2 (Latvia, Portugal)	9
Early school leaving rate	4 (Bulgaria, Hungary, Lithuania, Czech Republic)	1 (Spain)	3 (Latvia, Portugal, Italy)	8
Tertiary education achievement rate	5 (Bulgaria, Hungary, Lithuania, Italy, Croatia)	2 (Portugal, Spain)	1 (Latvia)	8

Source: online survey among MAs in charge of YEI implementation

A more detailed picture through the evaluations needed at member state level is needed to understand the coherence between YEI and other policy priorities. Indeed, as noted by Dhéret and Morosi (2015), the YEI has been implemented with significant variations on the ground at MS- and regional level and therefore different specific policy choices may be more or less aligned with other specific policy objectives (e.g. a heavy focus on work experience is likely to support employment rate but would have little effect on the early school leaving rate, whilst a focus on accredited training might have an effect on early school leaving). Thus, there is certainly a potential for the YEI to support the achievement of the Europe 2020 objectives, but the extent to which this actually occurs – and with respect to *which* Europe 2020 objectives – critically depends on what policies are implemented on the ground.

More broadly, the **EU added value of the YEI was mostly identified in its financial support to the implementation of the YG**[17]**.** This was confirmed by an in-depth study of the implementation of various EU policies on youth across six member states[18] carried out by the European Economic and Social Committee (2015). The report found that all the stakeholders considered the **YG to present a strong EU added value, since these schemes could not have been implemented in five out of the six countries involved in the study if there was not a commitment at EU level.** Austria is the exception since a well-functioning guarantee scheme was already in place. **The European Court of Auditors (ECA) (2015) also finds that EU involvement was crucial to bring to the fore the issue of youth unemployment and tackled through guarantee schemes**, although the report also discusses how the success of the YG schemes is crucially dependent on implementation on the ground and that the effectiveness of these initiatives cannot be assessed without a clear financial picture of costs and benefits which is still unavailable due to data limitations (ECA, 2015).

[17] Written communication to research team
[18] The countries included in the study are: Austria, Croatia, Finland, Greece, Italy and Slovakia.

5. BUDGETARY IMPLEMENTATION

Member States have fully committed all funds available for the YEI for 2014 and 2015. Based on the actual financial implementation, DG EMPL reported[19] that half of Managing Authorities (MAs) have started the financial implementation of the YEI in 2015, 40 % in 2014 and only two in 2013 have used the possibility of the early implementation allowed in the MFF regulation from September of the year preceding the entry into force of the 2014-2020 MFF.

In term of the distribution of the payment schedule for YEI, the profile stays the same:

Year	2014	2015	2016	Post 2016
Share of total payments over the period	1 %	32 %	33 %	34 %

As for payments, the European Commission reported that the payment implementation rate was 100 % in 2014 and 96.43 % in 2015 (30/11/2015). **Payments implemented have largely consumed the pre-financing of the YEI. These commitment and implementation rates indicate that the requirement of having interim payments claims set to the Commission covering at least 50 % of the additional pre-financing by 22 May 2016 covered by payment claims will be achieved**, despite the fact that actual claims received have been minimal, most member states have not yet send any and this is expected to change as we approach the deadline. Based on the responses of a survey a survey we have the following status:

On the question 'Is 50 % of additional pre-financing likely to be claimed by 22 May 2016?' the responses were the following: The proportion of additional pre-financing which the respondents claim already paid and thus to be covered by interim payment claims ranged from 0 % (Hungary, Lithuania, Ireland), 7.9 % (Bulgaria), 13.1 %(Latvia), 22.3 % (Greece), 60.6 % (Czech Republic), 71.3 % (Italy) to 100 % (Portugal). The Commission, however, only reports have received a EUR 70 million claim from Portugal and expected some claims from Greece (status of 8 December 2015).

On the impact of pre-financing, respondents considered that pre-financing accelerated the implementation on the ground, below is the summary of the responses. Respondents have, however, presented a number of procedural problems rather than financial and causes for delay.

[19] Written information submitted to the authors.

Survey question: Please evaluate whether additional pre-financing has accelerated the implementation of YEI projects in your country.

No effect	Little acceleration	Moderate acceleration	Significant acceleration	Total
6 (Latvia, Sweden, Hungary, Ireland, Greece, Czech Republic)	3 (Bulgaria, Lithuania, Spain)	2 (Portugal, Croatia)	1 (Italy)	12

Asked whether they foresee a need for **additional financial resources during the remaining period of the current MFF**, the **majority of responding countries regards this as likely or very likely**. While the survey number is small, the respondents, such as Portugal, Spain, Italy and Greece are key targets of the YEI.

Very unlikely	Unlikely	Neither likely nor unlikely	Likely	Very likely
1 (Croatia)	2 (Sweden, Hungary)	2 (Lithuania, Spain)	2 (Bulgaria, Latvia)	4 (Portugal, Italy, Greece, Czech Republic)

A problematic issue emerging is thus the aftermath of the YEI implementation, as the bulk of the budget will be implemented soon and no payments are foreseen after 2018, with 2017 and 2018 having a sharp reduction.

6. CONCLUSIONS

The results on the YEI implementation are promising in terms of commitments and implementation. It is difficult for us to assess the quality of the programmes, as no detailed evaluations are available and it would be too preliminary.

The survey performed due to the short timeframe indicates that **in some cases the pre-financing has helped implementation, but most concerns and issues causing delayed implementation are procedural**, not financial in nature, such as having a start before the rules were clear, late adoption of programmes (and thus regulatory uncertainty) and difficult assessment and monitoring requirements. Those issues should, however, quickly diminish with the implementation progress.

A growing concern is likely to be the duration of the YEI and the dependence of its "success" from external economic circumstances. Such initiatives cannot replace the need for wider structural reforms and lack of effective demand in the economy. **The frontloading of the YEI and the fast payments implementation indicates that funding will soon end**, most likely before well before 2018 for most programmes. The employment prospects are unlikely to radically change in the course of 2016, which means that **calls for funding to maintain the efforts are to be expected**. This concern is also reflected by the Court of Auditors report (2015). This can be very complex, as the room for budgetary increases in 2016 is very narrow.

2015 has seen an impressive use of flexibility instruments in the budget to tackle the multiple challenges of the EU, but this level of budgetary flexing is not likely to be possible again in 2016. Around EUR 12 billion have been raised for unexpected needs in the budget, but next year the available budgetary margin in the 2016 budget is approximately EUR 2 billion with another EUR 2 billion that is free to be moved between headings, but the uncertain conditions the EU faces indicate that this may easily be insufficient. **If the YEI is needed in the remaining years of the MFF, there is a need to start clarifying the options**.

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