



Positioning of the BAGFW on ERDF funding 2028-2034

In Germany, social services of general interest are essentially provided by social welfare organisations. These organisations are an important pillar of the German welfare state. With their approximately 125,000 facilities and 2.1 million employees, they contribute significantly to providing social services in Germany every day. At the same time, social welfare organisations are not profit-oriented and tailor their offers and services to people's needs. The top social welfare organisations in Germany have joined together to form the Association of German Social Welfare Organisations (BAGFW).

The European Structural and Investment Funds are important sources of impetus for the top social welfare organisations to test innovative ideas and methods. Alongside the European Social Fund (ESF+) and, in some Member States, the Cohesion Fund, the **European Regional Development Fund (ERDF)** is the most relevant structural and investment fund for the organisations and provides funding for the creation and modernisation of infrastructure.

The course for the future EU cohesion policy and thus also for the future ERDF is currently being set. In this context, far-reaching changes in the direction of cohesion policy after 2027 are under discussion. We are convinced that the ERDF must be used also in the future to manage the triple transition - i.e. the climate-friendly, digital and demographic transition. **All aspects of the triple transition must be given equal consideration.** The ERDF must therefore contribute not only to competitiveness, but also to climate neutrality, digitalisation and social cohesion in Europe. To this end, the ERDF must be provided with adequate funding also in the next funding period.

1. A cohesion policy that works throughout the European Union

The EU's cohesion policy is an expression of European solidarity and a cornerstone of the functioning of the EU internal market. Cohesion policy makes the added value of the European Union visible to citizens in their day-to-day lives and thus strengthens the acceptance of the EU. It contributes to supporting regions in all Member States that find themselves in a so-called "development trap" and to preventing other regions from falling into such a trap.¹ However, within other regions there are also considerable differences in wealth and other specific regional challenges that endanger social and societal cohesion. Investment in just transition is necessary in all regions; where this is not done, social cohesion is weakened, and the political fringes are strengthened. To maintain the competitiveness of all European regions and to preserve the acceptance of the EU in the European population, **the financial resources of EU cohesion policy must therefore continue to benefit all regions of the EU Member States.** Particular attention should be paid, among other things, to reducing

¹ The European Commission defines "development traps" as "a state of sub-par performance of GDP, productivity and employment. Such a state is empirically correlated with an increase in political discontent and a decline in support for democratic values and the EU." See European Commission (2024), 9th Cohesion Report, p. 26, available at https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en.

"development traps" and to preventing regions from falling into such a trap in the first place or from being at risk of falling into one.

To ensure that the funds reach those who need them most, the **principle of subsidiarity** must be respected. The allocation of funds must remain the responsibility of the regions and **involve civil society and the social partners (partnership principle)**. We strictly reject the allocation of funds modelled on the Recovery and Resilience Facility, which is carried out at national (rather than regional) level and without sufficient involvement of the social partners and civil society. As cohesion policy has a long-term and preventative effect, crisis-related reallocations during the current programme period and between funds should be avoided as far as possible. However, an additional and flexible "crisis intervention" budget line within the framework of cohesion policy could have a balancing effect.

2. Shaping social, digital and ecological change hand in hand

One of the declared objectives of funding from the ERDF, the ESF+, the Cohesion Fund and the European Maritime, Fisheries and Aquaculture Fund (EMFAF) is "a more social and inclusive Europe implementing the European Pillar of Social Rights".² Cohesion policy should therefore help to implement the priorities of the European Pillar of Social Rights (EPSR) adopted in 2017. **In view of the EPSR and the commitment to fulfil the UN Sustainable Development Goals, the goal of a more social and inclusive Europe must remain a core concern of European cohesion policy and an important aspect of the coming funding period.** At the same time, it is essential to intensify efforts to combat climate change and make the necessary adjustments to its already unavoidable effects. Both ecological and social sustainability aspects must be addressed by cohesion policy in an interlinked manner. This is even more important for the acceptance of necessary climate protection and adaptation measures. The measures are accepted less if citizens have the impression that ecological and social issues are played off against each other and compete for the available funding.

This means that in the future funding period, in addition to strengthening competitiveness, expanding digitalisation and adapting to climate change, the "more social Europe" needs to be given a more prominent place in the ERDF. However, due to the prescribed **thematic concentration**, only a very small proportion of the total ERDF allocation to the Member States is currently available for a more social and inclusive Europe. In the Member States with a GNI of $\geq 100\%$ of the EU average (this includes Germany, among others), only 15% of the total ERDF allocation is available for investments in a more connected, social and inclusive Europe that is closer to its citizens. As a result, many Member States currently do not use ERDF funds for the implementation of the EPSR and the "more social Europe" thematic area. They pursue this objective exclusively via the European Social Fund (ESF+),³ even though the ESF+ generally cannot support investment measures in necessary social infrastructure. **We therefore argue that at least 5% of the future ERDF should be earmarked for the implementation of the EPSR as a further priority objective in the national and regional programmes.** The ERDF should also, among other things, enable investment in the maintenance and expansion of social infrastructure and in solutions for affordable housing.

² See Art. 5 of the current Common Provisions Regulation: Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>.

³ See the Partnership Agreements of the Member States, available at https://commission.europa.eu/publications/partnership-agreements-eu-funds-2021-2027_en.

Irrespective of this, comprehensive funding must continue to be available to implement the necessary climate adaptation and climate protection measures. Particularly against the background of EU legislation relating to the energy efficiency of buildings (amendments to the EPBD⁴ and the EED⁵), the **promotion of energy-efficient renovation of buildings** is becoming even more important and should be a core element of the ERDF in climate protection. Funding both for energy-efficient renovation and for measures to adapt buildings to climate change should also take account of the needs of historic buildings, which face special challenges due to their building structure and, in many cases, their protected status.

The right to digital communication is one of the essential services to which every person in the EU is entitled under Principle 20 of the European Pillar of Social Rights. A basic requirement for this is an efficient digital infrastructure everywhere in the EU where people live and work. However, many EU countries are still a long way from full coverage with fibre optic networks or 5G or 6G networks.⁶ Inadequate network coverage and insufficient internet bandwidths also affect the ability of social welfare organisations and services to offer (innovative) digital support, such as online counselling. The expansion of the digital infrastructure must therefore be further accelerated and expanded, particularly regarding technological developments.

To promote socio-ecological change, ERDF funding for competitiveness and innovation measures should also explicitly take **social innovations**⁷ into account. Funding for such innovative approaches should be open-ended to do justice to the experimental nature of the projects.

3. Making ERDF funding more accessible for applicants

To facilitate the administration of ERDF funding for beneficiaries and make the funds more accessible, **state aid and public procurement law requirements must be simplified** and the **co-financing rates raised to at least 70%**.

Simplified cost options such as unit costs or lump sums support the reduction of bureaucracy and should be further expanded. At the same time, it must be ensured that lump sums are calculated adequately and that, for example, increases in pay scales can be considered. This represents a challenge, especially when it comes to flat-rate personnel costs, because of the increasingly flexible working environment. We have considerable reservations about results-based funding that does not (partially) remunerate the actual costs incurred but instead pays a "premium" per unit of result achieved, particularly in the case of high-risk projects. **For projects where personnel costs are the main expense or the achievement of the project objectives does not primarily depend on the project implementing organisations, funding should not be based exclusively on results.** Innovation funding must be open-ended.

⁴ Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast), available at <http://data.europa.eu/eli/dir/2024/1275/oj>.

⁵ Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast), available at <http://data.europa.eu/eli/dir/2023/1791/oj>.

⁶ See also the EU Commission's progress report on implementing the goals of the Digital Decade, available at <https://digital-strategy.ec.europa.eu/en/policies/2024-state-digital-decade-package>.

⁷ The Association of German Social Welfare Organisations understands the term "social innovation" to mean new solutions to societal problems and challenges. In the understanding of the social welfare organisations, innovations include both the development of new concepts and the further development of existing concepts. They refer to the provision of new or improved social services. The positioning of the BAGFW is available in German at https://www.bagfw.de/fileadmin/user_upload/Europa/Stellungnahmen/2012_11-30_Positionspapier_der_BAGFw_zu_sozialen_Innovationen.pdf. See also Mulgan, G.; Sanders, B. Social Innovation: What It IS, why It Matters and How It Can Be Accelerated, 2007.

4. More efficient management of the ERDF

Multi-fund approaches should be more widespread and actively supported by the Commission. A multi-fund approach to the creation and management of operational programmes would help to make better use of synergies between the ERDF and other EU funds, particularly the ESF+, but also the European Agricultural Fund for Rural Development (EAFRD) and to better integrate the relevant funding approaches.

The CLLD (Community-Led Local Development) approach, in which funding is allocated by "local action groups" under their own management, should also be used more widely in the management of the ERDF, namely in the funding priorities that aim to achieve integrated urban and spatial development. The CLLD approach has proved successful in the EAFRD as part of the LEADER programme, where it has had a positive impact not only on local infrastructure but also on social cohesion in the participating territories. **The possibility of increasing the co-financing rates by ten percentage points for priorities that are fully implemented through CLLD should be retained.**⁸

Conclusion

The ERDF is an important building block both for the implementation of the EPSR and for the implementation of the Green Deal and thus also for ensuring a just transition and social and societal cohesion. The BAGFW is in favour of strengthening the social dimension of the ERDF in all regions of the EU, for a continued contribution of the ERDF to achieving the European climate targets and for better dovetailing with other funds. The partnership principle and the involvement of civil society should be further strengthened in the planning and implementation of the ERDF.

Literature

Federal Ministry for Economic Affairs and Climate Protection and Federal Ministry of Education and Research (ed.) *National Strategy for Social Innovations and Not-For-Profit Organizations* (2023), available in German at <https://www.bmwk.de/Redaktion/DE/Publikationen/Wirtschaft/nationale-strategie-soziale-innovationen-gemeinwohlorientierte-unternehmen.html> (29 August 2024)

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⁸ See Art. 112 para. 5 of the current Common Provisions Regulation: Regulation (EU) 2021/1060, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>.

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