





ESF+ COMMITTEE

ESF+ Committee Opinion on the future ESF

Budapest, 29 November 2024



According to article 163 TFEU, the European Social Fund Committee is *“presided over by a Member of the Commission and composed of representatives of governments, trade unions and employers’ organisations”*. Based on article 39 of the ESF+ regulation (2021/1057), it can deliver opinions on various relevant issues. These opinions are *“communicated to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, for information.”*



I. INTRODUCTION

- 1 The Commission is expected to present its proposals for the next Multiannual Financial Framework and the post 2027 legislative package on cohesion policy before 1 July 2025. The 9th Cohesion Report¹, which was released on 27 March 2024, is in this context a valuable stocktaking of the role of cohesion policy as an economic and social stabiliser contributing to upward convergence and European integration, notably during the thirty years of the European Single Market and twenty years after the 2004 enlargement. The Report analyses the contribution of cohesion policy to the economic, social and territorial cohesion of the European Union, on the basis of the most up to-date data available. The 9th Cohesion Forum, which took place on 11/12 April 2024, gave the opportunity to some 1000 representatives of EU institutions, national, regional and local authorities from all Member States, social and economic partners, non-governmental organisations and academia to exchange on the current and future cohesion policy, including through its historical link to the Single Market. The General Affairs Council adopted conclusions on the 9th Cohesion Report on 18 June 2024. In addition, it adopted Conclusions on managing demographic change in Europe on 12 December 2023 and on the role of cohesion policy in addressing demographic challenges in the EU on 28 November 2024. These should also be considered in this context.
- 2 The Group of High-level Specialists on the Future of cohesion policy, established by the Commission on 27 January 2023, has presented its Report 'Forging a sustainable future together: cohesion for a competitive and inclusive Europe', issued on 20 February 2024.² In assessing the valuable role played by cohesion policy and the ESF, the report highlights its effectiveness, the strengths and the weaknesses, and it provides an outline of the main approaches which, according to the High Level Group, should be pursued as the future of cohesion policy is being prepared. The ESF+ committee also takes note of the recently presented Letta Report 'Much more than a market', issued in April 2024 and Draghi Report 'EU competitiveness: Looking ahead', issued in September 2024.
- 3 The Communication on the Mid-term evaluation of the Recovery and Resilience Facility (RRF)³ and supporting studies, published on 21 February 2024, have helped gain further insights on ways of managing EU-funding to support economic, social and territorial cohesion in Member States.
- 4 In this framework, the European Social Fund Plus (ESF+) Committee Technical Working Group (hereinafter "the ESF+ TWG") expressed at its meeting of 4 December 2023 a wish to formulate an ESF+ Committee Opinion thereby making a contribution to the future orientations of the post-2027 cohesion policy including notably the ESF, focusing on technical issues and the specificities of the ESF.
- 5 To that end, on 7 February 2024 the ESF+ TWG established a Drafting Committee to prepare such opinion in view of formal adoption by the ESF+ Committee end of 2024. The Drafting Committee met regularly from

1. European Commission, Ninth Report on Economic, Social and Territorial Cohesion, 27 March 2024, Publications Office of the European Union, 2024, https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en

2. European Commission, Directorate-General for Regional and Urban Policy, Forging a sustainable future together – Cohesion for a competitive and inclusive Europe – Report of the High-Level Group on the Future of Cohesion Policy, February 2024, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2776/974536>

3. Communication (EC) 2024/82 of 21 December 24 on Strengthening the EU through ambitious reforms and investments

23 February till adoption. The results of its discussions and exchanges within the full ESF+ TWG underpin the formulation of the present Opinion.

- 6 The ESF+ Committee was consulted on 14 June 2024 and the Technical Working Group on 25 September 2024. The ESF+ Committee adopted this Opinion at its meeting of 29 November 2024. In accordance with the Committee's rules of procedure it is addressed to the European Commission, the European Parliament, the European Council, the Economic and Social Committee and the Committee of the Regions. It is offered without prejudice to the positions of Member States in the Council or any other forum and without prejudice to the negotiations of the next Multiannual Financial Framework or the next legislative package.

II. POLITICAL AND SOCIO-ECONOMIC CONTEXT

- 7 The European Union is facing a period of important strategic challenges. Europe's competitiveness is under strain at a time that the world and the EU face the impact of climate change. The EU has agreed an ambitious Green Deal⁴. The digital transition, including Artificial Intelligence, is high on the political agenda. Also, the EU seeks to reduce critical dependencies and vulnerabilities, including in supply chains. Russia's war of aggression against Ukraine has further strengthened the urgency of this policy agenda in all Member States, especially the ones bordering Russia, Belarus and Ukraine. The cost-of-living crisis also impacts poverty and social inclusion across the EU. Important regional disparities and high levels of inequality persist. All Member States face in addition the impact of demographic change. Europe should address these main challenges in the area of human and social capital development. Policies should be pursued making progress on the diverse aims whilst enhancing social resilience and protecting persons in vulnerable situations, including the most deprived.
- 8 Investing in people's skills and qualifications, and more broadly social policy and access to social services, can have direct impacts on competitiveness, labour market performance, social and economic resilience as well as on social progress.
- 9 The Committee fully supports the joint commitment of the European institutions and the Member States to work together to deliver on the principles enshrined in the European Pillar of Social Rights, while contributing to economic, social and territorial cohesion and convergence between all European regions and Member States.
- 10 In this broad setting, the Committee underlines the importance of ESF, building on its strengths whilst also adapting to new circumstances. It is necessary to consider how achieving convergence between countries and regions could be further enhanced and better translated into reducing inequality and regional disparities. Furthermore, funding pressures imply that it should be considered how to achieve higher returns from EU funding, including through evidence-based approaches and a stronger focus on key policy targets and priorities.

4. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the regions, The European Green Deal COM/2019/640 final

III. TREATY BASIS AND VALUE ADDED OF THE EUROPEAN SOCIAL FUND

- 11 The Committee recalls that cohesion policy is the main EU instrument for long-term investment and is a driver for structural transformation. Cohesion funding and policy is about *“overall harmonious development”* for which *“the Union shall develop and pursue its actions leading to the strengthening of economic, social and territorial cohesion”* (Art. 174 TFEU).
- 12 The aim of the European Social Fund (Art. 162 TFEU), since it was established in 1957 with the Treaty of Rome, is *“to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living”; “it shall aim to render the employment of workers easier and to increase their geographical and occupational mobility within the Union, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining.”*
- 13 Cohesion policy should be considered in conjunction with the Treaty provisions regarding economic and employment policy governance (Art 121, 148 TFEU). The Treaty (Art 175 TFEU) states in relation to economic governance that *“Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174”* [i.e. economic, social and territorial cohesion]. In particular, the importance of the *“guidelines for employment”* (Art. 148 TFEU) is to be underlined here, as they provide, for the broad policy domains supported through the ESF, the legal underpinning for country-specific recommendations made within the remit of economic and employment policy governance (“the European Semester”).

IV. PROGRAMMING, SCOPE, POLICY AREAS OF THE POST-2027 ESF SUPPORT, THEMATIC CONCENTRATION AND SUPPORT TO REFORMS

COHESION POLICY AND SIMPLIFICATION IN PROGRAMMING

- 14 Cohesion policy, including in particular the ESF, has a major role to play for the internal market as the main instrument of long-term investment enhancing convergence between Member States and regions and ensuring that no one is left behind.
- 15 ESF is the main EU instrument to invest in people and particularly in human capital and social inclusion in line with the principles of the European Pillar for Social Rights, fostering employment, the right to quality and inclusive education, training and life-long learning, qualifications and skills across sectors, supporting digital and green transitions as well as industrial change, and addressing demographic challenges while enhancing social and economic resilience.
- 16 Cohesion policy, and particularly the ESF, should enable Member States to determine programme priorities taking into account their specific needs. Member States should also have regard for the challenges identified in the European Semester, including the Country specific recommendations.
- 17 ESF should be agile, and its framework should acknowledge the dynamic nature of global, national, regional and local challenges, and provide flexibility in terms of policy implementation. Emergency responses to crises should not move cohesion policy away from its purpose of a long-term investment perspective in

promoting the convergence and prosperity of Europe and its regions and citizens.

18 As stated in the General Affairs Council conclusions on the 9th cohesion report adopted on 18 June 2024, in light of Russia's war of aggression against Ukraine, cohesion policy (and hence the ESF) should consider the specific set of economic, social and security challenges faced by most affected regions, especially the ones bordering Russia, Belarus and Ukraine.

19 ESF programming, implementation and control needs to be simplified while preserving the fundamentals of shared management and multilevel governance, including as appropriate place-based and people-based approaches, as well as the partnership principle. This is essential in order to increase efficiency and continue to respond to challenges at the level closest to citizens and to meet the specific needs of each region.

Simplification should be designed for all actors and stakeholders, including those with limited capacities. Simplification should ensure consistency with the principles of good administration of public funds, transparency and accountability.

20 Simplification and speeding up the start of the implementation requires an early adoption of the regulatory framework and setting of the ESF scope. It also needs to include clarity on thematic concentration requirements, which should be kept simple.

It should offer sufficient flexibility to address implementation realities in Member States. Earmarking should be flexible enough to help Member States in designing their programmes catered to their specific needs. The rules should ensure rationalised priorities and specific objectives to achieve a coherent intervention logic that contributes to maximising the impact of the ESF.

The principle that ESF expenditure may be allocated to any of the categories of region of the programme under the condition that the operation contributes to the achievement of the specific objectives of the programme should be kept as an important simplification introduced in 2021-2027 period.

21 A more concise and user-friendly set of rules to be used for multiple programming periods would be welcome, avoiding overlaps of instruments and objectives which lead to fragmentation of efforts towards European objectives as well as unnecessary complexity for beneficiaries. Rules should aim at avoiding adding administrative burden that has no added-value in terms of efficiency or beneficiaries and participants' rights.

22 The Committee also proposes to provide for simplified administrative processes, including for programming, and reduced administrative burden during the design and the implementation of programmes. Programming documents could be streamlined to meet the bottom-up needs and make the programme and its objectives more "understandable" for beneficiaries and citizens.

SCOPE, POLICY AREAS OF THE POST-2027 ESF SUPPORT, THEMATIC CONCENTRATION AND SUPPORT TO REFORMS

23 The country-specific recommendations adopted as part of the European Semester as well as the principles of the European Pillar of Social Rights, its targets for 2030, and the "guidelines for employment" serve as tools for translating EU policy recommendations into national, regional or local level policy actions. As part of

the European Semester process, the Council may identify recommendations for the investment of cohesion policy funds to maximise the impact of the ESF resources. It should also respect the shared management approach of cohesion policy by letting Member States choose in which specific ways recommendations are to be implemented. Member States should take specific actions that connect European challenges on one hand and national, regional or local priorities on the other hand. Specific challenges and reforms already carried out by Member States should be taken into account.

24 ESF has a crucial part to play in addressing major challenges for regions, Member States, and the European Union. ESF's policy areas should continue to encompass employment, education and training as well as social inclusion. These policy areas should allow progress to address a large variety of issues including inter alia skills shortages in particular for SMEs, access to health and care services for people at a disadvantage, the socio-economic integration of third country nationals and migrants, poverty reduction, increasing employment rates in particular target groups. Investing in these areas directly contributes to delivering on the Commission's Action Plan to Tackle Labour and Skills Shortages⁵ and the EU's efforts in addressing the impact of demographic change on all segments of society. Social innovation plays an important role in this context.

The inclusion of measures, within the framework of EU funds, addressing material deprivation into ESF programmes has significantly enhanced the visibility of poverty reduction efforts. By providing better opportunities for labour market inclusion, this approach has demonstrated its effectiveness and should be taken into consideration where specific needs of Member States have been identified.

The horizontal principles, including gender equality, equal opportunities and non-discrimination should continue to be promoted.

Capacity building and quality of governance for public administration, including for institutions not directly involved in the implementation of cohesion policy, social partners and NGOs, could also be considered under the ESF where such particular needs of Member States or regions have been identified.

25 The ESF should help accelerating and achieving both European and national priorities by supporting reforms and investments. Support for reforms may be promoted through the application of incentive mechanisms. Investment implementation should not necessarily in all cases be conditional on the introduction of reforms, as the specific national, regional or local needs should always be considered.

26 The autonomy of the ESF should be maintained in order to allow it to fulfil its policy mission, whilst contributing to economic, social and territorial cohesion.

V. SIMPLIFICATION AND DELIVERY SYSTEM

DELIVERY SYSTEMS AND SIMPLIFICATION OF IMPLEMENTATION

27 Simplification of financial administration has come a long way in the 2021-2027 programming period, reducing the administrative burden of implementation for beneficiaries and Managing Authorities alike. The

5. https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1507

effects of the use, at Member State and EU level, of Simplified Cost Options (SCOs) that have a positive track-record should be analysed in more detail and could be mainstreamed into the ESF programmes. Off the shelf EU level SCOs can stimulate their use in Member States. Improving the exchange of good practices between Member States could reduce duplication of efforts and contribute to a better implementation of common administrative requirements and rules.

- 28** Evaluation of the implementation of the Recovery and Resilience Facility (RRF), SCOs and Financing Not Linked to Costs (FNLC) in cohesion policy, both on a Member State level and from a regional point of view should be used to identify concrete ways to reduce administrative and audit burdens and strengthen the administrative capacity, while ensuring the adequate protection of the financial interests of the Union.

Regardless of the final delivery system/model, the implementation should be operational and manageable for programme authorities.

All opportunities to benefit from available simplified arrangements should be explored and pursued, so Member States or programmes with a good track record can benefit from an extended use of enhanced proportionate management and control arrangements at the next level. This should include an extension of the single-audit principle, but also programming and implementation issues should be considered, so a fully-fledged flexible approach is taken in order to meet the different circumstances in each Member State appropriately.

The Committee stresses the need for proportionality of the administrative procedures, while maintaining high standards for the prevention of and the fight against fraud and corruption.

Audit requirements need to be agreed with Managing Authority as early as possible to pre-empt potential problems rather than necessitating corrections when expenditure has already been incurred. They also need to reflect the financing mechanisms adopted and the nature of actions supported to ensure proportionality and improve coordination.

- 29** The regulatory framework should encourage, motivate and provide legal certainty for Member States to use the options for simplification (SCOs and FNLC) while continuing to build on the systems established under shared management in recent years and choose the implementing modality that is the most suitable for their specific circumstances.

A more diverse set of pre-defined SCOs (unit costs, flat rates, EU-level SCOs and FNLCs) should be included in the regulatory framework with sufficient flexibility.

- 30** FNLC should not be considered as “the only solution” for simplification. It should be thoroughly considered before encouraging a wider use of this option. Without making the application of FNLC mandatory or the single option, including solution to mitigate risk as the involvement of smaller beneficiaries or the “creaming-off” of potential participants should be acknowledged and the flexibility of implementation ensured.

Since endorsement of the FNLC and SCOs in the Member State is currently time consuming and complex, and more flexibility is required for establishing FNLC and SCOs in the Member State programme. This could be done by an approval process separated from the amendments to the programme. Rolling out FNLC entails considerable adjustment costs, as substantial amendments to existing administrative systems are required.

31 The future ESF interventions should be more focused on outcomes and results. The future regulations should not specify a catalogue of non-eligible costs for ESF, as the eligibility should be defined at an investment level, e.g. investments in social infrastructure should be eligible from ESF as long as the overall objective of the intervention is linked to ESF priorities.

32 Grants are the main form of support for the implementation of the ESF, reflecting the nature of investments under this fund. Considering the role and benefits of financial instruments in leveraging private sector investment, a combination of different forms of support (including grants and financial instruments) remains possible and should be further promoted where relevant. Due to its revolving nature, financial instruments contribute towards a more effective use of resources and could be used where they are viable and where there is a market gap.

VI. ADAPTABILITY TO UNFORESEEN NEEDS AND CONSIDERATION ON BUDGET FOR ESF

COHESION POLICY SHOULD NOT BE CONSIDERED AS A MAIN TOOL FOR CRISIS MANAGEMENT

33 Overall, striking the right balance between stability, predictability and flexibility is essential for optimising the impact of cohesion policy. This is consistent with simplification regarding programming and implementation processes. This enable Member States to respond to new needs and ensure that programmes are more responsive to changing circumstances. A specific set of flexibilities that would only be activated in the event of a crisis could increase the applicability of the funds without risking the stability of the implementation. Laying down the rules in advance would make the conditions governing the crisis management measures more predictable and enable a faster reaction both on the part of the Commission and the Member States.

34 ESF should not be designated as the main tool for crisis management. However, when designing crisis interventions, the existing funds could be considered as a management framework to which additional resources could be added or for which a tranche of funds could be reserved. Flexibility within the regulatory framework should be seen as a tool to preserve the relevance and to maximise the impact of cohesion policy funds even in the context of unforeseen challenges.

VII. CONDITIONALITIES

35 The current setup of conditionalities, in terms of horizontal and thematic enabling conditions, aims to ensure necessary prerequisites for the effective and efficient use of the ESF. Nevertheless, lessons should be learned from the introduction of the enabling conditions with the aim of avoiding an increase of the administrative burden in the future, particularly during the programming and implementation phases. Assessment and monitoring of conditionalities is more appropriate at national level than at Managing authority level under the implementation of the programmes. For this reason, an attempt should be made to improve the existing system of horizontal and thematic conditionalities, including possible simplification and streamlining. Nevertheless, the link between EU funding and the rule of law should be maintained.

36 Thematic conditionalities should take into account the specific problems and challenges of the EU as a whole, Member States and regions. There should be room for consideration of the development needs and

potential of Member States and their regions in the pursuit of structural change and upward convergence.

- 37 The enabling conditions criteria should be simplified without jeopardising the underlying aims. A focus should be placed on encouraging Member States to develop national frameworks in areas supported by ESF. Detailed requirements on national policies go beyond the remit and framework of EU funding. Overlaps between requirements under conditionalities and the programming process should be avoided. In relevant cases, the ESF could support the implementation of investment related reforms proposed by Member State and consulted by all relevant stakeholders. The regional and local authorities possess a great local knowledge and are among those bodies implementing on the ground EU investments and delivering ESF objectives. Principles of proportionality and equal treatment should be respected in the application and fulfilment of any conditionality.

VIII. PARTNERSHIP AND VISIBILITY

PARTNERSHIP

- 38 The code of conduct for partnership⁶ plays a pivotal role for setting up the partnership that remains central for effective programming, implementation, monitoring and evaluation of ESF funded activities.
- 39 Distinct to the role of NGOs, social partners, through social dialogue and collective bargaining, play a unique role in regulating labour markets, supporting training access, and designing and implementing reforms aligned with the European Pillar of Social Rights and country specific recommendations of the European Semester. ESF remains an important instrument for capacity building, necessitating the provision of support for social partners and NGOs, relative to the role that they play, particularly in countries receiving country-specific recommendations on the subject.

VISIBILITY

- 40 Visibility obligations have been significantly strengthened in 2021-2027 programming period. There is a need to specifically emphasise ESF results and positive impacts on the public, making the contribution of EU funds more apparent. This could be attained through reporting more on investment outcomes which are tailored to specific audiences, rather than investment volumes or expenditures.
- 41 Member States may be encouraged to engage in promotional activities including on social media, education and awareness raising activities that are aimed at promoting EU values by promoting the added value of ESF projects and actions at national, regional and local levels, promoting behavioural change towards groups socially vulnerable and in marginalised situations.

6. Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.