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Recommendations of BAGFW and DGB

on the European Commission's revised proposals for the MFF 2021-2027, the Recovery Instrument and the ESF+: the financing of a social Europe is at risk!

In May 2018, the EU Commission presented its proposals for a Multiannual Financial Framework (MFF) 2021-2027 as well as proposals for regulations for the various funding programmes of the next funding period.[1] The ESF+ is the most important instrument for implementing the European Pillar of Social Rights. On this basis, the EU Member States have started programming the Structural Funds and the preparation of the Partnership Agreements. In response to the COVID-19 pandemic, the EU Commission presented a revised proposal for the MFF 2021-2027 on 27 May 2020, which will be supplemented by a recovery instrument of EUR 750 billion, as well as amendments to some sector-specific regulations.

The Federal Association of Non-statutory Welfare (BAGFW) and the Confederation of German Trade Unions (DGB) welcome a strong EU budget geared to the EU's long-term objectives and additional funding through the recovery instrument. In order to make European societies and social and health systems crisis-proof, however, **these funds must invest not only in economic recovery but also in civil society organisations and non-profit social enterprises and associations.** They are the backbone of resilient societies and systems. A reference to the very broad EU definition of SMEs is not sufficient in this context. Instead, NGOs and non-profit social enterprises should also be explicitly mentioned in the legal texts.

A social Europe is built on equal opportunities and access to the labour market, fair working conditions, social protection and social inclusion. The ESF+, which implements the European Pillar of Social Rights, invests in precisely these issues. The additional resources for the Structural Funds via the recovery instrument pursue with acute crisis management a different objective than the ESF+, which combats social upheavals in the longer term. **Under no circumstances, therefore, must ESF+ be cut in the new funding period!**

We are also critical of the fact that a large proportion of the money for economic recovery is to be channelled into the so-called Recovery and Resilience Facility. This will create a fund with a volume similar to that of all the Structural Funds put together and with a similar objective, without the same rights of participation granted to the economic and social partners and regions under the partnership principle in the Structural Funds. We are very concerned about the proposed cuts in programmes that invest directly in people.

With regard to the European Social Fund ESF+, we see seven points in need of urgent change:

[1] All documents can be retrieved here: https://ec.europa.eu/commission/publications/factsheets-long-term-budget-proposals_en

1. No cuts to the overall budget of the ESF+ 2021-2027

The Commission proposes a budget of EUR 96.571 billion (at current prices) for the ESF+ strand under shared management. **This would represent a cut of around EUR 3.43 billion in current prices (= around 3.4 percent) compared with the Commission proposal of May 2018** (see table). Assuming that Germany continues to retain its 6.205 % share of the ESF+ (although this is not clear), the ESF+ in Germany would lose a triple-digit million euro amount compared to the previous Commission proposal of May 2018. This is all the more impressive if you consider that already under the current Commission proposal of May 2018 Germany would lose around EUR 1.37 billion in ESF funding at current prices (= approx. 18%) in the ESF+.

	COM proposal May 2, 2018 in billion Euro	**COM proposal of May 27, 2020 in billion Euro**	**Difference in absolute terms in billion Euro**	**Difference in relative terms in %**
ESF+ shared management total EU	**100.00**	**96.571**	**3.43**	**-3.43**
Of which ESF+ GER	*6.205**	*Not available*	-	-

*Calculation of the European Commission

Such an additional cut of ESF+ funding, which is intended to cushion social problems, ensure employability and contribute to fight poverty, cannot be justified in view of the structural changes as a consequence of the COVID-19 pandemic. At the same time, the ESF+ is a programme developed in cooperation with and intended for civil society that invests directly in people and thus has a socio-political significance.

2. Maintain co-financing rates at least at the level of the current funding period

The EU Commission proposes that co-financing rates of up to 100% are possible for funding provided under REACT-EU, which can be channelled into ESF, ERDF and FEAD (Art. 1, 11 REACT-EU Regulation). This proposal is important and helpful. However, for many programmes that are subject to European state aid rules, the maximum aid intensity defined in the General Block Exemption Regulation (GBER) must be respected. In order to make use of this possibility, **it is therefore absolutely necessary to create an exception for additional ESF, ERDF and FEAD resources regarding the aid intensity specified in the GBER.** For the 2021-2027 funding period, the maximum aid intensity defined in the GBER should be decoupled from the co-financing rates of the Common Provisions Regulation.

There is no change in the proposed regular co-financing rates of the Common Provisions Regulation under Art. 106, 3rd paragraph:

Regions	Commission proposal	Current funding period
Less developed regions	70 %	Up to 85 %
Transition regions	55 %	Up to 80 %
More developed regions	40 %	Up to 50 %

The proposed reductions in EU co-financing rates are unacceptable and difficult for existing funding structures to cope with. Experience shows that Member States pass on a large part of the co-financing to project promoters. Instead of generating additional national funding, the lower EU co-financing rates put the project-implementing civil society organisations, companies or municipalities in financial difficulties. Under the current funding conditions, many beneficiaries are hardly able to provide their co-financing share. **BAGFW and DGB therefore demand that a co-financing rate at least equal to the current funding period be guaranteed.** Otherwise it will hardly be possible to implement the ESF+. Projects in financially weaker regions are particularly at risk because it is not realistic to expect that the remaining 30, 45 or 60 percent will be covered by the project promoters or beneficiaries (such as socially disadvantaged persons). The risk of funds not being used would be enormous.

3. No mandatory transfer of ESF+ and ERDF resources to the Just Transition Fund

In January 2020 the EU Commission proposed a Just Transition Fund (JTF) as part of its European Green Deal. The JTF is the EU's social policy instrument to facilitate a fair transition to a climate-neutral economy and thereby support socio-economic structural change in the affected regions. The revised proposals are intended to increase the budget of the JTF in the MFF from EUR 7.5 billion to EUR 10 billion, with an additional EUR 30 billion from the recovery instrument. In principle, the BAGFW and DGB welcome the JTF's objective and the increase in funding. However, it is problematic that Art. 21a of the Common Provisions Regulation obliges member states to reallocate between EUR 1.5 and EUR 3 from the ESF+ and/or the ERDF for each euro from the JTF (up to 20 per cent of the respective fund). **This could lead to a further significant reduction in the ESF+, which should be prevented at all costs. Therefore, BAGFW and DGB reject an obligatory reallocation lever!** In order to strengthen synergies between the funds, the ESF+ and ERDF should instead flank the transition to a climate-neutral economy and society in line with their objectives.

4. Prevent social upheavals with REACT-EU

The BAGFW and DGB expressly welcome the strengthening of the current ESF, FEAD and ERDF funds by additional funds from the REACT-EU programme for the current 2014-2020 funding period, as this will bridge the gap between the current and the new funding period.

Due to the n+3 rule, these funds must be committed and spent by December 2023. This tight timeline poses immense challenges for administrative authorities and project promoters.

It is crucial for BAGFW and DGB that the additional cohesion funds directly benefit the people in order to prevent social upheavals and to alleviate the direct consequences of the COVID-19 pandemic. While REACT-EU alleviates acute problems of the COVID-19 pandemic ("emergency money"), the ESF+ is intended to cushion the long-term consequences and social upheavals. Both funds therefore have different objectives and cannot be equated or added together.

5. Simplify ESF+ indicators

The extensive collection of data, especially personal data, within the frame of the current funding period has caused major problems in programme and project implementation. Participants in ESF projects are frequently not counted for funding purposes if they don't submit their complete data. Hence, project promoters do not receive any ESF funding for these participants. Despite efforts to simplify the ESF, the European Commission has not amended its proposal on indicators in Annexes I and II of the ESF+ Regulation.

BAGFW and DGB therefore recommend refraining from collecting irrelevant data and adapting the required indicators to the specific programme. The Council's proposal to "preset" known data from administrative authorities is a step in the right direction. Nevertheless, the number of indicators should be further reduced. In order to avoid discrimination and to increase the collection of data on a voluntary basis for particularly disadvantaged groups of persons or minors, it should be possible to collect these data anonymously. A one-off review of the result indicators after six months should be sufficient. **We also call for an even more simplified set of indicators for measures relating to ex-FEAD.** Working with people at risk of poverty or social exclusion, including the most disadvantaged people and children, requires particular sensitivity as regards data collection. These groups of people often have a life situation characterized by discrimination and exclusion. Any personalized information about the person must therefore be avoided. In addition, absolute anonymity of data collection must be ensured. It is not possible to collect longer-term result indicators for these target groups. A separate annex on indicators outside the other ESF+ measures is therefore necessary.

6. Strengthen the partnership principle and capacity building of partner organisations

The experience of the current funding period has shown that programmes are particularly targeted and successful where there is close cooperation at eye-level with civil society partners. This applies to programme planning, implementation and evaluation of the funds. The European Code of Conduct for Partnerships in the European Structural and Investment Funds comprehensively regulates the organisation and implementation of partnerships in the European Structural and Investment Funds for the 2014-2020 funding period.

BAGFW and DGB welcome the commitment to programme implementation in strong partnerships. To ensure that the Code of Conduct is also applied in the new 2021-2027 programming period, it should be explicitly included in Art. 8, 1 of the ESF+ Regulation and Art. 6, 3 of the Common Provisions Regulation.

Due to a lack of human and financial resources ("capacity"), the partners are not able to build the necessary knowledge or play their role within the partnership principle to the extent required. The COVID-19 pandemic, which has left many partners in dire straits, has made this situation even worse. **The Member States should therefore be obliged in Art. 8, 2 of the ESF+ Regulation, as proposed by the European Parliament, to allocate at least two percent of their ESF+ resources to capacity building of partner organisations at European, national and regional level.**

7. Cross-border partnerships

The experience of recent months during the COVID-19 pandemic regarding the lack of coordination between Member States in terms of border closures, border controls and quarantine measures have once again underlined how important it is to make available reliable information and advice for cross-border workers and employers on the ground in the border regions by trade unions and public employment services. The amount of information and counselling has increased to a great extent and it has become clear that the counselling services offered by the cross-border partnerships need to be strengthened. **With the inclusion of the EaSI programme into the ESF+ it must be ensured that the cross-border partnerships are long-term structures of cooperation between public employment services and social partners.** This form of partnership has proved its worth in overcoming the crisis and should be included in the definitions pertaining to Article 2, 1 ESF+ Regulation. **It is also necessary to ensure that information and advice are promoted not only in connection with job placement but also, in particular, during and after a cross-border activity.**

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