State of play and future challenges of the European Social Fund in promoting social cohesion in Europe’s cities and regions
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It does not represent the official views of the European Committee of the Regions.
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<tr>
<td>AMIF</td>
<td>Asylum, Migration and Integration Fund</td>
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<td>CEMR</td>
<td>Council of European Municipalities and Regions</td>
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<td>CF</td>
<td>Cohesion Fund</td>
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<td>CLLD</td>
<td>Community-Led Local Development</td>
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<td>CoR</td>
<td>European Committee of the Regions</td>
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<td>CPR</td>
<td>Conference of Peripheral and Maritime Regions</td>
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<td>CPMR</td>
<td>Common Provision Regulation</td>
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<td>CSF</td>
<td>Common Strategic Framework</td>
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<td>CSR</td>
<td>Country Specific Recommendations</td>
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<td>DG</td>
<td>Directorate-General (of the European Commission)</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
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<td>EMFF</td>
<td>European Maritime and Fisheries Fund</td>
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<td>EPRS</td>
<td>European Parliamentary Research Service</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>ESI</td>
<td>European Structural and Investment</td>
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<td>EU</td>
<td>European Union</td>
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<td>FEAD</td>
<td>Fund for European Aid to the Most Deprived</td>
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<td>IP</td>
<td>Investment Priority</td>
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<td>ITI</td>
<td>Integrated Territorial Investment</td>
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<td>LRA</td>
<td>Local and Regional Authority</td>
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<td>MA</td>
<td>Managing Authority</td>
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<td>MS</td>
<td>Member State</td>
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<td>NEET</td>
<td>Not in Education Employment Training</td>
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<td>OP</td>
<td>Operational Programme</td>
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<td>SCO</td>
<td>Simplified Cost Options</td>
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<td>TO</td>
<td>Thematic Objective</td>
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<td>YEI</td>
<td>Youth Employment Initiative</td>
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Executive summary

The economic and financial crisis that started in 2008 was at the root of a dramatic increase in unemployment and social exclusion, thus challenging ESF interventions in the 2007-2013 period, but also bringing significant changes to how social cohesion is addressed in the current programming period. Although the economic recession seems to be coming to an end in most of the EU, important territorial differences persist across and within Member States, aggravated by new challenges that risk hindering territorial and social cohesion in the near future.

The role of the ESF in tackling current and future challenges cannot therefore be analysed without taking into account the trends and impacts of social issues at local and regional levels. This report seeks to provide an overview of ESF at local and regional levels by considering the following aspects: the current state of play, lessons learned and future challenges, while also proposing recommendations for the next programming period. The information is enriched by case studies focusing on the direct experience of six ESF Managing Authorities in Cyprus, Germany, the Netherlands, Poland, Spain and the United Kingdom.

The report starts by looking into statistical data on the state of play of employment, social inclusion and education at the local and regional level, as well as the related ESF interventions through TO 8, 9 and 10 and their synergies with other funds.

a) Employment

- A heterogeneous regional picture of the change in employment rates 2006-2016 can be observed in most Member States. In general, the more developed regions are currently closest to the Europe 2020 target, but the progress of less developed regions was quicker up until 2015. The rate stagnated in transition regions and if these trends persist, these regions could be surpassed by less developed regions by 2020. Rural areas are furthest from meeting the targets.

- The Strategic Report 2017 on the implementation of ESI funds states that EUR 17.4 billion had been committed to employment by the end of 2016, representing 31% of available support. Italy and Spain are the Member States with the highest ESF allocation (in absolute terms).
b) **Social inclusion**

- The number of people at risk of poverty or social exclusion in the EU increased following the onset of the economic recession. Despite an overall decrease since then, 25% of people in the EU are still at risk, with large differences across and within Member States. In the EU13, the proportion of people at risk of poverty or social exclusion is considerably larger in rural areas (34%) than in cities (20%). In the EU15, the pattern is the opposite.

- The latest data on use of the ESI fund budget for TO 9 show that ESF covers 47.5% of the EU budget planned for this objective, with the ERDF and EAFRD covering the other half. The ERDF interventions contribute to social inclusion through support to job creation, renovation of infrastructure and the requalification of urban areas.

c) **Education and training**

- Vocational education is increasingly considered as key to lowering youth unemployment rates and facilitating the transition of young people from education into work or the labour market. Particularly high participation is seen in a cluster of regions in Croatia, Slovenia, Austria, Slovakia and the Czech Republic, also due to a more positive perception of vocational education and training.

- There is a relatively high concentration of tertiary educational attainment in capital city regions.

- Investments in TO 10 reached EUR 14.6 billion in 2016, with a project selection rate close to 30%. Despite a relatively low project selection rate for life-long learning activities, about 700 000 persons are being given the opportunity to upgrade their skills.

The section ends with an overview of the assessed European Added Value (EAV) of ESF in the previous programming period, with insights into the current assessment of EAV through the direct experience of the six selected case studies.

In section 3, the report aims to review and analyse the two definitions of ‘place-based approach’ in cohesion policy. The section firstly analyses the place-based approach by considering how the needs identified at the regional and local level have been addressed by the programme strategies and what arrangements have been made at programme level to ensure the participation
of regional and local stakeholders in programme implementation. The section also outlines examples of place-based approach within ESF interventions defined as the use of integrated tools (e.g. ITIs, CLLD) while also reporting its challenges and barriers, such as:

- the complexity of planning and programming, implying additional burdens and costs for local authorities and stakeholders, especially in local authorities with a weak administrative capacity and a lack of capacity to adequately design integrated tools;

- the complexity of implementation, stemming from the difficult coordination among different levels of governance, funds, delivery mechanisms, needs and groups of people involved;

- specific requests from LRAs for simplification of procedures and rules and direct access to funds to implement specific actions for immigrant and refugee inclusion;

- the risk of perceiving integrated tools more as an additional burden to the programming process than as an instrument enabling better-integrated territorial development.

In section 4, the report focuses on the **lessons learned** from the implementation of ESF in the previous and current programming periods in terms of capacity building, synergies and integration of funds, programming and administrative simplification. The following aspects have arisen:

- lower effectiveness of capacity buildings in weaker (smaller) LRAs;

- country-specific recommendations for capacity building in the European Semester often perceived as targeting only national structural issues rather than providing input for specific local and regional interventions;

- overall dissatisfaction with the general design of 2014-2020 OPs, considered too rigid and detailed; but satisfaction when it comes to simplification measures introduced in ESF 2014-2020;

- management of OPs at the national level that may impede necessary flexibility at the regional level to adapt the funds to the local challenges;
improvement in coordination and synergies between funds compared with the 2007-2013 programming period, but regulatory and administrative challenges persist.

Moving to section 5, the report tackles the issue of future challenges for social cohesion and ESF intervention. The main challenges identified are:

- demographic change – ageing, urbanisation and isolation of rural and remote areas;
- social exclusion of disadvantaged groups of people (e.g. long-term unemployed, youth);
- integration of migrants;
- fast labour market changes and their link to skills shortage and mismatch and the rise of the platform economy.

In addition, the section outlines the challenges related to the future of the ESF, with special regard to the current debate on the deeper integration and coordination between the ESF, and ESI funds in general, and the European Semester process and the necessary synergies to deliver the European Pillar of Social rights.

Finally, the report outlines conclusions and recommendations based on the findings and the feedback provided by the interviewed Managing Authorities. These include:

- enhancing coordination between the EU, national, the regional and local levels to allow achievement of the ESF objectives, given that the addressed issues have a strong local dimension and that competencies are shared among all these levels in relation to the ESF scope of intervention;
- linking the ESI funds, including the ESF, more closely to the European Semester process and the European Pillar of Social rights through a deeper integration of planning and implementation;
- increasing capacity in LRAs to include the regional and local level in the implementation of CSRs;
- increasing flexibility in reprogramming and shortening the duration of OPs to allow adaptation to an ever-changing social and political landscape at the local level;
• simplifying planning documents (partnership agreements, operational programmes and implementation frameworks), so as to make the ESF more manageable for LRAs;

• increasing and improving cooperation and participation among the stakeholders involved in ESF programming and implementation at all levels of government and among Member States to increase the exchange of good practices and ensure that the diversity of interests and needs is covered;

• providing more guidance from the EC on the use of SCOs;

• connecting the various information sources and establishing a database with indicators and results within the administration at various levels;

• increasing local discretion with regard to spending choices, local powers for strategic planning and development, and devolved funding at the city and regional levels (in promoting a decentralised approach).
1 Introduction

Objective of the study

The CoR, in preparing its position on legislative proposals on the future of cohesion policy, needs more in-depth investigation of the state of play, results and challenges of the European Social Fund in promoting social cohesion in Europe’s cities and regions. The topics analysed cover the scope and objectives of the ESF as defined in the regulations and in relation to the specific strategies for social cohesion developed in each EU MS.

Methodology

First, to deliver a clear picture of the situation and feed the most recent data on the relevant topics into the analysis, data collection has been undertaken through a literature review covering the issues at stake. In the second step, a selected number of case studies and interviews have been conducted to reinforce the analysis performed in the previous stages with more qualitative information. Data analysis and reporting, according to the timing specified in the Terms of reference, conclude the whole process.

Geographic coverage

The study covers the whole territory of the EU. Case studies at the local and regional level have been conducted in six Member States, i.e. Cyprus, Germany, the Netherlands, Poland, Spain and the United Kingdom. The underlying methodology for this selection is based on geographical balance and an attempt to cover both the regional ESF programmes (e.g. Castilla La Mancha in Spain) and the national ones (e.g. Cyprus, the Netherlands), while also taking into account the size of ESF contribution, thus including Poland as the Member State receiving the highest contribution. The complete list of case studies and interviews is reported in Annex 7.

Structure of the study

Section 2 reports the state of play of ESF implementation in the last two programming periods, while section 3 illustrates the state of implementation of place-based approaches. Section 4 analyses the lessons learned and section 5 discusses the challenges over the next programming period. Section 6 completes the study, with conclusions and recommendations.
Note that the information available on the state of play of ESF programmes in the current programming period 2014-2020 is still limited. This is linked to delays in the approval of some programmes, issues related to the time required for the finalisation of complex administrative arrangements needed for programme implementation in certain Member States and regions, and the time for programme monitoring and reporting. Recent data are provided through the case studies.
2 State of play of the role of the ESF in fostering social cohesion at local and regional level

The 2007-2013 programming period proved to be extremely challenging for the implementation of ESF programmes across the EU. Although it was launched at a time of overall employment growth across most of the EU with an employment rate peaking at 70.3% in 2008, plans for the ESF 2007-2013 were heavily compromised by the financial crisis, at the root of dramatic increases in unemployment and social exclusion. In addition, the global recession forced several Member States to significantly reduce their public-sector expenditure, raising problems in terms of co-financing for the ESF. Many ESF-funded interventions focused on employment and were much harder to achieve in a depressed labour market. However, the ESF 2007-2013 final synthesis report published by the European Commission in 2017 underlines the importance of ESF to support national and EU economic and social policy priorities. As outlined in EC Regulation 1081/2006 on the ESF, priorities and programming were aligned with the European Employment Guidelines and contributed to the achievement of the EU targets. The programming of ESF 2007-2013 also reflected the specific challenges identified for individual Member States by the Country Specific Recommendations (CSR), with all clusters of interventions linked to at least one of the CSR key challenges. The total allocation for the ESF 2007-2013 was EUR 115.6 billion, of which EUR 76.8 billion came from the EU budget, EUR 35.1 billion from national public contributions and EUR 3.7 billion from private funds. More than 90% of the budget was allocated to the three main ESF investment priorities: human capital and adaptability (46%), access to employment (34%) and social inclusion (14%).

To tackle the socio-economic difficulties brought about by the crisis, a minimum share of 23.1% of the Structural Funds budget was introduced for ESF in the current 2014-2020 programming period. Currently ESF has a 24.8% share of the Structural Funds budget with 18 Member States allocating additional funds to the ESF beyond the minimum share. These measures effectively reversed the gradual decline of the ESF share over the past 25 years.

Of the total ESF budget of EUR 86 billion, over EUR 75 billion go to supporting sustainable and quality employment, social inclusion and investment in education and training, corresponding respectively to thematic objectives 8, 9 and 10 as outlined in article 9 of the Regulation 1303/2013.
(Common Provision Regulation). The majority of funding is allocated to employment and education objectives, with 25% going to social inclusion. Nevertheless, the achievement of these objectives within the EU remains critical, with important territorial differences at the local and regional level.

The current programming period has seen a certain degree of 'decentralisation' of ESF management in favour of regions, with a total of 125 regional ESF operational programmes implemented across the EU (and 62 national programmes).

2.1 Employment

2.1.1. Current data and trends on the local and regional level

The aftermath of the financial and economic crisis was evident: the employment rate fell constantly from 2009 to 2013, when it stabilised at 68.4%. The EU28 labour market started strengthening towards the end of 2013, with this pattern confirmed in 2014 and 2015. The employment rate was 71.1% in 2016, surpassing for the first time its pre-crisis level from eight years earlier. An average annual growth of almost one percentage point in each of the coming four years would be needed to achieve the 75% target set by Europe 2020.

Looking at Figure 1 below, significant disparities among regions can be observed with regard to levels of employment. In approximately 39% of NUTS 2 regions (108 out of 276), the latest data show an employment rate (among those aged 20–64) equal to or above the Europe 2020 target. A majority of regions in the Czech Republic, Denmark, Germany, the Netherlands, Austria, Sweden and the United Kingdom had employment rates above 75% in 2016, as did Estonia and Lithuania. The lowest employment rates were recorded in the French outermost regions and in the EU Member States most affected by the sovereign debt crisis, in particular Greece, Spain and Italy, with the last two showing a broad north–south divide.
Figure 1. Employment rate, persons aged 20-64, by NUTS 2 regions, 2016

Source: Eurostat
Employment rates increased in a majority of EU regions between 2006 and 2016 (see Figure 2 below). While national patterns in the change of employment rates 2006-2016 can be observed in most EU Member States, a more heterogeneous regional picture can be observed at the regional level in a number of multi-regional Member States, as the patterns vary consistently between types of region. According to the Seventh Cohesion Report, the average employment rate in more developed regions\(^1\) was 74.2% in 2016, quite close to the 75% target, while it was capped at 65% in the less developed regions\(^2\).

The highest increase in the employment rate between 2006 and 2016 among all EU regions was in Dolnoslaskie in Poland, where it increased by 12.5 percentage points. Among all EU28 regions where the drop exceeded 4.0 percentage points, 20 were in Greece and Spain. In general, the more developed regions are currently closest to the Europe 2020 target, but the progress of less developed regions was more rapid up until 2015. This quicker increase shows that the divergence between less and more developed regions has at least started to narrow again in recent years. The rate stagnated in transition regions and if these trends persist, these regions could be surpassed by less developed regions by 2020. Rural areas are furthest from meeting the targets but made more progress than urban areas up to 2015.

\(^1\) Per capita GDP is more than 90% of the EU average, according to Article 90(2) of Reg. 1303/2013.

\(^2\) Per capita GDP is less than 75% of the EU average, according to Article 90(2) of Reg. 1303/2013.
With regard to gender, male employment rates were higher than female rates in all but two regions of the EU, highlighting a significant, though narrowing, gender gap in the EU28. The three largest gender imbalances in EU regions, with employment rates for women only just over half the rates for men, were observed in the three southern Italian regions of Campania, Puglia and Sicily. Gender differences in the employment rate occur for various reasons, but the burden of family responsibilities, such as maternity
and childcare, is frequently identified as the main reason for lower levels of employment among women.

Moving to the link between employment and age, youth employment has been one of the key challenges for the EU in recent years. While data are available only at national level, they portray slight improvements in 2017 compared with the previous year, with still very deep differences among and within Member States. In December 2017, the youth unemployment rate was 16.1% in the EU28 and 17.9% in the euro area, compared with 18.0% and 20.3% respectively in December 2016. The lowest rates were observed in the Czech Republic (4.9%), Germany (6.6%) and Estonia (6.8%), while the highest were recorded in Greece (40.8% in October 2017), Spain (36.8%) and Italy (32.2%).

2.1.2. Contribution of ESF

To counter the negative effect of the crisis and austerity measures, particularly in Member States with more evident financial difficulties, the EU’s financial contribution to ESF in 2007-2013 was raised by EUR 641.5 million above the first ESF allocation planned for the programming period. Flexibility in programming was also facilitated by the European Economic Recovery Plan in 2008, allowing a quick reaction of ESF to the immediate challenges created by the crisis by increasing its focus on fighting unemployment. By the end of 2014, at least 9.4 million European residents had found a job with ESF support. The fund helped up to 30 million unemployed beneficiaries. Female participation represented 51.4% of the total of 98.7 million participations.

With regard to ESF 2014-2020, interventions on thematic objective 8 – ‘sustainable and quality employment and support to labour mobility’ – focus on groups of people needing support through actions such as ‘opening pathways to work’ (counselling, training, fostering entrepreneurship), ‘creating chances for youth’ (apprenticeship, mobility, vocational training), ‘boosting business’ (encouraging innovative ways of working) and ‘caring for careers’ (career management, active ageing, modernisation of labour market institutions…).

Currently, regarding projects on thematic objective 8, the Strategic Report 2017 on the implementation of ESI funds\(^3\) states that EUR 17.4 billion had been committed by the end of 2016, representing 31% of available support.

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\(^3\) COM (2017) 755 final.
Italy and Spain are the Member States with the highest ESF allocation (in absolute terms). Interventions aimed to increase access to the labour market are reaching 4.2 million unemployed and 2.1 million inactive individuals. Significant progress has been made in selecting projects to increase access to employment for job seekers and inactive people (34% of projects selected) and support self-employment and entrepreneurship (31% of projects selected). However, the selection rate for projects on the modernisation of labour market institutions is lagging behind at 15%.

On the regional and local level, some researchers have been critical regarding the fulfilment of the ESF employment objective. As also mentioned by the EPRS briefing on the ESF\(^4\), a recent study on implementation of the ESF in the Czech Republic and Slovakia\(^5\) concluded that the territories with the highest rate of unemployment do not benefit from the highest allocations, the support being higher for regions hosting national authorities.

### 2.1.3. Synergies with other funds

The surge in youth unemployment and the high number of NEETS (‘not in education, employment or training’) under 25 are issues the EU addressed in 2013 with the introduction of the Youth Employment Initiative (YEI), a separate financial instrument established within the framework of the ESF, with the aim of providing financial support for the creation of youth employment in the regions most affected by this phenomenon. The YEI targets NUTS 2 regions with a level of youth unemployment above 25%. Using the flexibility instruments available in the 2014-2020 Multiannual Financial Framework, the YEI was launched with a EUR 6.4 billion budget, with half the financing coming from a dedicated budget line and the other half from ESF contributions. According to the official data presented at the EPSCO (Employment, Social Policy, Health and Consumer Affairs Council) meeting of 7 March 2016, the number of participants in YEI actions was 1.4 million, with Italy, Spain and Portugal having the highest share of beneficiaries, although YEI management authorities suffered from delays caused by late adoption of operational programmes, insufficient guidance, excessive reporting and cumbersome administrative requirements.

\(^4\) EPRS Briefing, How the EU budget is spent – European Social Fund, February 2017.

The latest data\(^6\) on the use of the ESI fund budget for TO8 shows that ESF and the YEI cover the vast majority of the budget planned for this objective, with help from the ERDF (including Interreg) and EAFRD. Interreg programmes in particular are engaged with cross-border labour mobility projects (approximately 235 000 people involved).

**Figure 3. EU budget by theme: Sustainable and quality employment**

![Figure 3. EU budget by theme: Sustainable and quality employment](image)

*Source: Open Data Portal (2018)*

### 2.2 Social inclusion

#### 2.2.1 Current data and trends on the local and regional level

Even in parts of the EU where the employment rate is increasing, a part of the population finds itself without adequate resources to live. Inequality and poverty, including in-work poverty, are on the rise. People considered at risk of poverty are identified as being in at least one of the following conditions:

- at risk of poverty after social transfers (income poverty);
- severely materially deprived or;
- living in households with very low work intensity.

The number of people at risk of poverty or social exclusion in the EU has increased since the onset of the economic recession (from 114.5 million people at risk in the EU27 in 2009 to 123.9 million people in 2012, the highest peak). Despite an overall decrease since then, there is still a 25%

share of people at risk in the EU, and large differences are visible across Member States, which remains as a key challenge, especially in the Baltic and southern Member States. In the EU13, the proportion of people at risk of poverty or social exclusion is considerably larger in rural areas (34%) than in cities (20%). In the EU15, the pattern is the opposite, the proportion being larger in cities (24%) than in rural areas (21%), though the difference is much smaller. Between 2008 and 2015, the proportion fell in all areas in the EU13, and the difference between cities and rural areas is narrowing. In the EU15, the proportion fell only in rural areas while it increased in cities, towns and suburbs.

High unemployment (particularly long-term unemployment) potentially leads to a wide range of social problems, most directly poverty and social exclusion. According to the Seventh Cohesion Report, the unemployment rate across the EU has fallen from a peak of 10.9% in 2013 to 8.6% in 2016 and 7.7% in 2017, still above the 7% reported in 2008 before the financial crisis. However, between 2008 and 2016, unemployment increased in several EU regions at the same time as employment rates went up, meaning that the rate of job creation did not keep up with the growth in the labour force. While in some northern and eastern regions of the EU rates decreased significantly and at times reached lower levels than before the crisis, in a number of regions of the southern Member States rates were up to 10 percentage points higher than in 2008. The changes in unemployment rates in NUTS2 regions are visible in Figure 4 below. In several regions in Greece, Italy and Spain and in the French outermost regions, rates were still over 20%. Youth unemployment remains of particular concern. The highest unemployment rates were concentrated in Greek, Spanish, French and Italian regions, while the lowest rates were predominantly recorded in German regions. The most dispersed regional unemployment rates were observed in Belgium, Italy, Austria, France and Hungary. Of all the groups examined by Eurostat, unemployed individuals and single parents with one or more dependent children faced the highest risk of poverty across all three dimensions.

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7 The dispersion of unemployment rates is an indicator measuring the spread of regional unemployment rates in relation to the national rate.
Income convergence in the EU has been recently described as ‘a tale of two speeds’\(^8\). While overall income convergence has taken place over the last 15 years at both regional and country level, both in terms of higher GDP growth of the poorest regions as well as diminishing differences in GDP per capita,

detailed data suggest large patterns of internal divergence. In particular, patterns at the regional level differ substantially from those aggregated at the national level in Central and Eastern Europe, where the convergence process is accelerating in capital regions while the rest of the country lags behind. During the period 2010-15, convergence at the level of Member State has been stronger than at the regional level. The same trend is apparent when considering geographical clusters of countries: Southern Europe is more uniform and exhibits a lower variation compared with North-Western and Central-Eastern Europe (see Figure 5 below), both at the level of countries and regions. This implies that national averages of EU countries mask large regional differences. In fact, in several countries, the exceptional growth performance of capital regions (e.g. Bucharest and Bratislava) drives up the national average and masks very poor growth in other regions.

**Figure 5. Beta-convergence in EU Member States vs. EU regions, by cluster of countries**

*Source: CEPS (2018)*
2.2.2 Contribution of ESF

In the 2007–2013 period, 14% of total ESF co-financed investment was allocated to social inclusion measures, which helped Member States to better support those most severely hit by the crisis. In the 2014–2020 period, the ESF provides support to measures to help groups that face discrimination in the labour market. These include, in particular, migrants and ethnic minorities (e.g. Roma). ESF-supported measures are aimed at combating all forms of discrimination and at breaking down the various barriers to finding employment and becoming integrated into society.

The current ESF Regulation 1304/2013 stipulates (Article 4) that at least 20% of the total ESF resources in each Member State must be allocated to the thematic objective ‘Promoting social inclusion, combating poverty and any discrimination’, whereas allocations are not quantified for the other thematic objectives. According to the most recent data published, social inclusion had a strong acceleration of project selection, reaching EUR 16.5 billion (26%) in 2016 with measures to support active inclusion playing a key role in supporting vulnerable groups and bringing them closer to the labour market. However, there are concerns about the delay in implementing measures for the socio-economic integration of marginalised communities and social inclusion in deprived urban areas in general. In fact, based on the synthesis of all 2016 Annual Implementation Reports, the highest absorption is found for the largest priorities in terms of funding, which are ‘active inclusion’ and ‘access to affordable, sustainable and high-quality services’, while no amounts were contracted by the end of 2016 by beneficiaries for ‘integration of marginalised communities’.

2.2.3 Synergies with other funds

The latest data on the utilisation of the ESI fund budget for TO 9 shows that ESF only covers 47.5% (approximately EUR 31 billion) of the EU budget planned for this objective, with the ERDF and EAFRD covering the other half.

Of all the funds, ESF is the single largest investor in social inclusion, although the ERDF interventions contribute significantly through support to job creation (e.g. start-ups and SMEs), renovation of infrastructure (e.g. housing, schools, hospitals) and the requalification of urban areas. TO 9 is

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the most used in combined ERDF and ESF programmes (24% of total combinations). The integrated use of TOs often addresses different aspects of sustainable urban development where different TOs are usually combined with TO 9.

The new provisions in the 2014-2020 regulations for enhancing the integrated use of ESI Funds are particularly important in addressing the territorial dimension of poverty. The integration of marginalised groups requires multidimensional approaches supported from different ESI Funds. In deprived urban areas, ESF actions aimed at promoting the social inclusion of marginalised groups should be accompanied by physical and economic regeneration activities supported by the ERDF. In rural areas, EARDF support may also be used to promote social inclusion, particularly through community-led local development (‘LEADER’).[^11]

Looking at the ESI Funds regulatory framework 2014-2020, social inclusion is also indirectly addressed in TOs 8 and 10 (employment and education). Furthermore, social inclusion is also considered through horizontal principles – related to gender equality, accessibility for people with disabilities and social issues related to demographic changes – and as such could be integrated into all eleven TOs.

**Figure 6. EU budget by theme: social inclusion**

Looking at the whole range of Union Instruments, a sample of operational programmes tackling social inclusion analysed in the recent EP study[^11]

“Integrated use of ESI funds to address social challenges”\textsuperscript{12} showed how the Asylum, Migration and Integration Fund (AMIF), the Fund for European Aid to the Most Deprived (FEAD) and Horizon 2020 account for half of the synergies mentioned in ESI fund programmes with regard to social inclusion.

The ESF and multi-fund programmes frequently mention synergies and complementarities with Union Instruments to tackle social challenges, especially AMIF, which targets migrants and refugees, e.g.:

- ESF programmes in Germany such as the ‘Operational programme of the Federal Government for the European Social Fund in the funding period 2014–2020’ and ‘Operational programme Efficient Human Resources 2014–2020’ plan synergies and complementarities with AMIF, FEAD and ERASMUS+.

- Multi-fund programmes quote synergies and complementarities with AMIF and FEAD for social purposes, such as the OP Central Macedonia in Greece and ‘Human Resource Development Operational Programme’ in Hungary.

At the third FEAD Network meeting in November 2016, the actors involved reflected on the needed synergies between FEAD and ESF and suggested, among other things: deeper cooperation between Managing Authorities; common strategies to avoid the potential overlap of initiatives; the involvement of the local community and regular consultation with local actors to create trusting and collaborative partnerships; a much higher harmonisation of FEAD and ESF regulations; more integrated management at national and regional level; regular dialogue between stakeholders at all levels (including end recipients).

### 2.3 Education and vocational training

#### 2.3.1 Current data and trends on the local and regional level

Vocational education is increasingly considered as key to lowering unemployment rates by facilitating the transition of young people from education into the labour market and increasing labour market access opportunities for low-skilled individuals. The share of upper secondary education...
students participating in vocational education programmes varied considerably across the EU Member States in 2016, with a particularly high participation in a cluster of regions in Croatia, Slovenia, Austria, Slovakia and the Czech Republic. Some of the differences in the level of participation can be attributed to perceptions concerning vocational education and training: in countries including the Czech Republic and Austria, vocational education and training is largely considered an effective step to facilitate access to the labour market, whereas in some other Member States it has a much less positive societal perception. Vocational education programmes had the lowest shares recorded for the two Irish NUTS level 2 regions and for Scotland, followed by the island-regions of Malta and Cyprus and the capital city region of Hungary.\(^\text{13}\)

Considerable disparities also remain in the share of early leavers\(^\text{14}\) both between and within EU28 regions. Several large Member States in southern and western Europe recorded shares above the EU benchmark, namely, Germany (10.2%), the United Kingdom (11.2%), Italy (13.8%) and Spain (19.0%). The highest share of early leavers from education and training was recorded in Malta (19.6%), while the lowest share was recorded in Croatia (2.8%). Many of the EU regions with the highest shares of early leavers from education and training were characterised as being relatively remote and/or sparsely populated and it may be the case that students living in these regions leave home to follow a particular specialisation, while those who remain have fewer opportunities for upper secondary or tertiary education. Some of the largest ranges between the highest and lowest shares of early leavers across the different regions of a single EU Member State were observed in France and Spain.

The share of young people (aged 18–24) in the EU28 who were neither in employment nor in education or training (NEETs), in relation to the population of the same age, was 15.2% in 2016. One of the key determinants explaining differences in NEET rates is low educational attainment. Regions characterised by relatively high rates of early leavers from education and training and relatively low rates of vocational training are expected to show high NEET rates. An analysis across the EU Member States shows that the highest proportion of NEETs in 2016 was recorded in Italy (26.0%). By contrast, the proportion of young people who were neither in employment nor in education or training was as low as 6.1% in the Netherlands. The highest rates tended to be located in southern, eastern or overseas regions.

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\(^\text{13}\) Eurostat Regional Yearbook 2017.

\(^\text{14}\) The EU defines early school leavers as people aged 18-24 who have only lower secondary education or less and are no longer in education or training.
often corresponding to rural, peripheral or outermost regions. In western EU Member States, there were sometimes relatively high NEET rates located in urban areas characterised by a traditional specialisation in heavy industry.

In total, 16 of the 35 regions in the EU where the share of young people with a tertiary education attainment\(^\text{15}\) reached at least 50% were capital city regions, where a wider range of opportunities is usually available for higher education. Consequently, many of them attract people seeking to undertake tertiary education. Generally, capital city regions also reported relatively high employment rates for recent graduates in 2016, with these regions recording the highest rates in six of the 22 multi-regional EU Member States. This is also because educational qualifications are still the best insurance against unemployment. According to 2014 Eurostat data on unemployment rates by level of educational attainment, the unemployment rate was 18.2% higher for those who attained at most a lower secondary education than for those with a tertiary education qualification (6.6%). The attraction of capital city regions has, however, the potential to create labour market imbalances (i.e. ratio between labour supply and demand) whereby an increasing share of graduates move to capital cities in search of work. These patterns may be of particular concern in EU Member States that are characterised by a pattern of economic development where a large part of the national economy is concentrated in the capital city and its surrounding regions.

2.3.2 Contribution of ESF

'Investing in education, training and vocational training for skills and life-long learning' is one of the ESF thematic objectives (TO 10 according to art. 9 CPR) stipulated in article 3 of the ESF regulation 1304/2013, and the second by share of ESF budget with a total of EUR 27.1 billion. Within the scope of this objective, the ESF helps Member States to improve the basic skills of low-qualified individuals and assist workers to increase their skill levels and the unemployed to get back into work. To this end, the ESF provides support across the entire education cycle from early childhood schooling to vocational training and life-long learning. Italy, Poland and Portugal have the three highest ESF allocations for investments in education and training in absolute terms.

Investments in TO 10 reached EUR 14.6 billion in 2016, with a project selection rate close to 30%. Despite a relatively low project selection rate for

\(^{15}\) The tertiary educational attainment indicator is defined as the share of the population aged 30–34 who have successfully completed a tertiary education programme.
life-long learning activities, about 700 000 persons are being given the opportunity to upgrade their skills and secure their career paths.

2.3.3 Synergies with other funds

The latest data\(^{16}\) on the utilisation of the ESI fund budget for TO 10 (education and vocational training) shows that ESF covers almost 80% of the EU budget planned for this objective (approximately EUR 39 billion), with the ERDF covering most of the remaining interventions, focused on adding capacity to childcare or education infrastructure.

With regard to Union instruments, the Erasmus+ programme guide explicitly mentions synergies with ESI funds on several levels, e.g. within the framework of the key actions ‘Collaborative Partnerships’ and ‘Support to Policy Reform’.

Figure 7. EU budget by theme: education and vocational training.

\[\text{Source: Open Data Portal}\]

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2.4 The European added value of ESF

The information provided in the paragraphs above exemplifies well how the ESF, along with the other ESI funds, emerged as a necessary support to stability and growth in the aftermath of the economic and financial crisis, particularly to fill the shortcomings of national budgets that had come under strain. More recently, the ESF helped tackle the refugee crisis through targeted integration actions. The EC communication ‘A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020’ addresses the added value of the EU budget with this comment: “Pooling resources at European level can deliver results that spending at national level cannot.”

Looking into the 2007-2013 report on the main achievements of the ESF, the added value was measured through four dimensions: volume, scope, role and process effects. The data provided confirm positive effects in all dimensions. Volume effects were observed in most Member States by increasing and complementing mainstream employment and training provisions and boosting support for priority groups. ESF also broadened the national actions (scope effects) in tackling gender equality, integrating minorities such as the Roma and enhancing the quality and intensity of public services. Important role effects were observed with regard to community-based social services supported by the ESF, which were recognised as effective models for social service delivery and taken up by the national social assistance agency (e.g. in Bulgaria). Finally, the ESF was reported to influence the improvement of public administration (process effects) by creating more ‘client-centred’ and accessible services (e.g. for social inclusion), encouraging greater use of monitoring and evaluation, strengthening partnerships and increasing focus on equality.

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18 Volume effects – ESF funding adds to existing actions, either by supporting national action in general or specific areas of national policy; Scope effects – ESF action broadens existing action by supporting groups or policy areas that would not otherwise receive support; Role effects – ESF action supports local/regional innovations that are taken up at national level or national innovative actions that are then ‘mainstreamed’; Process effects – ESF action influences member state administrations and organisations involved in the programmes.
2.5 State of play of ESF in six selected programmes

POLAND

In 2007-2013, only one ESF financed OP was implemented in Poland – the OP ‘Human Capital’. With the EU allocation of EUR 9.7 bn., it was the largest ESF programme in the EU in 2007-2013.

In the 2014-2020 programming period, ESF 2014-2020 resources in Poland are implemented through the ESF mono-fund national OP ‘Knowledge Education Development’ and 16 regional multi-fund (i.e. ERDF and ESF) OPs, in which the ESF accounts for EUR 8.7 bn. ROPs support such areas as regional labour markets, active job search, education, skills and competences, social inclusion and technical assistance.

ESF state of play at the local and regional level: Warmińsko-Mazurskie

According to national analyses, Warmińsko-Mazurskie benefited most and is estimated to have had the highest impact from the implementation of ESF projects in 2007-2013 interventions in the areas of the labour market and education. In 2004, at the time of EU entry, the region was characterized by a 51.1% employment rate for people aged 20-64, while in 2016, the value of this indicator was already 63.4%. It is estimated that one fourth of the growth recorded during this period was the result of the impact of EU funds. The region still has the highest unemployment rate in Poland. It is also a depopulating region with a high negative migration balance. The region is characterized by a high risk of relative poverty, which increased up until 2016. However, it is estimated that investments co-financed under Cohesion Policy allowed for a reduction of the unemployment rate in this region by about 3 percentage points. In the current programming period, the region is implementing its own ROP Warmińsko-Mazurskie 2014-2020 with an allocation of EUR 1.7 bn., including the ESF portion of EUR 486.1 mil. From the moment of launching the programme to January 2018 the co-financing agreements signed with the beneficiaries for the ESF amount to approximately 41% of the ESF allocation of the programme. The positive effect of ESF is visible in creating new jobs, improving the qualifications of employees and their better adaptation to the changing conditions on the labour market. In 2016, the number of jobs created in Warmińsko-Mazurskie as a result of investments co-financed from the EU budget is estimated at 27 000.
THE NETHERLANDS

The ESF is implemented on the national level in the Netherlands by the Ministry of Social Affairs and Employment. Two themes are prioritized:

1) active inclusion
2) active and healthy ageing

Main results on active inclusion between 2014 and 2016:

- 153,960 persons participated in 72 projects and 35% of the targets were met in 2016.
- For the municipal projects, youth is the main target group (42% in 2016). A large group of people on welfare longer than 6 months was reached with the ESF (53% of participants in 2016). The remaining target groups are underrepresented.
- A relevant development is the inclusion of refugees under the target groups. Before 2016, individuals in this group were only eligible when they also fell under the auspices of other target groups. At the request of municipalities that were looking for ways to support refugees, this group now has a separate status. As a result, the participation of this group increased significantly from 2014-2015 to 2016.
- The 2016 assessment of the ESF programme highlights that ESF active inclusion contributed to volume-effects, meaning more room for working with people who are distanced from the labour market. The ESF also contributed to the use of more instruments to guide people in this process.
- Quality-effects have been identified, such as the possibility to deliver more intensive and tailor-made guidance.
- There is a certain focus on sectors aiming to invest in sustainable employment. Private sector interest groups that pool resources through foundations and associations can use these funds to deepen activities on sustainable employability. The aim would be to ensure that the effects of these activities spill over into the economic sector as a whole.
SPAIN - Castilla la Mancha

The regional ESF OP 2014-2020 aims to address the following challenges and needs:

- **reducing unemployment** and increasing activity;
- **supporting entrepreneurship** and self-employment;
- increasing **human capital** and improving their capacities;
- supporting **people and geographical areas at higher risk of discrimination or social exclusion**.

The expected impact is to:

- **increase employment opportunities** amongst the most disadvantaged groups, stimulate and increase entrepreneurship, as well as increase the labour market participation of women in those sectors with a low female representation;
- **improve the employability** of those further away from the labour market through integrated pathways for social and labour integration and by promoting employment measures as the means to combat social exclusion;
- **reduce the levels of early school leaving** through personalized support and projects in specialized centres to motivate and encourage pupils at risk as well as increase the quality of and participation level in vocational training.

GERMANY – Berlin

The OP for Berlin envisages an ESF funding of EUR 215.1 million over the 2014-2020 period. Overall, the ESF Berlin Managing Authority identifies two main target groups for ESF intervention:

- **Young people**: conventionally this has been a focus in Germany for ESF funding, whereas **support to the elderly is somewhat underrepresented** compared with what the EC might view as appropriate. The **focus on young people** in Berlin can be justified by the fact that there is a **particularly high rate of early school leavers** (approx. 15%).
- **Long-term unemployed**: whereas overall unemployment is shrinking in Berlin as in Germany overall, the **number of long-term unemployed people is not decreasing** as fast. As a result, their share of the total number of unemployed people is increasing.

In Berlin, there are many people with a combination of challenges including long-term unemployment, drug addiction, long-term illness, etc., which prevent their successful integration into the job market.
UK – Greater Birmingham and Solihull

The ESF in England is managed centrally by the Department for Work and Pensions. For the 2014-2020 period, ESF funding in England is dedicated to achieving objectives 8, 9 and 10 of the ESIFs.

According to the 2014-2020 OP, three priority axes have been chosen for England, which aim to incorporate and build on the European thematic objectives. These are: inclusive labour market, skills for growth and technical assistance. There is a distinct focus on initiatives to increase the employment rate, particularly with regard to those who are at a disadvantage in the labour market (e.g. long-term unemployed, people with disabilities, women returning to work, low-skilled workers etc.). Overcoming high levels of youth unemployment is identified as a focal point for EU funding in the 2014-2020 ESF OP England. There is evidence of a reduction in unemployment levels over the current programming period.

ESIF funding is notionally allocated at the regional level to 39 Local Enterprise Partnerships (LEPs), made up of representatives from local governments and industrial partners. These bodies provide co-financing from national government. The role of the LEPs is to work with the national bodies to identify local needs and establish local priorities for support from ESF. This approach means that the LEPs do not need to secure substantial co-financing from local sources and ensures that ESF activities are very closely aligned with national provisions.

For the 2014-2020 programming period, the Greater Birmingham and Solihull LEP (GBSLEP) chose to opt out of the system described above and to maintain control over their own funding allocation. The LEP has been allocated £110 million from the ESF (divided equally between Promoting Employment and Mobility; Promoting Social Inclusion and Employability; and Skills for Growth and Entrepreneurship) and a further £19 million from the YEI specifically. Fourteen public calls have been launched by GBSLEP for ESF funded projects, focusing principally on access to employment (with special attention paid to jobseekers, economically inactive individuals and NEETs) and learning and skills, with one project also dedicated to active social inclusion.
The ESF 2007-2013 OP ‘Human Capital and Social Inclusion’ was marked by the effects of the financial crisis and recession. In the years between 2008 and 2013 the employment rate fell from 71% to 62% and the NEET rate for young people rose from 9% to 21%, identifying two emerging vulnerable groups: the unemployed and young people entering the labour market. The challenge was addressed through the creation of training opportunities for young people, increasing lifelong learning for low-skilled workers, unemployed and other disadvantaged groups and increasing the participation of women in training and the labour market.

The 2014-2020 ESF OP “Employment, Human Resources and Social Cohesion” has a total budget of EUR 173 million. In 2017 Cyprus received an additional EUR 33.6 million (11.3 million from the ESF) to contribute towards social cohesion.

The Operational Programme has been designed to encourage social cohesion under three priority axes (Improving the Employment Potential of Human Capital, Supporting the Employment of Youth under 29 years old and easing their entry into the Labour Market, Fighting Poverty and Social Exclusion). The main tool used to combat these issues is encouraging the creation of jobs and internships through financial incentives for employers. Part of the training was designed to match the changing demand of the labour market in the country by investing in sectors such as the hotel industry.

However, overall 22.1% of those that started their contract left before completing it. This could be due to a lack of capacity to move around the island, as the territorial focus of the programmes was not based on small localities but on the country as a whole, which has a single managing authority.

Additionally, one million euros were allocated in the EURES network (EaSI) to improve private job-seeking services in order to reduce frictions and increase efficiency and transparency in the labour market.

Education

An effort is made to certify lifelong learning and skills based on experience. This provides considerable benefits, such as increased labour market mobility within the country, but also within the EU. This form of certification contributes to social cohesion, preventing the isolation of certain workers and facilitating the transfer of skills to other professions. These certifications are designed to add to the European Qualification Framework.
3 Use of the place-based approach to address social challenges

The place-based approach requires that development issues be addressed based on the needs expressed at local level by different groups of people and considering the context of intervention\(^\text{19}\). Place-based approaches assume that territorial contexts in the EU28 are very diverse, including urban and rural areas, remote areas with handicaps, sparsely populated areas, outermost regions and other regions with territorial specificities (e.g. maritime or mountainous regions), each with specific development paths, different needs and decision-making processes.

The place-based approach promoted by the cohesion policy in the current programming period has been addressed at different levels of governance, using different instruments of implementation.

For the ESF, the place-based approach can be analysed first considering how the needs identified in the regions have been addressed by the programme strategies and what arrangements have been taken at programme level to ensure the participation of regional and local stakeholders in programme implementation. The participation of regional stakeholders is supposed to guarantee the representativeness of territorial needs and provide strong support to the strategy approved by programme authorities.

In addition, how the place-based approach has been adopted in the various ESF programmes can also be analysed by exploring the way in which ESF programmes use integrated instruments such as CLLD, ITI and sustainable planning to meet the social needs expressed at the territorial level.

3.1 Place-based approach in programme strategies

The 28 Partnership agreements (PAs), defined at national level, highlighted their specific territorial needs and challenges in terms of social cohesion in sections 1.1 and 3, providing information on the issues to be addressed at territorial level, particularly for those areas most affected by poverty, discrimination and social exclusion.

\(^{19}\) As defined in the Barca report (2009), “a place-based policy is a long-term strategy aimed at tackling persistent under-utilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes.”
In France, for example, the PA was used to introduce more coherence between the different levels of governance from the local to the national level. In Italy the PA examines regional social and economic disparities in terms of needs and growth potentials, distinguishing between inner areas, urban and rural areas.

Needs are analysed in specific sections of the programme template (section 1.1, sections 4 and 5), covering all the TOs selected by the programme strategy, using available statistics at national/regional levels. In the 125 ESF regional programmes approved in the current programming periods (of which 92 are multi-funds), needs clearly refer to territorial needs and issues are identified at regional levels, mainly referring to TOs 8, 9 and 10.

As reported by the Altus study for the EC, the most frequent types of territory affected by poverty identified in the PAs and OPs are those with socially marginalised communities, urban and rural areas, and areas with permanent geographical and demographic handicaps (see figure below). In total, 16 PAs and OPs from 19 MS declared territories affected by poverty.

**Figure 8. Type of territories affected by poverty (in 2014-20 PAs and OPs)**

(As % of the total number of programming documents)

*Source: European commission, 2016*

How needs have been analysed concretely and the degree of consistency between the needs and priorities chosen is very specific to each ESF

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programme and territorial context. There are few analyses at EU level on how the 186 ESF programmes performed their needs analysis and to what extent the programme strategies rely on an effective place-based approach. However, in the previously mentioned study covering all the ESI Funds (including ESF), it is reported that only 28 OPs performed a full analysis of needs of vulnerable groups and fewer than half of the PAs comprise concrete actions for poor regions or vulnerable groups.

3.2 The involvement of stakeholders in programme partnerships

The involvement of local stakeholders in the programme partnerships is also a signal of the extent to which local and territorial needs are taken into account by the programmes. Social stakeholders have been involved in the programmes as partners, according to article 5 of the CPR related to “partnership and multi-level governance”, both in the programming phase, i.e. participating in the discussions on the programme priorities, and in the implementation phase through direct participation in decisions in monitoring committees. As it emerged from the analysis of the 28 PAs, the principle of partnership (Art. 5 of the CPR) has been implemented with the active participation of local social partners as well as of civil society. The participation of stakeholders is well documented in general both at PA and OP levels. In addition, as mentioned in the programme strategies, the involvement of various types of stakeholders, such as civil society representatives, NGOs, economic and social partners is planned in the implementation phases, some of them taking part in the decision-making process as members of monitoring committees.

3.3 The use of integrated policy tools in implementing the place-based approach

In the current programming period, the place-based approach is pursued using integrated policy tools and through a better synergy and complementarity between funds (including ESI funds) and policies implemented at EU, national and regional levels. In the 2014-2020 programming period, integrated tools supporting employment (TO 8), social inclusion (TO 9) and education (TO 10) interventions at the local level are

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23 See the Common Strategic Framework, annex 1 of the CPR.
mainly Community-Led Local Development (CLLD), Integrated Territorial Investments (ITI) and urban sustainable development plans. They are often multi-funds, i.e. combining financial resources from ESF, ERDF and EAFRD in rural areas.

**CLLD** is an instrument designed to strengthen stakeholder participation and also involve citizens in local development strategies\(^{24}\). The CLLD is by essence bottom-up, i.e. centred on local needs and led by local actions groups made up of representatives of public and private interests in the area. The CLLD has been tested for years in the framework of EAFRD programmes, through the LEADER approach before being extended on a voluntary basis to all ESIF in the current programming period. CLLD has three main components:

- **Local action groups.** They are made up of local private and public representatives such as entrepreneurs and their associations, local authorities, neighbourhood or rural associations, groups of citizens (such as minorities, senior citizens, women/men, youth, etc.), community and voluntary organisations, etc. One of their tasks is to engage in dialogue, from an early stage, with the relevant managing authorities to agree on needs and concerns to be taken into account in the programme design.

- **Local development strategies.** They need to show coherence with the ESI Fund programmes supporting them. The strategies define the area and the population targeted. A SWOT analysis describes the objectives and innovative features of the strategy. The strategy should also include an action plan to verify how the objectives are translated into concrete projects.

- **Area and population coverage.** The local action groups define the area and the population that the strategy is intended to cover, in line with criteria in Article 33(6) of the CPR.

**ITI** are aimed at implementing territorial strategies that allow Member States to combine investments from several priority axes of one or more Operational Programmes. Interventions from ITI are multi-dimensional and cross-sectoral by nature.

Key elements of ITI are:

- **A designated territory and an integrated territorial development strategy.** Important in ITI implementation is to define a geographical area with specific features. Once delineated, the investment can tackle any territorial feature ranging from specific urban neighbourhoods with multiple deprivations to urban, metropolitan, urban-rural, sub-regional or inter-regional levels.

- **A package of actions to be implemented.** Although not compulsory, when employing ITI, it is advisable to combine contributions from different funds (ERDF, ESF and the Cohesion Fund, optionally complemented with support from EAFRD and EMFF). The ‘actions implemented through the investment shall contribute to the TOs of the relevant priority axes of the participating Operational Programme(s), as well as the development objectives of the ‘territorial strategy’. Grants and, when appropriate, financial instruments can deliver support to the package of actions.

- **Governance arrangements to manage the ITI.** Final responsibility for implementing and managing the ITI lies in the hands of the managing authority. It can, in turn, delegate implementation and management tasks to intermediate bodies including local authorities, regional development bodies or non-governmental organisations operating at the local level.

**Urban sustainable development plans (USDP)** can be supported by ESF and ERDF in developing actions and plans addressing key social issues affecting urban areas and their rural surroundings. Cities or urban bodies are designed as intermediated bodies to implement USDP and related actions. To date, more than 3 800 urban and territorial strategies have benefited from EU support, many of them with interventions addressing social cohesion issues. In total, 900 integrated sustainable urban development strategies have been adopted, financed mainly by ERDF and ESF with a national contribution in some cases, while 13 Member States adopted the new ITI instrument for a total of 150 different territorial strategies.

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26 Art 12. ESF regulation 1304/2013 and article 7 ERDF regulation 1301/2013.

27 Source: strategic report 2017 on the implementation of the European Structural and Investment Funds and 7th report on economic, social and territorial cohesion.
It is worth noting that other tools for territorial development not directly supported by ESF have been put in place during the current programming period, such as the Urban agenda or the Urban Innovative Actions, also covering social cohesion issues to a large extent.

It is still difficult to draw lessons on the efficiency of the use of integrated tools as operational instruments for a place-based approach in the 2014-2020 programming period. More experience needs to be gained by LRAs on the ground before a complete evaluation of these delivery mechanisms can be made. However, general guidance on how to improve efficiency in implementing place-based approaches is already available. As it emerges from the 2015 European Commission study ‘Territorial Agenda put in practice’, key success elements for a place-based approach are the following:

- gaining a clear recognition of local assets, potential and skills and gathering stakeholders’ opinions to achieve consensus on a shared vision;
- addressing multifaceted needs and development challenges concerning poverty and social exclusion, integrating activities and avoiding conflict;
- promoting open governance, i.e. a multi-level governance, bottom-up approach with a clear and transparent definition of rules for citizens and stakeholder participation;
- identifying a strong leadership and ownership (e.g. entrusted authority or a dedicated partnership);
- developing capacity in experimenting with new and innovative solutions to deal with emerging needs and promote adequate learning to adjust to changes.

However, as it emerged from recently published studies in the field\(^{28}\), the place-based approach can also add complexity to the process of planning and programming, i.e. a new source of burdens and costs for local authorities and stakeholders (e.g. requirement of local plans for urban authorities in the case of ITI, or Local Action Plans for CLLD). There is a risk of perceiving integrated tools more as an additional burden than as an instrument enabling better-integrated territorial development, especially for LRAs with a weak administrative capacity. This is the reason why LRAs, particularly with regard to the municipal level, called for greater simplification of procedures and rules, and a direct access to funds to implement social inclusion policies more efficiently at the local level.

Examples of the use of integrated tools related to demographic changes, skills shortage, integration and social inclusion are provided below.

THE NETHERLANDS

ITI ‘House of Skills’ in the city of Amsterdam is a project based on the rapid changes on the labour market for lower and middle working-class segments. The rationale behind the initiative is that jobs are no longer for life. Sustainable employability on regional markets is under pressure due to increasing digitalisation, technological developments and globalisation. This drives the House of Skills project to facilitate inter-sectoral mobility and to continue motivating people to invest in human resources and in their individual sustainability on the labour market. It includes measures such as skills assessments, educational programmes and new forms of matching employers, unions, government bodies and educational partners to collaborate on innovation.

SPAIN – Castilla la Mancha

Initially, the ESF OP 2014-2020 did not adopt any place-based approach. However, the regional government has initiated a revision of the ERDF and ESF OPs 2014-2020, which will include an ITI targeting rural areas particularly affected by low levels of population density and higher levels of poverty and exclusion. It will focus on five priority zones that have been chosen because of their high unemployment rates, their relative remoteness and their socio-economic decline. Moreover, they also include mountains and zones that feature difficult accessibility.

CYPRUS

ITI and CLLD have not been used as part of the ESF action in the country. There are urban areas where unemployment, the immigrant presence and the risk of poverty or social exclusion are eminent, but there is insufficient data available to identify and target these areas.

GERMANY – Berlin

CLLD and ITI do not play an important role in ESF implementation in Berlin, where there are a number of ‘job points’ or user-friendly job centres in disadvantaged districts of the city that complement the work of official employment agencies by assisting unemployed people and those wishing to change jobs. The aim is to create trust by assisting unemployed people without the looming threat of sanctions if they don’t accept work offered by the employment agencies.
4 Lessons learned from ESF implementation

4.1 Overview of ESF-funded activities to support capacity building

Strengthening institutional capacity building was first introduced as a priority in the ESF programming period 2007-2013. The concept of capacity building was adopted because it was understood that effective implementation of EU legislation, policy and programmes required an appropriate administrative framework and adapted judicial structures\textsuperscript{29}. One of the features of the territorial dimension of the ESF is to improve cooperation with other funds. According to the Commissioner for Employment Social Affairs and Inclusion\textsuperscript{30}, the territorial dimension of the ESF stems from its Treaty base and its core objectives of improving employment and the standard of living, and to contribute to economic, social and territorial cohesion. The territorial aspect for cohesion was introduced as a priority by the Lisbon strategy, even though the ESF was already contributing indirectly to territorial cohesion. The territorial dimension was meant to better tailor the funding to the specific characteristics of the regions, in terms of resources, human capital, social cohesion, demography, etc.\textsuperscript{31} Because managing the ESF at the local level requires capacity, it is important to have capacity building activities at the local level, to foster good governance with a bottom-up approach.

In the programming period 2007-2013, 14 Member States implemented activities related to capacity building in their OP, using a budget of about EUR 2 billion, which accounts for 2.1\% of available ESF funding\textsuperscript{32}. Four MS\textsuperscript{33} operated an OP dedicated exclusively to institutional capacity building, and other MS\textsuperscript{34} had at least one Priority Axis (PA) dedicated to institutional capacity building in their OPs. 21 OPs were related to institutional capacity building. According to the 2007-2013 ex-post thematic evaluation, the main


\textsuperscript{31} Ibid.

\textsuperscript{32} European Commission (2017) Discussion paper: ESF support to administrative modernisation

\textsuperscript{33} BG, GR, HU, RO

\textsuperscript{34} IT, LT, LV, MT, PL, RO, SI, SK, UK, CZ
areas of support included: efficient and effective management, simplification of regulatory systems, improving business environment, e-government, justice reforms, and anti-corruption policies. About 70% of activities focused on structures and processes. The evaluation includes 1.4 million participants and 95 000 organisations involved (public institutions, social partners and NGOs)\textsuperscript{35}.

In the 2014-2020 programming period, strengthening institutional capacity became a thematic priority for the European Structural and Investment Funds (ESIF) in the form of TO 11: ‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’\textsuperscript{36}. 18 Member States are eligible for support under TO11, of which 17\textsuperscript{37} receive support for the programming period 2014-2020 with a budget of about EUR 6.4 billion, of which EUR 4.7 billion will be provided by the ESF\textsuperscript{38}. There are 54 OPs related to capacity building for this period, most of which are national OPs. Generally, capacity building for the ESF can target two types of stakeholders: the Managing Authority, and social and economic partners. Capacity building has three main dimensions: structures and processes (e.g. coordination and partnerships), human resources (e.g. addressing competence gaps, employee engagement) and systems and tools (e.g. use of ICT)\textsuperscript{39}. On the webpage of the EC dedicated to the ESF, the activities related to institutional capacity building are subdivided into two categories: 40

- more effective institutions: boosting the quality of a broad range of services available to citizens, workers and job-seekers in their towns, cities and regions;

- partnerships for progress: helping public authorities and stakeholders such as NGOs to work together, design and deliver successful programmes.

\textsuperscript{35} European Commission (2017) Discussion paper: ESF support to administrative modernisation.

\textsuperscript{36} Regulation EU 13/2013.

\textsuperscript{37} IT, RO, HU, GR, SK, BG, PT, HR, PL, LT, CZ, EE, SI, FR, LV, MT, CY.


\textsuperscript{40} \url{http://ec.europa.eu/esf/home.jsp} accessed 24/01/2018.
4.2 Lessons learned from ESF support to capacity building activities

Looking at the implementation of capacity building activities during the programming periods 2007-2013 and 2014-2020, the main areas of focus relate to the Country Specific Recommendations (CSR), the potential capacity trap\footnote{A situation where weak administrative capacity hinders the implementation of capacity building measures.} in some regions, the multitude of instruments active in capacity building, the difficulty to measure achievements under TO 11, and the involvement of local actors.

During the European Semester, the EC formulates CSR. CSR related to institutional capacity building can be quite broad, involving advice to improve the effectiveness of public administration in general, or it can recommend focusing on a specific aspect such as reform of the judiciary. In the 2007-2013 period, all countries that had a dedicated priority on capacity building were targets for CSR related to institutional capacity building. Between 2012 and 2015, 20 MSs received CSR in the area of public administration\footnote{European Commission (2017) Discussion paper: ESF support to administrative modernisation.}. CSR are rather general and do not specifically target the regional or local level. In a 2017 study, the Conference of Peripheral and Maritime Regions (CPRM) recognised that ‘many CSR touch on areas of intervention related to the ESF’ and that ‘deep structural issues across Member States need to be addressed while maintaining a genuine and substantive territorial dimension’\footnote{CPMR (2017) The European Social Fund 2014-2020 & the Youth Employment Initiative: the experience of CPMR Member Regions, p6.}. It recommends clear coordination between the national, regional and local levels to enable the achievement of the ESF objectives, which address issues that have a strong local dimension. The evaluation of the 2007-2013 ESF activities for capacity building found that in the Czech Republic, the ESF programme on capacity building addressed almost all the CSR recommendations\footnote{Metis GmbH (2016), p16.}.

The evaluation of the ESF 2007-2013 found the implementation rate in capacity building activities to be lower than for the overall ESF (respectively 69.3\% and 79.3\%) with important variations between countries. One of the explanations for this is the low capacity of administrations to implement projects, resulting in a low capacity trap where the lack of an adequate administrative framework prevents the introduction of reforms or the building of capacity. Several studies\footnote{See Metis (2011, 2016) and Ecorys (2011).} highlight the fact that administrative
and institutional capacity building activities necessarily take different forms depending on the context in which they take place. The political context is of particular importance. The evaluation of the ESF 2007-2013 concludes that the key success factors are an enabling institutional and political context, motivation of the targeted stakeholders and at least a minimum level of existing capacity of beneficiaries.

Several instruments and funds provide support directly or indirectly for institutional capacity building and administrative reforms. An EC study mentions the Structural Reform Support Programme, the Connecting Europe Facility (on digital support) the ISA2 programme (supporting digital solutions for public services), Horizon 2020 (supporting public sector innovation), the Justice Programme (supporting judicial cooperation), the Hercule III Programme (supporting the fight against fraud), etc. Indeed, many programmes touch on the issue of institutional capacity building. A study of the European Parliament on EU support to public sector reforms states that the number of instruments creates confusion and the coherence and complementarity among instruments is not always clear.

The objectives of TO 11 are quite broad and they lack clear indicators for success at the European level, which results in the fact that it is complicated to aggregate results, if it is even possible to measure them. TO 11 also supports long-term objectives, and activities may not produce results immediately or even within the programming period, which adds to the difficulty of measuring results.

Regarding the involvement of stakeholders, the evaluation of capacity building activities in the 2007-2013 ESF found that targets are mainly located at the national level (70%), even though a number of actions also target the local (41%) and/or regional level (53%). In many instances, the OP targets both local/ regional, and national administration. This was the case of the State Reform OP in Romania for the period 2007-2013, which aimed at reducing the development gap between local and central public administrations. Public entities are the main beneficiaries of capacity building activities (85%) and social NGOs and other social partners are targeted by about a quarter of the activities. In terms of addressing the objectives of the ESF, a 2017 CPMR study notes that its member regions have a positive experience with the 2014-2020 ESF programmes so far. The

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46 Asatryan et al. (2016) Public sector reform: How the EU budget is used to encourage it, for the Committee on Budgets of the European Parliament.
regions that have a less positive experience mentioned a lack of understanding of the regional context in the national programme, hence highlighting the importance of the territorial aspect of the ESF. The study notes that ‘52% of respondents agreed that the ESF had contributed to a sense that their region is “less peripheral”. A further 41% were undecided on the matter, but only 7% felt negatively’. The CPMR study recommends that the ESF OPs should be managed at the regional level, or at least that local-level involvement should be strengthened in the management, because local actors are best placed to know the social and economic challenges and needs of their region.

Finally, one unexpected effect of capacity building activities in general is the inflation of reform costs. This means that the implementation of some administrative reforms may not require money, but the fact that funding is available ends up making them costly, while their a priori cost is zero.

4.3 Lessons learned regarding synergies and integration of EU funds

The evaluation of the previous programming period 2007-2013 recommended paying more attention to coordination between programmes. The different regulatory frameworks of the various EU funds and instruments created some complexity and implementation arrangements were fragmented. In the end, there are few examples of synergistic working in the programming period 2007-2013.

As a study commissioned by the European Parliament on synergies between ESI Funds and EU instruments notes: ‘Achieving synergies relies on the quality and alignment of strategic frameworks. This starts in the drafting process with the involvement of stakeholders from different funds and instruments and in setting out frameworks that identify strategic priorities from a medium to long-term perspective and investment plans not only from ESIF, but from all relevant funding sources’. The same study highlights that one of the objectives of the EC is to align the objectives of the ESIF with those of the Europe 2020 strategy for the current programming period. The 2013 reform of the Cohesion Policy aimed at increasing strategic coherence in EU funding, so that synergies between ESI funds and other EU

52 Ferry M., Kah S., Bachtler J. (2016) p47.
funds are fully exploited. There is a push for more synergistic working between EU funds and instruments in the design and implementation of the initiatives.

In general, there is greater alignment of the Ops’ objectives and the Europe 2020 strategy. The introduction of the Common Strategic Framework for the five ESI Funds in the programming period 2014-2020 played a big role in aligning the strategies, including alignment of the Partnership Agreements with the CSR of the European Semester. However, the strategic framework does not necessarily allow for full exploitation of the potential synergies and a number of challenges remain.

Firstly, only a limited amount of information is available on the specific mechanisms for coordination between the ESF and other EU funds and instruments. The study on synergies between ESIF and other EU funds finds that ‘Arrangements for complementarities at the level of operations, including possibilities for complementary support from multiple funding sources within one operation, are only mentioned in a limited number of PAs’.

Moreover, a study of the Conference of Peripheral and Maritime Regions (CPMR) observes that exploring synergies and aligning the strategies require coordination between the national, regional and local levels, as the ESI Funds aim to address challenges that are essentially local. The study notes that the responsibilities need to be clearly defined to avoid confusion and to be able to create coherence and exploit synergies. However, the responsibilities for the various ESIF instruments lie with different EC services (EMPL for the ESF, REGIO for the ERDF, AGRI for the EAFRD, etc.). Other EU funds are also managed by different services. The result is that MSs need to deal with many different EC services and sometimes have separate services dealing with separate funds, which logically requires more coordination to create coherence than if the management were centralised in one service. The results of the CPMR survey suggest that some MAs feel that multi-fund operations are too complex and recommend that the EC should provide further guidance in this area. It notes a need to streamline the processes so that regions and programmes can benefit from synergies and a more cost-effective approach.

Exploring the synergies can take different forms. For example, in Spain, cooperation between unit managers of various ESI Funds allow for synergies

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to be exploited between the ESF and the EU Programme for Employment and Social Innovation (EaSI).\textsuperscript{55} However, exploiting the synergies is not yet the norm in ESIF implementation.

4.4 Lessons learned on administrative simplification

Administrative simplification has been on the agenda since the 1980s and is still an on-going debate regarding the cohesion policy.\textsuperscript{56} The EC document on ‘Simplifying Cohesion Policy for 2014-2020’ lists the following proposals for simplification:

- harmonisation of the rules between ESI Funds;
- more flexibility: option of multi-fund programmes and monitoring committees, more varied options for financial instruments, etc.;
- increased proportionality in the controls and audit intensity;
- increased legal certainty through clearer rules;
- more efficient delivery and lighter reporting;
- reduced administrative burden for beneficiaries (increased use of SCOs);
- a move towards results-based management with the Joint Action Plan;
- e-cohesion;
- simplification of the European Territorial Co-operation and Simplification of the European Social Fund.

Several studies published in 2015, 2016 and 2017 find that there have been improvements with the introduction of the new measures in the 2014-2020 programming period. However, several challenges remain to be addressed.

A European Policies Research Centre paper based on feedback from regional members of the IQ-Net observe that the main concerns of regions are ‘the continued lack of legal certainty on key issues, the heavy administrative burden of EU cohesion policy (…), and flexibility measures, which (…) often do not lead to simplification’.\textsuperscript{57} The more specific concerns are ‘the need for more coordination and proportionality in financial control and audit, and simplified cost options, which bring benefits but are seen as burdensome to implement and are associated with concerns over legal

\textsuperscript{55} Ferry M., Kah S., Bachtler J. (2016).
certainty and audit. The concerns on SCOs and the lack of legal certainty were already highlighted in previous European Parliament studies. A study from the Conference of the Peripheral and Maritime Regions based on a survey of their members has similar findings regarding SCOs. Most of their respondents are satisfied with SCOs. However, MAAs sometimes find it complicated to make their own calculations and may prefer to use SCOs based on their own calculations when the risk of error is low. The concerns on the control requirements are also confirmed by the CPMR survey of its members and the position paper of the Council of European Municipalities and Regions (CEMR). The CPMR study recommends keeping the audit and administrative control requirements proportionate to the size of the project. It suggests that forms and audit requirements could be streamlined. For example, some managing authorities suggest that audit coordination should be strengthened so that audit is performed easily and not duplicated.

IQ-Net partners also note that certain measures in the 2014-2020 programming period tend to increase complexity, including ‘the process of designating managing and certifying authorities, the range of measures associated with impact and results (including ex-ante conditionalities, thematic objectives/concentration, evaluation, indicators, and the performance framework)’. The study also notes that ‘there is scepticism over the usefulness of Joint Action Plans, Integrated Territorial Investments and Community-Led Local Development because they add to the administrative burden with additional requirements and regulations. The position paper from CPMR also notes that the guidance was not always prepared by the EC in a timely manner. The partners also point out that the language of the guidance (usually English) is a complicating factor for many MAAs.

The CPMR study finds that the management of OP at the national level may impede necessary flexibility at the regional level to adapt the funds to local challenges. It recommends more flexibility for regional administrations, which could lead to efficiencies and cost saving in the ESF implementation. It notes for example that ‘specific issues confirmed the need for a more territorial approach tailored to the specific needs of the region’ and that decisions on the funds should therefore be taken at the regional or local level.

60 CPMR (2017).
61 CEMR (2016).
64 CPMR (2017) p4
level. This could contribute to better targeting at the local level and addressing the relevant challenges. Further simplification is needed, according to the CPMR and the level of administration needs to be close to where the impact is expected.

In general, studies based on feedback from national and regional MAs over the past three years suggest that there is a need to go further to simplify requirements for Managing Authorities and Implementing Bodies. There is also a need to be careful, as they report that some of the tools designed to enhance better spending actually contribute to increased complexity.

4.5 Overview of lessons learned in the current programming period in six selected ESF programmes

- **THE NETHERLANDS**

  On active inclusion, synergies have mostly been identified between the ESF-funded and existing national activities. ESF funds together with existing policy measures can increase the number of people supported, intensify existing support, allow for the use of new instruments, and give impetus to cooperation between labour market regions. The MA feedback points to the use of a decentralised approach with ESF funds. This means that the beneficiaries are those who establish priorities in relation to ESF expenditure. The MA does provide for a framework on priorities; however, beneficiaries can use the funds for the challenges that are most prevalent in their area. As a result, there are differences between regions (e.g. in rural and urban areas). The administrative requirements for ESF management are particularly emphasised as a challenging area. In fact, as a result, the MA recommends that beneficiaries implement activities that are simple to justify vis-à-vis the ESF requirements. This reduces the chance that post-date activities are deemed ineligible. The downside of this is that new activities, which might be beneficial to social cohesion, are not implemented through the ESF.

- **GERMANY – Berlin**

  Berlin had expected a more drastic reduction of its allocation in the current period – keeping in mind that funding went down from EUR 340 million in 2007-2013 to EUR 215 million in 2014-2020. As a consequence, the Senate focused on spending all the funds from the 2007-13 period and only began allocating new funds to projects for the 2014-2020 period in 2016.

- **CYPRUS**

  More synergies between the different ESIF bodies should be encouraged. The current complex rules and regulation system complicates the execution and logistical side of different Ops, decreasing their efficiency. Individual regions (or country-regions like Cyprus) would greatly benefit from a simplified common set of guidelines from ESIF to add flexibility to the OPs implementation.
POLAND – Warminsko-Mazurskie

Positive aspects of ESF 2014-2020 implementation:
- introduction of SCOs;
- electronic monitoring and exchange of information with applicants via IT systems;
- procedural and operational simplifications at the implementation stage.

Negative aspects:
- a vertical approach to ESF planning in isolation from regional conditions and needs (i.e. central planning at the EU level, implementation in regions);
- lack of systemic cooperation with and among local social welfare institutions, labour market institutions and non-governmental organisations operating locally;
- frequent changes to guidelines at the national level, which hinders implementation and forces the continuous adaptation of the documentation to the amended provisions.

UK – Greater Birmingham and Solihull

One of the difficulties identified both at programme and project levels regards spending the available budget within the period of eligibility. This issue is compounded by administrative difficulties, such as the need to check the eligibility of many types of beneficiaries with the Department for Work and Pensions. The EU-UK transition agreement has now allowed for these timescales with regard to ESF funds to be lengthened slightly. Further lessons learned include the importance of collaboration between agencies and definitional issues, related to the fact that NEET is very specific and may rule out those who could otherwise have benefited from the support available.

SPAIN – Castilla La Mancha

The evaluation of the 2014-2020 programme up until 2016 observes complementarity with the national OP, government and EU strategies. Round tables on various ESF-related themes among managers of different programmes contributed to the alignment of the objectives and the overall coherence of public funding. Both ESF and EFRD OPs have been designed together in Castilla la Mancha with the objective of finding complementarity between the two programmes. Both OPs aim to address the challenges in Castilla la Mancha and are designed to address the same issues from different angles in a complementary way. The OP is also coordinated with:
- the EAFRD especially regarding the activities that aim to support entrepreneurship in rural/agricultural sectors;
- the EMFF, especially regarding capacity building and training in the aquaculture sector.
5 Future challenges for ESF intervention

According to the White Paper on the Future of Europe, the EU is ‘ageing fast and life expectancy is reaching unprecedented levels [...] New family structures, a changing population, urbanisation and more diverse working lives are affecting the way social cohesion is built. In the space of a generation, the average European worker has gone from having a job for life to having more than ten in a career. There are more women in work than ever before but achieving real gender equality will mean breaking down persisting barriers. At a time when Europe’s working age population is shrinking, it needs to mobilise the full potential of its talents.’

The ability to face and adapt to these trends is at the centre of the debate on the future of the EU and on the nature and role of cohesion policy after 2020. Ageing, urbanisation, social inclusion and skills shortage, among other issues, have a strong social and territorial dimension, thus representing a challenge and an opportunity for ESI funds, and ESF in particular, beyond 2020. ESF-driven actions, such as those related to health and social care and education and lifelong learning, can play a crucial role in addressing these challenges at local and regional level.

5.1 Demographic change

5.1.1 An ageing population

The core long-term structural demographic change in Europe is the ageing population. The EPRS Global trends 2035 report states that the decline of the working-age population and the costs associated with an ageing population are expected to reduce growth rates by 0.2%, counterbalanced only by labour productivity growth driven by technological innovation and automation. This will entail efforts to extend working lives and to boost labour force participation, especially in countries where total GDP will fall because of low fertility rates. At the regional level, the trend of population ageing largely depends on the capacity to attract the younger working-age population. Seeking to improve work-life balance, promote teleworking, attracting independent professionals and improving working conditions can also help to attract the working-age population and ensure that their production capacity is fully utilised. In addition, active ageing and lifelong learning can contribute to social inclusion in an ageing population, thereby reducing the need for public measures at the national level to compensate for isolation.
Nevertheless, as highlighted in the CoR study on the impact of demographic change on European regions\textsuperscript{65}, ageing could also bring development opportunities for LRAs. These include, for instance, the economic opportunities brought by expenditure related to population ageing and the needs of citizens over the age of 50 (the so called ‘silver economy’). In addition, alternative forms of production of services, such as volunteering and civic service, could help to organise a more inclusive economy.

\textbf{5.1.2 Urban-rural divide}

Eurostat projects that the rural population in Europe will fall by 8 million people by 2050, while the urban population will rise by 24 million. As population and economic growth is increasingly concentrated in cities, there will be an increasing divide between rural and urban areas. Due to the ‘capital region effect’, populations continue to expand in and around many capital cities that exert a ‘pull effect’ on internal and international migrants due to education and/or employment opportunities. Beyond capital cities, the majority of urban regions also continue to report population growth, while the number of inhabitants of many peripheral, rural and post-industrial regions declines. One key challenge will thus be to ensure that the needs of the people living in areas of declining population are not overlooked, but also to possibly implement policies aiming to reduce this trend.

There are also wide-ranging differences in demographic trends among EU regions. The available Eurostat data at NUTS2 and NUTS3 levels between 2000 and 2014 reveal an overall demographic decline across large parts of Eastern Europe, particularly in the Baltic States. In most of these areas, pockets of demographic growth can be observed around capital and metropolitan cities. Western European regions experience a more limited demographic decline observable at the regional level, mostly concentrated in southern Italy, western Spain, interior regions of France and northern Scandinavia. Within Member States, opposing trends in metropolitan and rural areas have sharpened. In addition, movements have predominantly been from the EU13 to the EU15. By observing demographic changes before and after the start of the economic and financial crisis, it is clear that the economic recession has polarised these trends. This implies that low growth rates tend to accentuate population shrinkage at the regional level.

Eurostat also provides statistical data on these trends at the regional level, revealing that in a small majority of the EU Member States, the highest

\textsuperscript{65} Committee of the Regions (2016), \textit{The impact of demographic change on European Regions}, European Union.
proportion of people at risk of poverty or social exclusion was recorded in rural areas. There is, however, a marked geographical split. On the one hand, the highest risk of poverty or social exclusion is usually recorded within rural populations in many EU13 regions; conversely, this risk was usually recorded for people living in cities in the EU15 Member States.

Figure 9. Share of population at risk of poverty or social exclusion by degree of urbanisation, 2015

People living in rural areas are also generally more inclined to leave education or training early or to be ‘neither in employment nor in further education or training’ (NEET), but in line with the data mentioned above, there is a marked geographical split between the EU15 and EU13. Rural areas tend to record high NEETs rates in most of the eastern and southern EU Member States. By contrast, NEETs rates are generally at a lower level in most rural areas of the western Member States. This divide and the opposite trends in eastern and western Europe can also be seen in employment rates. Several northern and western Member States were characterised by higher employment rates in rural areas, while employment rates for rural areas in eastern countries, such as Bulgaria and Lithuania, were significantly lower than those recorded for cities.

However, a 2016 EPRS briefing on the rural-urban divide deems the traditional rural-urban dichotomy less and less relevant from a territorial development perspective. Traditional geographic definitions are surpassed by the reality of areas connected by a range of complex socio-economic linkages. Both types of regions have resources that can be used complementarily. The policy framework for 2014-2020 supports this by offering better coordination of structural funds as well as new tools fostering integrated strategies, putting even greater emphasis on rural-urban
interaction and allowing Member States to invest in mixed areas in a more targeted way. The success in the implementation of these integrated instruments will therefore be of key importance to bridge the urban-rural socio-economic divide in the future.

5.1.3 Remote and sparsely populated areas

A further issue being discussed in the EU’s national and regional institutions is support for remote and sparsely populated areas within the cohesion policy framework. The challenges faced by these regions are closely intertwined with demographic change. Various studies suggest that the economies of remote and sparsely populated regions tend to grow at a much slower pace than the EU average and that these regions suffer from structural problems that present important obstacles, such as low birth rates and a lack of transport connections, job opportunities and adequate social services. Structural funds offer ways to tackle these challenges, but their use has been limited in some Member States. A move towards a clearer commitment to overcoming these challenges in EU funding programmes could help to address these problems. The fact that certain sparsely populated and remote regions possess fragile and small economies can lead to significant losses in their human capital and to a lack of expertise in emerging fields, such as ICT. According to Eurostat statistics, the share of early leavers is often relatively high in peripheral and remote areas and those who want to pursue specialised education away from home place a considerable financial burden on their families. Furthermore, life-long learning opportunities that contribute to professional diversification are not always easily accessible in remote and sparsely populated regions.

5.1.4 The impact of migration on demographic change

Migration has overtaken natural population growth as the main source of overall population growth. In the 1960s, natural growth added more than 3 million people a year to the EU-28 population. In the 2000s, it added only 350 000. In 2015, for the first time, there was a natural reduction in the EU population while migration increased population in the EU by 1.8 million, a number not including asylum seekers who arrived in the same year. In 2016, 10.7% of the EU population were born abroad, either outside the EU or in another Member State, an increase of 0.7 of a percentage point compared with 2011. The increase of the foreign-born population was 2 percentage points or more in Luxembourg, Finland and Sweden, while the opposite
trend (2 p.p. decline) was observed in Cyprus and Slovenia because of outward migration.⁶⁶

Figure 10. Total population change in NUTS 3 regions, 2005-2015.

Source: Eurostat

5.2 Social exclusion and migration

The refugee crisis saw a record 1.2 million people coming to Europe in 2015, leading to a strong debate about solidarity and responsibilities among the Member States. The Seventh Cohesion report states that ‘ensuring that all refugees or migrants legally residing in the EU are effectively integrated is important for cohesion and future prosperity’. Key actions that the EU will have to take to tackle this phenomenon include skills development, integration into the job market, as well as the fight against discrimination. The challenge will be more burdensome for cities in the EU15 where most of the migrant communities settle and where the risk of poverty and social exclusion is already higher than the EU average even in the most developed areas of the EU.

Policy challenges related to social exclusion and integration of migrants are particularly difficult because they encompass a wide range of aspects, including:

- the multidimensionality of social exclusion and poverty, encompassing issues related to income redistribution between population groups, the supply of basic services and public goods at an affordable price, and employment for all;

- the variety and overlap of vulnerable groups (women, youth and older population, unemployed, early school leavers, migrants etc.);

- the reasons for social exclusion, such as lack of labour market access, social protection, lifelong learning schemes, quality of health and housing, income distribution, supply of basic services, personal support for migrants and poor people;

- the different kinds of support and active labour market intervention that migrants and non-migrants need (e.g. education, vocational training, language courses, etc.).
In addition, the socio-economic context has dramatically changed due to the financial and economic crisis, with increased economic insecurity and disparities within and across Member States, aggravated by the recent migrant and refugee crisis. Member States and regions are not equally affected by migration. Member States such as Germany are primary destination countries, while others, such as Greece and Italy, are entry points for migrants moving to other Member States. This requires different kinds of interventions and an increased flexibility in the types of action undertaken by individual Member States or regions.

These challenges pose a problem also in terms of adequate capacity of local authorities and stakeholders to address the issues within a reasonable time. Inadequate capacity can be due to a lack of policy guidance or specific recommendations for integration, weak organisational capacity in local institutions, lack of financing to support social integration and inadequate infrastructure. As urban areas attract most of the internal and external migrants, especially in the EU’s largest cities, local authorities in urban areas face specific challenges when dealing with social inclusion and the integration of migrants.

5.3 Labour market changes

5.3.1 Automation, skills shortage and mismatch

The EC Communication ‘A New Skills Agenda for Europe’ was published in June 2016, focusing on increasing the EU’s workforce employability and responding to changes in labour market requirements by taking into account the existence of skills gaps and mismatches across the EU and within Member States. Tackling skills shortage will therefore be a policy priority to reduce poverty, youth unemployment and social exclusion. This effort entails a need to deeply rethink education and lifelong learning systems. As outlined in the EPRS Global Trends 2035 report, employment growth over the next decade will be driven by jobs requiring greater preparation through in-employment training and formal education.

In addition, it is suggested that the fast and disruptive technological change we are experiencing through the ‘fourth industrial revolution’ (known as Industry 4.0) is likely to fuel income inequality. According to the World Economic Forum, all the major global economies could face a near future of mass unemployment for some categories of low- or unskilled workers. Automation and artificial intelligence not only risk displacing some specific types of jobs but could lead to an overall decline in employment, including
for cognitive tasks until recently considered non-automatable. Differences among Member States in the share of workers at high risk of substitution reflect differences in industry specialisations and, to some extent, in how work is organised. Countries or regions specialised in jobs that rely less on human interaction are at higher risk of automation because jobs that involve a high level of human interaction are less likely to be substituted entirely. Workers with a lower level of education are at the highest risk of displacement. 40% of workers with a lower secondary degree are in jobs with a high risk of job automation, compared with less than 5% of workers who hold a tertiary degree. Thus, automation could reinforce existing disadvantages faced by certain types of workers.67

In order to prevent or contain this trend, the EU institutions and Member States will have to play a role to enable a rapid adaptation to new skills needs, in which education and training reforms will be critical. All these aspects are relevant at the regional and local levels. While most of the information on skills is available only at the national level, there is evidence of heterogeneous educational attainment and a different perception of the importance of vocational education and training at NUTS2 and 3 levels. Differences in these aspects occur between and within individual countries, affecting the future supply and demand of skills (skills gap and mismatch), with potential socio-economic repercussions at the territorial level.

The CoR study on the New Skills agenda68 confirms that this complex situation requires LRAs to respond to some key challenges by uptaking diverse initiatives and solutions, such as improving the effectiveness and reputation of VET to address skills gaps and mismatches and promoting a more structured linking of education delivery within firms.

Furthermore, as suggested by the Seventh Cohesion Report, fostering initiatives on industrial modernisation through smart specialisation in regions and cities will help build regional and local capacity for transformation. In this sense, the role of the ESF in providing complementary support to EU regions for the acquisition of higher-level skills in smart specialisation sectors will be essential.

67 OECD (2016), Automation and Independent Work in a Digital Economy, Policy brief on the future of work
68 Committee of the Regions (2016), A new skills agenda for Europe, European Union.
5.3.2 Rise of the platform economy

The fast pace with which the labour market is changing is also strongly linked to the risk of job insecurity as a consequence of work volatility, representing one of the biggest challenges for younger generations. The rise of the platform, or ‘gig’
69 economy, in particular, raises very serious questions regarding the status and social protection of workers. According to a recent study by the European Parliament
70 job and income insecurity, as well as underemployment, are perceived as key problems for those working in the platform economy. Workers who fall into the grey area between worker and self-employed status also face challenges; they could end up with none of the benefits of self-employment, in terms of control, and all the problems of income insecurity.

5.4 Linking the ESF closer to the European Semester and the European Pillar of Social Rights

5.4.1 Aligning ESF interventions to the Employment Guidelines and to social aspects of the European Semester

There is increased focus on the alignment of Structural funds to the development of EU policy, also considering how they add value to EU policies implemented in the single Member States. In particular, the role of policy reforms in the fields of action of ESI funds is essential for the quality and sustainability of EU investments.

The Commission’s starting point for discussions with Member States on the funding priorities for 2014-2020 partnership agreements and programmes was rooted in the relevant country-specific recommendations (CSR) made in the context of the European Semester process, the Europe 2020 targets and the socio-economic analysis at Member State and regional levels. According to the Seventh Cohesion Report, more than two-thirds of the CSR adopted in 2014 were relevant for cohesion policy investment and have been taken into account in Member States’ programme priorities. CSR in the following years were expected to trigger, where relevant, ESIF programme adjustments. This

69 A labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.
exemplifies the efforts towards stronger links between ESI funds and the European Semester process.\textsuperscript{71}

According to the 2017 strategic report on the implementation of ESI funds, \textit{“the policy areas targeted by the European Semester are substantially in line with those covered by the ESI funds: 60 % of the structural challenges relevant to the ESI Funds are addressed by the programmes”}. Significant labour market reforms have been adopted in recent years, particularly in Member States most heavily affected by the crisis. These reforms have helped to increase the adjustment capacity of their economies, restore competitiveness and increase employment.

As part of the European Semester instruments, the Guidelines for the Employment Policies of Member States are part of the Integrated Guidelines for Implementing the Europe 2020 strategy. Member States should take these guidelines into account in their employment policies and reform programmes. As the ESF is fully aligned with the Europe 2020 strategy and its headline targets, it should support the policies pursued by the Member States under the Guidelines and the CSR.\textsuperscript{73} In order to ensure a clearer link with the European Employment Strategy and the Guidelines on Employment, thematic concentration is important to demonstrate added value and to guarantee the consolidation of outputs and results at the European level.\textsuperscript{74} The draft Joint Employment Report 2018 affirms how the ESF is one of the key EU instruments to address the challenges identified in the CSR. The ESF operational programmes adopted in 2014 and 2015 have been designed in a way that ensures their closer alignment with the CSR.

However, the current debate around the future of ESF calls for a much stronger coordination between Employment Guidelines, and more generally the European Semester process, and the future ESF programmes after 2020. Most of the present obstacles and limitations to full coordination concern the different timing (e.g. between annual CSR and multiannual ESI Funds planning) and the insufficient flexibility of programming documents on both sides to adapt to new challenges in an ever-changing socio-economic landscape. In this sense, there is emphasis on moving towards more simplified and more strategic, rather than operational, ESF programmes that allow a faster adaptation to new challenges on the ground and a prompt reaction to reform requests on the other. The latter entails a need for

\textsuperscript{71} COM (2015) 639 final.
\textsuperscript{72} COM (2017) 755.
\textsuperscript{73} Article 2(2) of Regulation 1304/2013 on the European Social Fund.
\textsuperscript{74} European Commission (2014), \textit{Promoting Inclusive Growth}, ESF thematic Paper.
increased monitoring and evaluation of ESF programmes to ensure accountability and assessment of progress made towards the implementation of the guidelines and CSR. The successful adaptation to new social challenges, on the other hand, depends on the possibility of the ESF to remain an integral part of regional cohesion policy in order to tackle social issues taking into account territorial specificities and to be able to integrate its efforts with measures financed through other ESI funds.

5.4.2 The European Pillar of Social Rights

The EC communication ‘Establishing the European Pillar of Social Rights’\textsuperscript{75} states that “EU funds, in particular the European Social Fund, will support the implementation of the European Pillar of Social Rights”. The Pillar seeks to react to social challenges in order to narrow social inequalities and ensure upward social convergence. The rights and principles enshrined in the Pillar aim to further strengthen support for equal opportunities and access to the labour market, fair working conditions and social protection, as well as social inclusion. It also highlights the right to quality and inclusive education, training and life-long learning. The European Pillar of Social Rights is accompanied by a ‘Social Scoreboard’ that monitors and assesses progress of the implementation of the Pillar by tracking trends and performances across EU countries in 12 areas. The Social Scoreboard will feed into the European Semester of economic policy coordination. It is structured around three dimensions: "Equal opportunities and access to the labour market", "Dynamic labour markets and fair working conditions" and "Public support / Social protection and inclusion", each with a set of indicators to measure progress. These dimensions will need to be supported through a stronger alignment of the future ESF programmes (including the use of a common set of indicators beyond GDP) and through the integrated use of ESI funds that reflect specific social issues at the local level. How the Pillar and ESF, and ESI funds more broadly, will be integrated and coordinated in the next programming period will be crucial to make it possible to translate EU-level social policy objectives into concrete actions at national and regional levels.

\textsuperscript{75} COM (2017) 250 final.
5.5 Future challenges for ESF in selected EU regions

POLAND – Warminsko Mazurskie

One of the key challenges pointed out is the integration of migrants, which in the Polish case is especially related to a large number of migrants from Ukraine (i.e. depending on sources, estimated as high as 2 million people). In this context a comprehensive migration policy needs to be developed.

CYPRUS

According to the Cypriot Managing Authority, the most important challenges after 2020 will revolve around adapting to labour market changes and the integration of vulnerable social groups, mainly migrants but also the youth entering the labour market, pensioners and the people with disabilities.

GERMANY – Berlin

According to the Managing Authority in Berlin, the priorities post-2020 will be related to:

- long-term unemployment;
- integration of young people into the job market;
- demographic change related to ageing, with the risk that older people losing their jobs will not find a suitable alternative before retirement;
- migration itself, which causes problems when migrants flock to neighbourhoods that already have a high level of migrants and a cumulation of specific social challenges;
- homelessness: it is estimated that more than 50% of homeless people in Berlin are originally from Eastern European EU Member States. There is a concern that this trend adds to existing social issues.

A reduction of ESF funds in Berlin in the next programming period is expected, meaning that there will be increased competition among beneficiary groups for limited funds. In addition, a reduction in the number of people of working age by 2030 may lead to a lack of skilled people to fill open positions.

Potential solutions identified include the qualification of low-skilled people to integrate them into the job market.

THE NETHERLANDS

The main challenges for the next programming period are likely to be aligned with those addressed in the current period. The 2014-2020 OP signals that the main challenge in the Netherlands is demographic change (ageing). Maintaining welfare levels would require an increase in labour participation. Emphasis is therefore placed on improving employment opportunities, re-integration of the unemployed and ensuring a convergence of supply and demand. This would require support for marginalized groups, or those distant from the labour market.
UK – Greater Birmingham and Solihull

The major challenge within the UK context for the next funding period is the current uncertainty surrounding the British departure from the European Union in March 2019 and what this will mean in terms of future engagement with the various European funding programmes. The EU-UK agreement in December 2017 for a transition period means that any funding committed in the current funding period can be expected to be managed in the usual way. However, there are fears that allocations may not be made in time for the funding to be distributed before the UK officially leaves the European Union.

For the next programming period, the Government has proposed a ‘United Kingdom Shared Prosperity Fund’, specifically designed to reduce inequalities between communities across the UK. The Fund will help deliver sustainable, inclusive growth based on a modern industrial strategy. The Government has committed to consulting widely on the design of the fund, including with local authorities, businesses and public bodies. A key question for LEPs, local authorities and other local stakeholders will thus be the extent to which such funding will be decentralised.

Funding post-2020 is of particular concern for areas such as Greater Birmingham, which receives a significant level of funding from the ESF and the ERDF respectively. Any funding shortfall is expected to be made up by a combination of funding received from the planned Shared Prosperity Fund and by attracting private sector investment.
6 Conclusions and recommendations

The report has highlighted several aspects of ESF interventions and their outcomes and effects at the local and regional levels in the previous and current programming period, while also providing insights on future challenges and reflections on lessons learned to help the future planning of ESF beyond 2020.

A clear turning point for social cohesion in the EU and the way it should be addressed is the economic and financial crisis that started in 2008. The rapid fall in economic growth and the depression of the labour market have created a domino effect that has severely affected socio-economic patterns linked to employment and social inclusion, while also hindering capacity building efforts at all levels of government. The implementation of Structural Funds in 2007-2013 was deeply affected by these events, calling for revisions to adapt to these new challenges.

The vital role of ESF in addressing these difficulties led to the introduction of a minimum share of 23.1% of the Structural Funds budget to ESF in the current 2014-2020 programming period, effectively reversing its gradually decreasing share over the past 25 years. Of the total ESF 2014-2020 budget of €86 billion, over €75 billion supports sustainable and quality employment, social inclusion and investment in education and training corresponding respectively to thematic objectives 8, 9 and 10 (under art. 9 of the CPR). The remaining budget is used to address capacity building (thematic objective 11).

The overview of the ESF state of play and the first-hand experiences from the six selected operational programmes have helped to provide evidence on the existing disparities across EU regions in terms of employment, social inclusion and education, but also on the role and European Added Value76 of ESF in fostering cohesion at the local and regional levels.

A clear cross-cutting issue emerging from recent statistical data on NUTS2 level is a geographical split within countries in terms of socio-economic disparities: employment rates, income and educational attainment are predominantly higher in cities and urban areas, which seem to have a ‘pull effect’ associated with higher employment and education opportunities. This pattern may be of particular concern for two reasons: in a number of Member States, especially in the EU13, characterised by economic

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development largely concentrated in the capital city and its surrounding regions, this trend leads to growing inequality and demographic disparities to the detriment of rural areas; conversely, an increasing internal and international migration towards urban areas and capital cities, particularly in the EU15, risks increasing social exclusion of already disadvantaged groups, while also creating labour market imbalances.

The Member State where the European Added Value of ESF has been most visible is Poland, which has also received the highest share of ESF funding in the previous and current programming period. The ex-post evaluation of the 2007-2013 national OP and an assessment of the current regional OP in Warmińsko-Mazurskie have shown that ESF interventions have had a quantifiable impact in tackling both national and region-specific issues such as high unemployment rates, demographic decline and poverty.

According to a number of case studies, targeting socio-economic issues such as employment and the integration of migrants through ESF has produced ‘volume and quality effects’ also in EU15 Member States, meaning that more people (volume) could be reached and more intensive and tailor-made support (quality) could be provided thanks to ESF, compared with what could have been done with regional or national instruments, confirming the added value of the fund.

The support provided by ESF in capacity building has been more tangible in Member States most affected by the financial crisis, such as Cyprus, where the presence of EU funding has helped to counterbalance the heavy reduction in public expenditure.

The place-based approach requires addressing development issues based on the needs expressed at local level by different groups of people and considering the context of intervention. For the ESF, the place-based approach can be analysed first considering how the needs identified in the regions have been addressed by the programme strategies and what are the arrangements taken at programme level to ensure the participation of regional and local stakeholders in programme implementation.

As it emerged from a 2015 analysis of the 28 Partnership agreements, the specific territorial needs and challenges in terms of social cohesion have been highlighted in sections 1.1 and 3, providing information on the issues to be addressed at territorial level particularly for those areas most affected by poverty, discrimination and social exclusion. The principle of partnership (Art. 5 of the CPR) has been implemented with the active participation of local social partners as well as of civil society.
In addition, the introduction of the ‘place-based approach’ in the 2014-2020 regulatory framework of ESI funds has proven to be useful in enabling an integrated use of structural funds and more targeted interventions in specific areas. The experiences with ITI in the city of Amsterdam and the region of Castilla la Mancha in Spain provide an example of the opportunities this innovative tool can provide.

At the same time, improvements are encouraged to simplify the planning and implementation of integrated tools in LRAs with lower capacity where these instruments risk being perceived as an additional burden. This is the reason why LRAs, with particular regard to the municipal level, call for a greater simplification of procedures and rules and a direct access to funds to implement social inclusion policies more efficiently at the local level.

The lessons learned from the previous and current programming periods concern ESF support to capacity building, the synergies and integrated use of ESF with other funds and the impact of administrative simplification.

The evaluation of ESF 2007-2013 found the implementation rate in capacity building activities to be lower than for the overall ESF, with important differences among Member States. This has proven to be of more concern for geographically smaller or poorer LRAs, also due to national bodies being the main beneficiaries of capacity building activities in many Member States and the main addressees of country-specific recommendations (CSR). This lack of translation of the European Semester recommendations at local and regional levels is often considered as an obstacle to implementing necessary institutional reforms at all levels of government.

The evaluation of the ESF 2007-2013 also recommended paying more attention to coordination between types of programmes (e.g. direct management and shared management funds). There was some evidence of synergies between the ESF and, for example, the ERDF or the Youth Employment Initiative, within the current programming period, which is ensured through coordination between responsible national and regional authorities. Another fund mentioned as linked to the ESF in Germany is the Fund for European Aid to the Most Deprived (FEAD). Nonetheless, the different regulatory frameworks of the various EU funds and instruments created some complexity in coordination. The introduction of the Common Strategic Framework for the five ESI Funds in the programming period 2014-2020 enabled greater alignment of the OPs objectives and the Europe 2020 strategy. The case studies show clear complementarity between ESF and national funding (e.g. in the UK and the Netherlands) although there is
also some evidence of the ESF being used to fill the ‘gaps’ created by a reduction in national funding following the financial crisis of 2008.

Several studies published in 2015, 2016 and 2017 conclude that the introduction of the new simplification measures in the 2014-2020 programming period led to some improvements. However, several challenges persist. A European Policies Research Centre paper observes that the main concerns of regions are still related to the heavy administrative burden of EU cohesion policy, which often does not lead to simplification. A regional authority in Germany interviewed for this study stated that the ‘rigid’ structure of the ESF makes it difficult to adapt programming to political priorities, which can change over a seven-year-period. The 7-year-programming period was also viewed as problematic since it does not match the political cycle of elections taking place every four years. This makes it difficult to hold political leaders accountable for any decisions taken with regard to ESF funding by their predecessors.

Finally, the report presented the issue of future challenges for social cohesion and ESF intervention. The ageing population is one of the long-term structural demographic changes in Europe, resulting in the decline of the working-age population and the associated costs, which will negatively impact growth and increase inequality. This demographic trend is followed by a territorial one, with growing urbanisation, widening the socio-economic divide between rural and urban areas and by the challenge presented by remote and sparsely populated areas.

A further challenge is represented by social exclusion, also in relation to the recent migrant crisis. Integration efforts will mostly fall on cities in the EU15, where most of migrant communities settle and where the risk of poverty and social exclusion, in general, is already higher than the EU average. This entails a greater need to adapt policies and actions, but also to create synergies and exchange of best practices among EU cities to better target both social inclusion and integration. ESI funds, and the ESF in particular, can therefore provide the appropriate regulatory and policy framework and bring added value to such actions.

The risk of social exclusion is also strongly linked to the issue of skills shortage and mismatch. The increase in automation and the widening skills gap this creates for those entering the job market is an area of increasing importance to all Member States, and one which the ESF is specifically being used to target through vocational and digital training aimed at under 25s, particularly NEETs. The fast pace with which the labour market and the required skills are changing represents one of the biggest challenges for
younger generations and low-skilled adults. Tackling skills shortage should therefore be a policy priority in order to reduce poverty and youth unemployment. This effort entails a need to deeply rethink education and lifelong learning systems and to better connect them with labour market needs, especially at the local and regional levels, making them more adaptable to an ever-changing landscape.

This is relevant at the regional and local levels: there is statistical evidence of heterogeneous educational attainment, different perceptions of vocational education and training at NUTS2 and 3 levels. Differences in these aspects occur between and within individual countries, affecting the future supply and demand of skills (skills gap and mismatch) with potential socio-economic repercussions at the territorial level. ESF actions to improve education and training and their link to the labour market at the local and regional level, as well as lifelong learning, will play a key role in addressing this challenge.

At the same time, there has been an increase in job insecurity and grey areas related to workers’ status linked to the rise of the platform economy. According to a recent EP study, insecurity of job and income, as well as underemployment, are perceived as key problems for those working in the platform economy.

In order to adapt to these new challenges and the ever-changing socio-economic context, the current debate around the future of ESF calls for a much stronger coordination between the European Semester process, in particular the employment guidelines and CSR and the ESF programmes after 2020. Most of the present obstacles against full coordination concern the different timing (e.g. between annual CSRs and multiannual ESI Funds planning) and the insufficient flexibility of programming documents on both sides.

The successful adaptation to new social challenges will also depend on the possibility of the ESF to remain an integral part of regional cohesion policy in order to tackle social issues, taking into account territorial specificities and to be able to integrate ESF efforts with measures financed through other ESI funds.

The recently adopted European Pillar of Social Rights seeks to react to these challenges in order to narrow social inequalities and ensure upward social convergence. These principles will need to be supported by concrete actions through a stronger alignment of the ESF interventions at the national and regional levels and through the integrated use of ESI funds at the local level.
How the Pillar and ESF, and ESI funds more broadly, will be integrated and coordinated in the next programming period will be crucial to allow for the translation of EU-level social policy objectives into concrete actions at the national and regional level.

A further issue concerning the ESF after 2020 is linked to the impact and long-term implications of the United Kingdom’s departure from the European Union. As the UK-based case study has shown, the longer-term impact of Britain’s departure on EU funding levels is an area that cannot be overlooked when dealing with social cohesion and interventions after 2020.

Recommendations based on findings and case studies:

- Enhance coordination between the EU, national, the regional and local levels to allow achievement of the ESF objectives, given that the addressed issues have a strong local dimension and that competencies are shared among all these levels in relation to the ESF scope of intervention;
- Link the ESI funds, including the ESF, closer to the European Semester process and the European Pillar of Social rights through a deeper integration of planning and implementation;
- Increase capacity in LRAs to include the regional and local level in the implementation of CSR;
- Increase flexibility and shorten duration of OPs to allow adaptation to an ever-changing social and political landscape;
- Simplify planning documents (partnership agreements, operational programmes);
- Connect the various information sources and establish a database with indicators relevant for social issues and results within the administration at various levels;
- Increase and improve cooperation and participation among the stakeholders involved in ESF programming and implementation at all levels of government and among Member States to increase exchange of good practices;
- Increase guidance from the EC on the use of SCOs at all levels;
- Increase local discretion with regard to spending choices to better adapt to territorial specificities, challenges and resources, local powers for strategic planning and development.
7 Annexes (list of Case studies and interviews)

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