Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege

Summary

Key points of the German Social Welfare Organisations for further development of the EU budget and the European Structural and Investment Funds 2021-2027

The Federal Association of Non-statutory Welfare (BAGFW) – representing the German Social Welfare Organisations – has adopted the following recommendations for the preparation and design of the EU budget and the European Structural and Investment Funds for the period 2021-2027. The following recommendations are aimed at all involved actors in the European and national decision making bodies.

The Social Welfare Organisations regard the European Structural and Investment (ESI) Funds, and particularly the European Social Fund (ESF), as essential for testing innovative ideas and methods, especially in the field of combating poverty and social exclusion. Consequently, the ESF is not seen as a transfer instrument. The ESI Funds are supplementary resources and must not replace financing of the regular social security system.

The Social Welfare Organisations recommend maintaining for the period 2021-2027 the following rules adopted in the programming period 2014-2020:

- The thematic concentration of resources within the ESI Funds, whereby the ESF especially has to fulfil its social mission.
- The introduction of compulsory minimum shares (the current ESF minimum share is 23.1%, however, the Social Welfare Organisations demand an increased ESF minimum share of 25%; and the allocation of 20% remains reserved for the investment priority “social inclusion” to promote sustainable poverty reduction).
- The thorough application of the partnership principle in all member states with all relevant partners for the design, implementation and evaluation of ESI Funds.
- The further development of the “social innovation” investment priority.
- The further simplification of administrative procedures through the introduction of simplified cost options. These simplifications shall not be jeopardized by increased requirements on data collection and information management.
- The orientation of the ESI Funds towards jointly specified results, whereby difficulties in measuring the impact of social projects have to be taken into consideration.

- The introduction of personnel costs for training participants (leave of absence expenses/participants' income) and for general indirect costs (administrative expenses, rents, overheads) are seen as eligible costs. With regard to the next reform of the General Block Exemption Regulation, the funding rates for SMEs shall be increased (70%/80%), and the German requirement to introduce own resources (in cash) into the project shall be abolished.

Moreover, the Social Welfare Organisations encourage the introduction of the following elements for the further development of the EU budget and the ESI Funds:

- To ensure the most effective use of EU Funds, simplifications regarding the rules of budgeting and accounting have to be extended. In the area of social welfare, efficiency improvements and scaling effects must not form the only key criteria.
- Commitment and payment appropriations have to be balanced within the EU budget to avoid shortages in the allocation of funds for implementing organisations and their projects.
- The partnership principle should be strengthened through the expansion of bottom-up approaches, such as regional and local development programmes and partnership programmes. The Social Welfare Organisations promote the continuation of local and regional development programmes for the programming period 2021-2027 and recommend introducing a minimum share for these concepts in all relevant funds. To guarantee the adequate participation of all partners in the design and implementation of the ESI Funds, civil society structures are to be promoted by the state and by the ESI Funds.
- In the area of combating poverty and promoting social inclusion, preparatory measures as well as measures to integrate unemployed people into the labour market should be interlinked. Current separated funding methods (for example ESF, ERDF, EAFRD and FEAD) should be merged. Cooperation regarding the interaction of the funds should be strengthened.
- The requirements regarding data collection and management of participants' personal data have to be reformed due to concerns regarding data protection rules. Such a reform is necessary, particularly in the context of providing sensitive personal data, for example, information concerning a person's financial situation. Requirements regarding data collection of each single case should be abolished in favour of project-related, cumulative data collection.
- Financial instruments like loans, guarantees or equities do not provide adequate financing of social projects.

Long version

Key points of the German Social Welfare Organisations for further development of the EU budget and the European Structural and Investment Funds 2021-2027

As providers of social services, the German Social Welfare Organisations run approximately 105,000 facilities and services in Germany, employing about 1.67 million full-time professionals. The provision of services takes place on a not-for-profit basis and focuses on the needs of the vulnerable people. The Social Welfare Organisations are beneficiaries of European funding programmes and therefore have been experts in this area of funding for decades.

Despite the fact that the current programming period has started only recently, the debate on a revision of the European Union's budget and of the European Structural and Investment Funds for the programming period 2021-2027 has already begun. Besides events and debates within the European Commission, European Parliament and other actors, the European Commission is obliged by article 2 of the MFF regulation to evaluate the functioning of the multiannual financial frameworks (MFF) by the end of 2016.[1] In December 2015, the European Commission published a roadmap outlining the timeframe for its mid-term review, reaffirming the intention to propose legislative changes, if necessary, inter alia regarding simplifications or further promotion of financial instruments. The mid-term evaluation with many legislative changes has been proposed in September 2016. The European Parliament has drafted an initiative report for the preparation of the MRF's mid-term review for the period 2014-2020. The budget regulations are also being evaluated in order to simplify the current legal provisions and create the baseline for a result oriented budget. In February 2016, the European Commission published a corresponding roadmap on the review of the EU budget. In addition, a public consultation is being conducted.[2]

Moreover, the mid-term review of the ESI Funds and various other funding programmes of relevance to the Social Welfare Organisations, like Erasmus+ or the European Programme for Social Innovation (EaSI) are also imminent.

[1] In the context of this compulsory evaluation, a legislative proposal modifying the regulation in accordance with the procedures foreseen in the Treaty on the Functioning of the European Union (TFEU) will be tabled, where appropriate. According to article 7 of the MFF regulation, in 2016 the Commission will conduct a joint evaluation of the technical adjustments for the year 2017 and of the total allocations of all member states in the framework of the cohesion policy´s key priority area "Investment in jobs and growth" for the period 2017-2020. Should the actual GDP for the years 2014 and 2015 deviate more than 5% from the original estimates, the total allocations will be adjusted.

[2] According to the roadmap, regulatory simplifications will be introduced in the areas of simplified cost-options, indirect management and financial instruments.

The present paper therefore aims at commenting on the most important political debates and first steps of the European Institutions. It also presents the Social Welfare Organisations' initial ideas for the programming period 2021-2027, the motivation for which follows below.

The Social Welfare Organisations regard the European Structural and Investment Funds, and particularly the European Social Fund (ESF), as essential catalysts for the testing of innovative ideas and methods, especially in the realm of combating poverty and social exclusion. Consequently, the ESF is not seen as a transfer instrument. The resources of the ESI Funds are to be used for the provision of supplementary financing, and must not replace measures from the regular social security system. Since reoccurring lines of arguments appear to be emerging in the debate on further developing the EU budget and EU funding policy, the Social Welfare Organisations seek to present their joint position at an early stage in order to insert their views into the debate and respond to specific concerns/individual arguments. Of paramount importance is that the EU invests more - besides a focus on economic growth - into a European community of values[3].

The programming period 2014-2020 has set out various novelties: A stronger thematic concentration of funding; minimum shares for certain thematic areas (for example, an ESF minimum share of the cohesion funds of 23.1%, the allocation of 20% for the investment priority "social inclusion"); the partnership approach[4] involving all relevant stakeholders (especially in the compulsory partnership agreements and in the operational programmes and their implementation); the introduction of "social innovation" as an investment priority; accounting simplifications through the introduction of lump sums for certain costs and unit costs, as well as a stronger result orientation.

Prior to the negotiations leading to the current programming period, the Social Welfare Organisations have advocated for an ESF minimum share, with a compulsory 20% minimum allocation for social inclusion within the ESF, the partnership approach, the investment priority "social inclusion", and the increased use of lump sums. In addition, during the reform of the General Block Exemption Regulation, the Social Welfare Organisations advocated for a continued classification of staff costs for training participants (leave of absence expenses/participants income) and general indirect costs (administrative expenses, rents, overheads) as eligible costs. For the next reform of the General Block Exemption Regulation, the Association of German Social Welfare Organisations advocates for an increase of SME funding rates (70%/80%) and the abolishment of the German rule of introducing own resources (in cash) into the project budget.

[3] For instance, values like democracy, the rule of law, freedom, social justice and social security.

[4] According to the delegated regulation on a European code of conduct on partnership, regional, national and local authorities are obliged to cooperate closely with trade unions, employers and non-governmental organisations and other institutions. When it comes to identifying financial, planning and implementations priorities, it is their duty to ensure the interests of the most important actors or taken into account and the most efficient investment strategy is adopted.

The Social Welfare Organisations advocate for a continuation of these rules but would also like to propose new ideas.

Debate on a result-oriented budget

Since the European Commission of president Juncker took office, the most efficient spending possible of every euro from the EU budget is an even stronger concern. Through the initiative of a “result-oriented EU budget”, the Commissions will continue to focus on its ten priorities to pool member states’ resources and to trigger scaling effects.

To support this process, the Commission organises one a year a [high-level conference] on the topic of a “result-oriented” EU budget with key questions on the European budget policy agenda. The debate focuses on the following topics:

THE THEMATIC FOCUS OF THE EU BUDGET: The EU’s budget resources shall be spent on the implementation of the Commission´s political priorities ([the Commission’s 10 political priorities]). In the area of funding provided by the structural funds, German Minister of Finance Wolfgang Schäuble pronounced himself in favour of an even stronger thematic concentration. In addition, Schäuble advocated a systematic financing of measures intended to contribute to the implementation of the country specific recommendations. This recommendation was adopted by the Commission and outlined in the proposal on a Structural Reform Support Programme. The purpose of this programme is to support member states in the implementation of country specific recommendations and other structural reforms. To ensure the programme is adequately funded, 142.8 million euro will be provided from the ESI Funds’ horizontal technical aid, which is administrated by the Commission.

→The Social Welfare Organisations’ position

A concentration of EU funding is reasonable to avoid financial dispersion. In comparison to the programming period 2007-2013, a comprehensive concentration of funds and the related coordination between the federal government and federal states in Germany have streamlined the programme structure thoroughly. There is reason to fear that an even stronger concentration (for instance, on the country specific recommendations adopted by the council of the EU) would lead to a diminished allocation of funding to social topics, since these topics hardly generate profitable financial leverage. The German Social Welfare Organisations strongly oppose such a development.

While concentrating the ESI Funds, one has to ensure an increased investment in social cohesion, the development of a European community of values and a common identity. These are necessary steps to impede the drifting apart of our society and prevent the radicalisation of individuals. The “Social Investment Package” or the “Pillar of Social Rights” can be guidelines for this process.
According to the Commission, the proposal on a Structural Reform Support Programme would lead to a reallocation of resources currently reserved for the

horizontal technical aid. The technical aid from the national envelopes would not be affected by the Commission's proposal under the current state of play. The technical aid in Germany has already been fully allocated. Since all Operational Programmes have passed the ex-ante conditionality evaluation, a reallocation of funds three years after the beginning of the programming period might not be reasonable. The resources necessary to finance this programme could be missing for the implementation of other support measures. In addition, a clear sustainability strategy containing proven success parameters is missing. In the negotiations, cutting the national budgets has to be prevented.

BENEFIT OPTIMIZED USE OF EU FUNDS: Every euro from the EU budget is to be used in a way that ensures maximum effectiveness. To that end, the European Commission has been developing initiatives aiming at generating financial leverage and at attracting additional funding from other public and private sources (see investment plan). In addition, the Commission is considering further incentives for a more effective funding allocation, for example, by increasing the performance reserve. Furthermore, the rules of the budget and of the structural funds can be simplified.

→ The Social Welfare Organisations' position

To ensure an optimal use of EU funds, budgeting and accounting rules need to be simplified. An exaggerated focus on efficiency gains and scaling effects would lead to a tendency to only fund profitable infrastructure projects. The social economy is an important employer whose economic power is often underestimated. Nevertheless, due to its not-for-profit structures, the Social Welfare Organisations cannot generate significant financial leverage. As a result, the Social Welfare Organisations oppose an exaggerated focus on budget effectiveness maximisation. Increasing the performance reserve must not lead to budget cuts for social priorities in member states with implementation difficulties due to insufficient administrative expertise.

INCREASED FLEXIBILITY WITHIN THE EU BUDGET: Reallocating funds between budget headings is to be facilitated to cope with unforeseen events like the increased influx of refugees The current EU budget divides the resources allocated to cohesion and structural policies into horizontal funds (administrated by the Commission) and vertical funds (allocated to the individual member states). The national envelopes for cohesion and structural policies can only be modified and made more flexible by approval of all relevant EU institutions (European Parliament and the Council of the EU).

→The Social Welfare Organisations' position

In the face of current challenges, the EU budget should be relieved and made more flexible through balanced commitment and payment appropriations. The 2014-2020 budget already contains a gap of 51 billion euro, which can cause a wave of unpaid bills towards the end of the programming period.

Due to the n+2 or n+3 rule[5] as well as the late start of the current programming period, horizontal funds, which have not been used, can already be redirected flexibly to manage the increased influx of refugees. However, these funds have to again be made available whenever member states want to use them for regular spending. To this end, a supplementary budget will become necessary. To further ensure democratically legitimised decisions on the EU budget, measures increasing the budget's flexibility may only be implemented under direct involvement of the Council of the EU and the European Parliament. To avoid unnecessary confusion for project managing organisations, funds in Germany should not be reallocated after the Operational Programmes have been negotiated and approved.

MEASURING RESULTS AND IMPACT: The European Commission is assessing whether the error rate – currently the main evaluation criterion - still serves as an adequate evaluation criterion to measure the quality of funding programmes. The strict application of the control framework is expected to increase responsibility.

→The Social Welfare Organisations' position

In principle, it is reasonable to abolish the error rate as the main criterion of evaluating quality and to develop additional qualitative assessment methods. Social impact orientation forms a key element of the Social Welfare Organisations' identity which is characterized by emphasized social objectives and a multi-stakeholder perspective. Measuring the impact of social projects requires a thorough knowledge concerning the fields of work, technically sound and valid indicators, instruments and procedures. A sustainable design and implementation of discipline specific survey instruments and procedures, requires cooperation between civil society, specific academia, interest groups and funding agencies[6]. Especially measuring the impact of social projects is often difficult and should not lead to disproportionate and expensive reporting obligations in the context of European funding programmes.

In addition, following a re-emerging trend, funding is currently being refocused on the creation of framework conditions or the promotion of outstanding light-house projects for the testing of innovative ideas, instead of supporting concrete measures. Such an approach is not purposeful in practice, since there is often not enough money for the up-scaling and implementation of the tested innovative idea. It is essential to formulate ambitious objectives concerning the desired results, without creating unrealistic expectations.

[5] Cohesion policy related allocations to member states are divided into annual instalments, which, depending on the country, are to be used within two or three years. This rule is commonly referred to as the "n+2" or "n+3" rule. In this context "n" resembles the year in which the funding allocation is initiated. Should a member state not retrieve the allocated instalments within this timeframe, the budgetary commitment is revoked automatically and the funds are re-allocated to the EU budget.

[6] Compare "Position of the Association of Social Welfare Organisations on social impact orientation".

Debate on the further development of the Structural and Investment Funds

The debate on a result-oriented EU budget is directly affecting the discussions on revising the ESI Funds and the EU's cohesion policy. Especially the stronger focus of EU funding policy on impact orientation is clearly perceivable in the debate. In this context, the following issues are raised, which the Social Welfare Organisations would like to comment upon.

PARTNERSHIP PRINCIPLE: In the current programming period, the partnership principle, intending to involve all stakeholders in the EU funding programmes' design, implementation and evaluation, has been introduced on a compulsory basis to the Common Provisions Regulation. In addition, by publishing the "European Code of Conduct on Partnership in the Framework of the European Structural and Investment Funds", the European Commission provided guidelines for implementing the partnership principle. During the programming period, a thematic network supported by the Commission will continue to work on the principle.

Regional development concepts represent further interesting approaches for a cooperative design of funding programmes. In the framework of the "LEADER method"[7], actors from rural areas design local development strategies entirely autonomously and implement them through bottom-up processes. In the context of EU funding, the LEADER method is applied by the European Agricultural Fund for Rural Development (EAFRD). The programming period 2014-2020 saw a refinement of this approach. "Community-Led Local Development" (CLLD) enables the implementation of LEADER within the framework of the ESF and the European Regional Development Fund (ERDF) as well as within multi-fund approaches. The European Parliament explicitly welcomes this model in an initiative report and calls for more support for these approaches. In Germany, the CLLD approach is currently implemented by the federal state Saxony-Anhalt. The development strategies, developed by local action groups, are shaped by the topics "services of general interest", "volunteering", "youth work" and "engagement with refugees".

→The Social Welfare Organisations' position

Experiences of applying the partnership principle within the EU Structural Funds demonstrate that the early involvement of all relevant actors creates more targeted spending. Practical experiences can contribute to shape the funding programmes.

[7] LEADER is an acronym in French for "liaison entre actions de développement de l'économie rurale", meaning links between actions for the development of the rural economy. LEADER is a methodical approach of territorial development, which enables local actors to shape regional processes in order to make better usage of a regions potential. Local action groups (LAGs) are at the heart of LEADER. A LAG is tasked to determine and develop a local development strategy and to decide about and administrate the allocation of financial resources. A LAG should unite public and private actors into partnerships and provide a balanced representation of local interest groups coming from a diverse array of socio-economic sectors from the area. On the decision making level, private partners have to make up at least 50% of all partners involved in a local partnership.

The Social Welfare Organisations fully support the compulsory introduction of the partnership principle. Within the framework of the partnership principle, the German Social Welfare Organisations contribute to the funding programmes´ design and implementation on a federal and regional level. To ensure the thorough implementation of the partnership principle, its application has to be ensured at all levels of the project cycle: Partners have to be involved in drafting the Operational Programmes as well as in project implementation as project managing organisations. The “rückenwind” programme constitutes an excellent example of a successfully implemented partnership approach. “rückenwind” was designed and implemented jointly by the Social Welfare Organisations and the responsible federal ministry. Expanding the partnership principle in the EU will contribute to fostering civil society participation.

The Social Welfare Organisations fully support the concept of local and regional development programmes and bottom-up approaches as implemented in the LEADER method and the CLLD approach. Only a thorough involvement of all local actors enables the identification of the needs on the ground, necessary for finding adequate solutions. The implementation of CLLD in Saxony-Anhalt has created a widespread interest, which is also reflected in the high application figures. As a result, the Social Welfare Organisations are advocating for the introduction of a compulsory 5% minimum share for local and regional development programmes in all funds involved. In doing so, the involvement of the most important local civil society representatives has to be made compulsory. In addition, all partners involved in local action groups have to enjoy equal rights. A division into “first class” and “second class” partners has to be prevented.

To enable the qualified and committed involvement of all relevant actors in the ESI Funds’ implementation and design, the state and the ESI Funds have to support capacity building in civil society organisations. The gap between ideal “bottom-up” approaches and the reality of implementation has to be tackled.

MINIMUM SHARE FOR SOCIAL INCLUSION AND THEMATIC FOCUS: In the current programming period, a minimum share of 23.1% of the cohesion policy funds allocated to each member state have to be reserved for the ESF. Thematically, the ESF focuses on four out of eleven thematic areas listed in the Common Provisions Regulation[8]. A minimum share of 20% of the ESF has to be allocated to the investment priority “social inclusion”. “Social innovations” have been introduced as an elective investment priority. The experiences gathered from the current programming period will be evaluated and used to refine the model.

→The Social Welfare Organisations’ position

[8] The four thematic ESF objectives are: Promoting sustainable and quality employment and supporting labour mobility; Promoting social inclusion, combating poverty and any discrimination, Investing in education, training and vocational training for skills and lifelong learning, enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

First evaluations of the funding allocations have shown that minimum shares are even exceeded. For example, in Europe 25.5% of ESF funds are used for promoting social inclusion. However, also measures of pure labour market integration are subsumed to the "social inclusion" heading, which do not fulfil the standard of poverty reduction. Due to social developments and the high influx of refugees, there is a demand for additional projects to combat poverty and social inclusion. In the next programming period, the European level must therefore provide a compulsory minimum share of 25% of the resources of the cohesion policy to the ESF and of 20% of ESF funds to the social inclusion objective.

In its thematic focus, the ESF must adhere to its social mission. Consequently, disadvantaged groups should be the main target group including, for example, socially excluded people, people with disabilities, migrants and refuges as well as the long-term unemployed. Besides fostering employability, combating poverty and promoting social inclusion are especially important objectives. In its initiative report on "cohesion policy and marginalised communities", the European Parliament has expressed support for this proposal. To achieve these goals, the programmes should be more participatory to reach and encourage disadvantaged groups. In addition, the ESI Funds should be used more extensively to combat radicalisation and xenophobia and to invest in a European community of values.

To avoid transaction problems and increased administrative burdens, currently separated funding logics should be merged and inter-fund coordination should be reinforced. Cooperation between the ESF and the Fund for European Aid to the Most Deprived (FEAD) appears to make particular sense.

To strengthen the programmes' European dimension, the Social Welfare Organisations fully support the (compulsory) introduction of transnational project funding to the ESI Funds.

Introducing the investment priority "social innovations" leads to many positive experiences. This priority provides the opportunity to develop and test non-pre-defined, innovative projects to tackle a demand on the ground. However, the European Commission's current strong focus on the development of innovative tools and methods might jeopardize funding allocations to tested and well-established approaches, which need ESF funding in order to be adjusted to new challenges. In cases where well-established tools are available, developing new approaches is not always necessary. In addition, the following questions still need to be answered: What is "innovative"? What is the added value of these approaches? How do these approaches differ from member states' core activities in social policy?

SIMPLIFICATION: The introduction of simplified cost options like lump sums and unit costs represents an important novelty of the current programming period. The Commission, Council and Parliament are in a process of refining and expanding these simplifications. The Commission has set up a High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds, which inter alia will prepare the upcoming programming period. Among others, the topics e-cohesion and simplified cost options are on the group's agenda. On November 12, 2015, the Council approved conclusions on "a smart and simple cohesion policy and ESI Funds". In its conclusions, the Council welcomes the simplifications introduced in the current programming period but concludes that - despite improved regulations - complex administrative structures are being created which might deter potential beneficiaries. According to the Council, simplifying measures need to be applied to the entire programming cycle (planning, implementation and audit). The European Parliament passed a resolution on "simplification and performance orientation in cohesion policy 2014-2020" in which it affirms that simplifications must be perceived by beneficiaries in their day to day work.

→The Social Welfare Organisations' position

Further simplifications of the ESI Funds are to be fully supported. The introduction of simplified cost options, like lump-sums and unit costs, are especially positively acknowledged in Germany. To guarantee thorough project implementation, lump sums have to be set at adequate levels. Despite the introduction of simplified cost options, some regional managing authorities continue to apply overly demanding data and information requirements. Managing authorities often point to EU regulations to justify these requirements. The European Commission should be more transparent on the margins of discretion of managing authorities and encourage authorities to make use of these margins to support simplifications.

On the ground, simplified cost options lead to increased requirements on data and information management regarding participants' personal data. Due to data protection requirements in Germany, project participants have to be asked for personal information, which is needed to provide data on indicators set by the EU. When asked for sensitive personal information (for example on a person's financial situation), participants frequently display considerable incomprehension and sometimes refuse cooperation. These requirements are a frequent source of concern especially when working with young people below the age of 18. Increased demands on data and information management also create additional administrative burdens for project managing organisations. To avoid jeopardizing desired simplifications, the single case oriented data and information management should be abolished in favour of a cumulative data collection per project.

INDICATORS: As the Commission is currently considering discontinuing error rate based programme evaluations and due to the increased focus on performance based budgeting, the significance of horizontal as well as programme specific output and result indicators is growing. As a result, the existing indicators are currently being revised and refined for the next programming period.

→The Social Welfare Organisations' position

A stronger focus on quality in EU funding is warmly welcomed. However, newly designed indicators shall be realistic in a quantitative and qualitative manner and verifiable. Data and information management shall not involve disproportionate reporting obligations. Project managing organisations on the ground often show considerable uncertainty regarding indicators and their obligation to fulfil them. It is very difficult to measure the impact, especially of social projects. The Social Welfare Organisations are currently researching and testing ways of reconciling the need to measure impact as a way to increase the quality of a service and the related difficulties. In the future, subjectively perceived improvements of living conditions by project participants could be used to assess a project's impact.

NEW WAYS OF IMPLEMENTATION OF FUNDS: The current programming period saw the introduction of new implementation tools, for example multi-fund Operational Programmes or CLLD approaches within the ESF. These tools are currently being tested and evaluated. The European Parliament published an initiative report on "new territorial development tools in cohesion policy 2014-2020".

→The Social Welfare Organisations' position

New ways of implementing and administrating funds can provide interesting opportunities for achieving a closer thematic coordination between funds and for synergies. It is crucial to implement these tools in close cooperation with the civil society. To be able to participate in the implementation of funds, partners with fewer resources need access to consistent capacity building projects which are supported by the EU. The partnership approach constitutes an essential element of new implementation tools, which have not yet been tested thoroughly. Regional and local development programmes can help to improve the quality of the cohesion funds. In this context, ensuring adequate financing and staffing of regional and local actors and the qualitative support of public authorities is key.

INCREASED USE OF FINANCIAL INSTRUMENTS: The European Commission is currently advocating a more widespread use of financial instruments in the structural funds. Financial instruments should be applied twice as often as in the previous programming period. In contrast to traditional project grants, which provide non-repayable grants, financial instruments are repayable revolving funds such as loans, guarantees or equities. In its investment plan for Europe, the European Commission asks member states to commit a certain percentage of their budgets to financial instruments[9]. This would result in 30 billion euro being committed to financial

[9] The Commission's investment plan recommends member states to deliver a specific percentage of the allocations from their partnership agreements through innovative financial instruments to each of the key investment areas as follows: 50% in the support of SMEs, 20% in the field of CO2 reduction, 10% in the field of Information and Communication Technology, 10% in the field of sustainable transport, 5% in the support for Research, Development and Innovation and 5% in the field of environmental and resource

instruments in the current programming period. To that end, the Commission has developed easy to use off-the-shelf instruments for member states. To actively report the use of financial instruments, the Commission has set up the platform fi-compass and is organising promotional events.

→The Social Welfare Organisations' position

The Social Welfare Organisations are concerned by the increased use of financial instruments, especially when applied in the context of the ESF. On the one hand, the revolving form of financial instruments appears to be appealing. This tool is already being used successfully for the provision of credits to small and medium sized enterprises (SMEs), start-up companies and business counselling services. However, social projects have no possibility to pay back a grant at a given moment. In addition, there is the fear of "profitable" projects benefiting from preferential access to funding, leading to a "creaming-out effect". On the other hand, according to the Commission, it is not yet possible to evaluate –either positively or negatively – the effectiveness and efficiency of financial instruments within the ESF, due to a lack of reliable data. With regard to new forms of financial instruments, such as social impact bonds, the Social Welfare Organisations regard financial instruments as suitable for the provision of supplementary funding only to certain niche services. Financial instruments must never replace regular public funding and traditional project grants. Financing social innovations through non-repayable ESF venture capital has to remain possible.

Last update: Oct. 2016

Contact:

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

Andreas Bartels
Policy officer for European Affairs
Workers´ Welfare Organisation

Blücherstr. 62/63, 10961 Berlin
Tel. +49 30 26309 485
E-Mail andreas.bartels@awo.org

efficiency. The use of micro-finance facilities to provide preferential loans could also help to promote self-employment, entrepreneurship and the development of micro-enterprises.