Requirements for the future

of the European Structural and Investment Funds post 2020

The Federal Association of Non-statutory Welfare (BAGFW) has already published a comprehensive position paper in June 2016 on the further development of the EU budget and the European Structural and Investment Funds (ESI Funds) 2021-2027[1], which has become part of the policy discourse among national and European experts on the debate about the future direction of the ESI Funds post 2020. These principles have been taken up by professional circles at European and national level in the debate on the orientation of ESI Funds after 2020.

Based on the mid-term reviews of the various individual funds, different position papers and reports, and against the backdrop of further budgetary developments in the EU (the draft proposal for the MFF for the period 2021-2017 is scheduled for May 2018), the discussion on the future of the ESI Funds has made some progress. Therefore, the BAGFW has also sharpened its position. In addition to the principles set out in the previous position paper, the BAGFW calls for the following changes to the content and funding of the ESI Funds:

Requirements for the funding and the content:

- **Adequate funding**: Despite the imminent secession of the UK as net contributor and the establishment of new priorities such as defense and external security, EU cohesion policy must continue to be adequately funded so that the link between the EU's economic development and social progress becomes visible to all European citizens. The ESF is indispensable for the social cohesion of Europe, and thus crucial for the acceptance of the EU among its citizens. The ESF directly targets those who are most in need. Therefore, the ESF must not be reduced. Furthermore, at least 25 percent of the Structural Funds must be earmarked for the ESF and at least 20 percent within the ESF must be earmarked for social inclusion and poverty reduction.
- **Funding for all EU regions**: ESI Funds bring Europe closer to its citizens and contributes towards a Europe-wide upwards convergence. To strengthen Europe's cohesion and to prevent envy between European citizens, all regions in the EU must continue to benefit from EU funding. The amount of funds allocated to Member States and regions should continue to be determined by their GDP. New criteria and social indicators from the socio-political scoreboard, such as demographic change, unemployment or migration, can also be taken into account.
- **Planning security**: The next generation of programmes must be prepared early in order to avoid a funding gap for end beneficiaries. In particular, small and medium-sized enterprises within the social economy cannot provide interim funding from their own resources and at worst, would have to dismiss trained personnel. We are therefore in favour of negotiating the MFF and the ESI Funds in parallel and urge that the

[1] The position paper can be found online:
http://www.bagfw.de/uploads/media/Key_points_review_EU_budget_and_ESIF_German_Social_Welfare_Organisations.pdf

negotiations are concluded before the European Parliament elections in 2019. In order to increase planning security and, at the same time, make room for strategic and financial adjustments, the BAGFW advocates for a reasonably long MFF (7 years or 5 + 5 years, with a detailed mid-term revision after 5 years).

- **Strategic principle**: EU funding should be oriented towards implementing the European Pillar of Social Rights in the Member States. The socio-political scoreboard identifies relevant social indicators for this purpose.
- **European added value**: We welcome the fact that EU funding is even more focused on its European added value. However, the added value must be clearly defined: European added value is generated by responding to new and old challenges with new ideas and targeted solutions. It is about creating a space for experimentation. The principle of additionality plays an important role; the ESF must not substitute national tasks. Successful ideas and promising solutions should be developed and strengthened, allowing them to be transferred to other Member States through transnational co-operation. The European added value is therefore not purely financial, but also requires the alignment of EU funding with common values such as solidarity.

Simplification of the ESI funds:

- **Consistent application of the partnership principle**: The involvement of partners in the 2014-2020 funding period has proven to be effective in order to better serve regional and sectoral interests in the implementation of the ESI Funds and to increase the acceptance of EU funding. Therefore, the partnership principle must be strengthened and implemented across the EU at all stages of the programme cycle. When approving and evaluating the Operational Programmes, the Commission should review the quality of the implementation of the partnership principle in each Member State.
- **Recognition of National Audits**: Audits by national authorities should be recognised by the EU. This prevents that the same beneficiary is audited by different national and European organisations and increases confidence in Member States. For smaller amounts, we recommend the introduction of “de minimis” rules. Iwith regard to the relevance of state aid rules for certain ESF programmes, we advocate that the state aid rules of the current GBER should continue to apply, but that the funding rates for SMEs should be adjusted upwards and that a mandatory contribution of own (private) resources to the project financing should be deleted. Once a managing authority has been designated, it should not have to be re-examined for the next funding period.
- **Significantly reduced and flexible indicators**: Excessive data collection in the current funding period is not feasible, especially for smaller projects, and is undermining the performance of the ESF. The number of data to be collected urgently needs to be reduced. To allow a significant evaluation of the programmes, we propose a system of flexible indicators for the ESF: A set of basic output indicators (age, gender, employment status, level of education) is collected for all participants. In addition, member mtates may impose, to a limited extent, further indicators (other output indicators and / or result indicators) per investment priority. These additional indicators need to be negotiated between target group representatives, beneficiaries and the managing authority. The projects can cumulatively enter the collected data into the IT systems. The managing authorities are free to carry out their own qualitative evaluations.

- **Simplified cost options**: Simplified cost options that have proven to be useful should be retained (for example flat rates, etc). When calculating staff cost allowances, it must be ensured that future tariff increases or sick days are also taken into account. Lump sums which only relate to the achievement of specific results are contrary to the innovative and experimental character of the ESF and can lead to creaming effects and the creation of new problems with social impact measurement. They should therefore be rejected in the ESF.
- **Merging of EU funds**: Based on our experience as members of the monitoring committees of ESF and FEAD in Germany, we consider that these two funds in particular could be used more effectively through integrated approaches, for instance in the fight against poverty and social inclusion. Support chains can be developed. The proposal for a “Human Capital Fund” or “ESF+”, which strategically links ESF and FEAD, is therefore welcomed. The current inconsistencies in the promotion of disadvantaged groups could be overcome by such an integrated approach.

The BAGFW would like to make the following additional comments on the proposal for ESF+:

- The BAGFW welcomes that the content of ESF+ is based on the European Pillar of Social Rights and contributes to supporting social rights in all Member States.
- The objectives of ESF+ - investing in people and supporting (political) experiments - are supported by the BAGFW. An orientation of the ESI Funds towards political reforms, as set out in the Commission's draft regulation of 06.12.2017[2] with the objective to supporting structural reforms in the Member States, is seen critically by the BAGFW. Member States have to implement the listed measures 'Product and Labour Market Reforms, Tax Reforms, Capital Market Development, Business Improvement Reforms, Human Capital Investment and Public Administration Reforms' in advance or in parallel with the implementation of the ESI Funds and these reforms should not be mixed with the basic concern of social cohesion. Consequently, funding for these measures should not be deducted from the ESI Funds.
- ESF+ should remain under the horizontal regulation for all ESI Funds and stay part of the EU’s cohesion policy.
- Operational programmes should be reduced to their essence. The strategic information described in the Partnership Agreement may be incorporated into the National Reform Programme as long as the involvement of all partners is ensured.
- The two funding programmes ESF and FEAD must, as far as possible, maintain their own funding logic within ESF+. In practical terms, this means no increase in the co-financing rate, the maintenance of programme-specific indicators, but also, for example, the reduction of indicators in ESF.
- The partnership principle must be maintained and designed in such a way that all interested partners can participate in the planning and implementa-

[2] COM(2017)826 final: https://ec.europa.eu/info/sites/info/files/economy-finance/com_826_0.pdf

tion process of the ESF+. Capacity building for partner organisations needs to be adequately funded.
- Funding for ESF and FEAD needs to be allocated according to a predetermined minimum percentage.
- If FEAD as part of ESF+ becomes part of the EU cohesion policy, the proportion of accompanying social inclusion measures in OP I (food aid) within FEAD should be increased. Five percent is too little in the context of social upward convergence in cohesion policy.

Berlin/Brussels, 21.02.2018

Contact:

Lisa Schüler
Policy officer for EU Funding Policy
German Caritas Association
EU Office Brussels
Rue de Pascale 4-6, 1040 Brüssel
Tel. +49 761 200 703
E-Mail lisa.schueler@caritas.de

Andreas Bartels
Policy officer for European Affairs
Workers´ Welfare Organisation
Blücherstr. 62/63
10961 Berlin
Tel. +49 30 26309 485
E-Mail andreas.bartels@awo.org