

Position paper
by the Association of German Social Welfare Organisations
(BAGFW)
for the EU funding period after 2028:
Shaping transformation of society and the world of work in future
with the European Social Fund!

10 June 2024

In Germany, social services of general interest are for the most part provided by social welfare organisations. These organisations are an important pillar of the German welfare state and make a significant contribution to the provision of social services of general interest in Germany every day with their approximately 125,000 facilities and 2.1 million employees. 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).

European funding programmes and the European Social Fund (ESF) are important sources of impetus for social welfare organisations to test innovative ideas and methods. This particularly goes for combatting poverty and social exclusion. The development and testing of innovations in the working and professional environment is another key area. European funding always has an additive impact; it does not replace standardly funded social security instruments. In addition to concrete implementation of projects by its member organisations, the BAGFW coordinates an ESF funding programme in cooperation with the Federal Ministry of Labour and Social Affairs and appoints representatives to ESF monitoring committees at federal and State levels in Germany.

In order to help shape the further development of the European Social Fund with supporting data and in line with the needs of organisations, employees and clients of the social welfare organisations, the BAGFW conducted a survey of local welfare associations in spring 2024. Over 800 interested parties from all over Germany took part in the survey¹. The following recommendations have been developed by the social welfare organisations based on this survey and their involvement in the monitoring committees at federal and State levels.

¹ 812 participants began the survey, 591 completed it. Only fully completed questionnaires were included in the analysis of the results. The complete data set for the survey can be requested from the EU representation of the BAGFW at: euvertretung@bag-wohlfahrt.de

1. Recommendations to the European level: An effective European Social Fund as an instrument for investment in people and a driver of innovation

The 2021-2027 funding period is marked by profound social, environmental and economic transformations as well as intersecting crises. Cohesion Policy offers an important foundation with which to ensure that Europe is able to respond in a resilient manner to these crises. The 9th Cohesion Report underpins this with concrete figures: For example, every euro invested under Cohesion Policy will have generated three additional euros by 2043 and an estimated 1.3 million additional jobs will have been created by 2027.² If this success story is to continue, **extensive funding** must also be made available in the next EU budget period beginning in 2028.

It is essential that the Cohesion Policy funds and the ESF in particular continue to **invest in all regions**. Social hardship and transformation processes are present everywhere in the EU, in both less and more developed regions. The European Pillar of Social Rights therefore applies to the entire EU. The upsurge of nationalist and anti-EU groups is also an argument for investing in all regions. If a Member State disregards or violates fundamental EU values, such as human rights or the rule of law, however, there must be an immediate financial response and EU funding programmes must be frozen or curtailed. Enabling conditions such as unit costs, lump sums and flat rates that a Member State must fulfil in order to receive funds are an appropriate instrument, but must not lead to additional obstacles for project implementing organisations.

The basis for Cohesion Policy to be successful is that the **principle of subsidiarity**³ is taken into account when programming the funds and that the programmes are developed at the place where they are implemented. The BAGFW is therefore in favour of **retaining shared management of funds** as opposed to "plan management" at EU level in line with the coronavirus recovery plan. As Cohesion Policy has a long-term and preventive effect, crisis-related reallocations during the current programme period and between the funds should be avoided to the greatest extent possible. However, an additional and flexibly applied "crisis intervention" budget line within the framework of Cohesion Policy could have a balancing effect.

It is essential to strengthen the **partnership principle** and oblige Member States, for example, to finance capacity-building measures for partner organisations within the framework of their technical assistance. At the same time, civil society organisations and associations as well as representatives of the funds' target groups must be

² Cf. 9th Cohesion Report of the EU Commission: https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en

³ The principle of subsidiarity is defined in Article 5(3) of the Treaty on European Union. It states that decisions should be taken as closely as possible to the citizen, whereby it must be examined whether action at European Union (EU) level is really justified in view of national, regional or local possibilities for action. Particularly in areas that do not fall under its exclusive jurisdiction, the EU only acts if its measures are more effective than national, regional or local measures.

involved in all aspects in the design of the programme, its implementation and evaluation on an equal footing.

As an instrument for investing in Europe's people and **a driver of innovation**, the ESF will play a key role in strengthening Europe's resilience to crises in the future. For example, it contributes to securing the demand for labour and skilled workers, to coping with demographic change and to combating poverty and exclusion. The ESF must therefore continue to serve as a financially strong pillar of Cohesion Policy in the future. Working innovatively also means accepting that one might fail, however. The disbursement of funds must therefore not be linked exclusively to the attainment of certain targets.

In thematic terms, the ESF should focus on **implementing the European Pillar of Social Rights** and achieving the three core objectives of the action plan for implementing the European Pillar of Social Rights⁴. For the period after 2030, when the new EU funding period is implemented, the action plan needs to be further developed with ambitious initiatives and objectives. In order to ensure adequate support for social inclusion, at least 30% of a Member State's ESF budget should be earmarked for social inclusion measures and at least 5% to combat material deprivation and support particularly disadvantaged people.

Across Europe, social services and organisations are under considerable financial pressure. At the same time, the shortage of skilled labour is particularly ominous in the social and healthcare sectors. A **successful transition between funding periods** is therefore essential for the survival of many ESF-funded projects. Regulations and budget negotiations must be finalised at EU level at least one year before the start of the funding period so that the Member States can develop their national funding strategies in good time. The EU cannot afford another funding gap!

In a world of intersecting crises, the ESF will also have to adapt. Implementation of the funds must become significantly more efficient for project implementing organisations suffering from multiple challenges⁵. The **effectiveness of the funds** on the ground is undermined by bureaucratic requirements creating red tape such as excessive reporting, as resources are channelled into the administration of project funding instead of actual project work. In future, standardised indicators specified at EU level should be dispensed with in favour of **programme-based evaluation**. With significantly less bureaucratic effort, greater gains in knowledge can be achieved, strengthening the ESF both financially and professionally.

⁴ To achieve an employment rate of at least 78% across the EU by 2030, to increase the annual participation rate of adults in further education programmes to at least 60% and to reduce the number of people at risk of poverty and social exclusion by 15 million.

⁵ Examples of intersecting challenges in the social sector include: the shortage of skilled workers, digitalisation, green transformation, rising wages and energy prices, inflation combined with austerity measures in national budgets, etc.

Data from the current programme period clearly shows that project implementing organisations in the social sector are unable to cope with reduced EU co-financing rates. When EU co-financing rates were passed on to project implementing organisations, the funds were not drawn down. In future, budgetary pressures will make it even more difficult for Member States and local authorities to provide additional funding for EU programmes. It is therefore essential to **increase EU co-financing rates for the Structural Funds** (see Figure 1). For socially innovative projects or projects aimed at disadvantaged target groups, a co-financing rate of at least 90 per cent is necessary, even in more developed regions. In ESF programmes aimed at SMEs or an economic strengthening of social enterprises, EU co-financing of at least 70 percent is also required in more developed regions. This is the only way to ensure that EU funds have the desired impact at ground level.

Simplified cost options such as unit costs, lump sums and flat rates should be further expanded. In practice, however, the use of flat-rate personnel costs has caused problems in realising projects, as wage increases or sick days cannot be adequately planned for. In view of an increasingly flexible world of work, flat-rate payment of personnel costs should therefore be viewed critically. If funds are only disbursed when certain targets are reached, this leads to project implementing organisations in the social sector focussing on target groups that are relatively easy to reach ("creaming-out effects"). Particularly disadvantaged target groups would then no longer be reached or innovative new approaches would no longer be tried out. Corresponding performance-based payment mechanisms should therefore be rejected.

Audit trails should be adapted and audits by national authorities recognised by the EU if Member States meet requirements. This prevents local welfare organisations from being audited at several levels and increases trust and confidence in the Member States. In addition, **state aid and public procurement law requirements** must be simplified and made practicable for project implementing organisations. In terms of funding conditions and administrative improvements, this was assigned second highest priority in the association survey (see Figure 1).

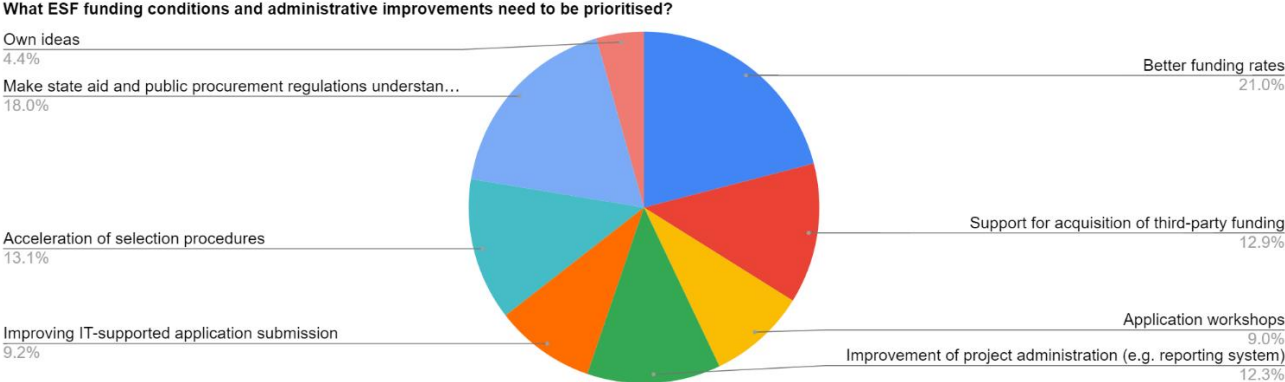


Figure 1: Results of the association survey on administrative improvements to the ESF

2. Recommendations for the national level: A European Social Fund that is geared towards local needs

In order to fulfil its contractual objective of "contributing to raising the standard of living",⁶ the ESF must be **geared towards local structures and needs** in line with the principle of subsidiarity. It must be ensured that the ESF is used as additional project funding; it cannot replace regular national funding.

The ESF in Germany should focus on **disadvantaged target groups**. A large number of different disadvantaged target groups can be found on the ground which have to contend with multiple, sometimes intersecting problems. However, children, young people and families in various constellations are particularly frequently cited by local welfare organisations as a desirable priority target group for the future ESF (see Figure 2).

"Cluster programmes" should be preferred for the future programme architecture. By this we mean broadly defined programmes that refrain from rigid specifications regarding target groups and topics issued by the managing authority (the respective ministries in charge). Instead, they should focus on cross-target-group and broadly diversified topics (e.g. "improving social inclusion in the district") and give welfare organisations more freedom to address actual problems and target groups at local level. Target groups not previously addressed by the ESF, such as people suffering from addictions or former prison inmates, can also be integrated into projects depending on local needs.

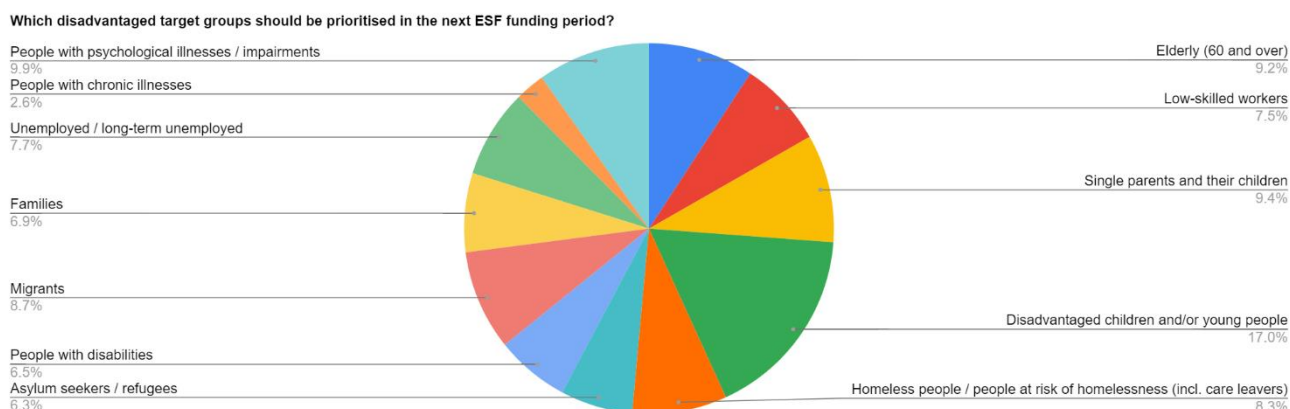


Figure 2: Results of the association survey on disadvantaged target groups

Cluster programmes for disadvantaged target groups should generally speaking be designed in such a way that, to the greatest extent possible, **state aid relevance** of funding can be ruled out. **Funding of at least 90 per cent** must be ensured. Non-profit organisations can only provide a limited amount of their own resources as well as private third-party resources.

⁶ Art. 162 of the Treaty on the Functioning of the European Union (TFEU)

Thematically, programmes for disadvantaged target groups should prioritise investment **in strengthening social participation** and **expanding labour market-related skills**. The need for educational programmes in the digital field appears to be higher among older people than among young target groups. At first glance, expanding knowledge in the area of sustainability or climate protection appears to be less of a priority for social work with disadvantaged target groups compared to other current challenges (see Figure 3 for an example of the thematic priorities of a disadvantaged target group). At the same time, however, it is foreseeable that needs in the areas of digitalisation and sustainability/climate protection will also increase in the future due to (association) policy requirements.

What additional needs do you believe the target group "disadvantaged children and/or young people" have?

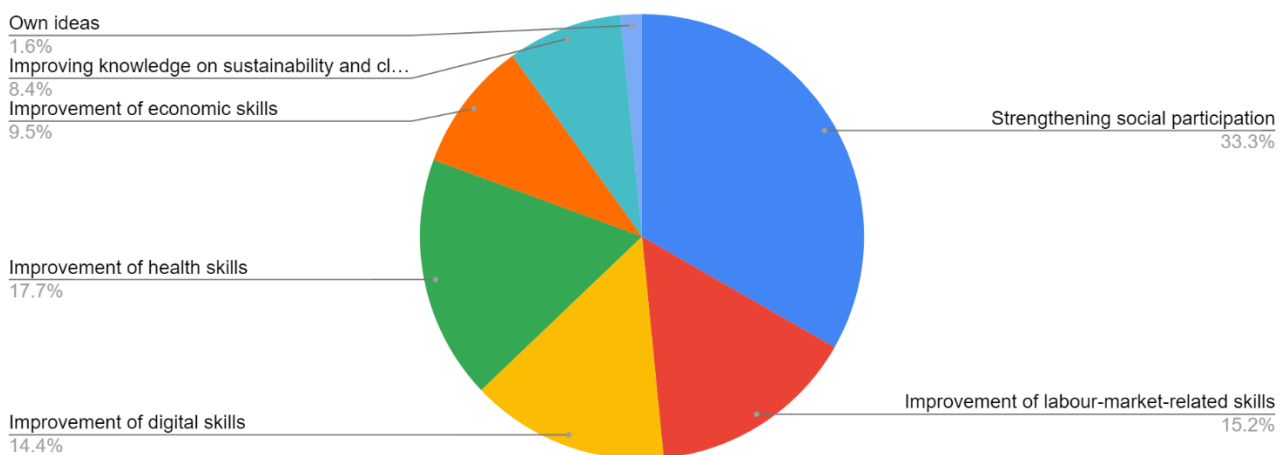


Figure 3: Results of the association survey on thematic prioritisation using the example of the target group "disadvantaged children and/or young people"

Cluster programmes that strengthen the competitiveness of SMEs and social economy enterprises should **prioritise** investment **in recruiting and securing skilled workers** and associated measures to **adapt to demographic change**. Compared to these challenges, the topics of digitalisation and environmental sustainability appear to be of secondary importance, but still have a significant relevance of 20 percent and 16 percent, respectively (see Figure 4). In view of the political objectives, however, the ESF can create incentives for SMEs and undertakings to invest more in these topics.

What cross-sectoral issues in social welfare should the ESF prioritize for investment?

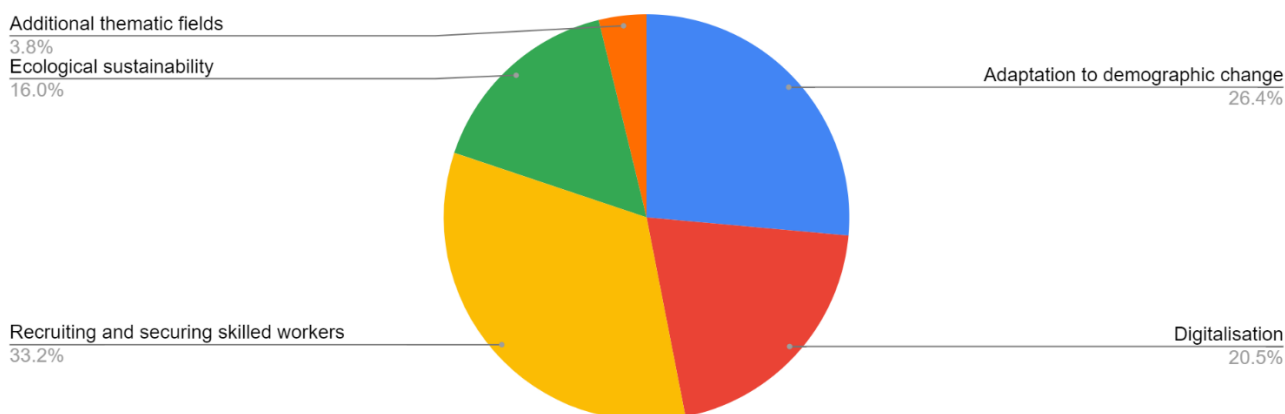


Figure 4: Results of the association survey on cross-sectoral challenges

In order to increase the effectiveness of the ESF and leverage synergies, **cross-sectoral approaches** to the above-mentioned topics should be opted for and narrow guidelines from the managing authorities (the ministries in charge) should be avoided. An **assessment of relevance** of the funding **from a state aid perspective** should be carried out at the level of the managing authority and made available to the project implementing organisation. If relevance to state aid cannot be ruled out, all exemption options, including the SGEI Decision⁷, should be included in the funding guideline.⁸ In principle, **funding of at least 70 per cent** should be ensured.

Administration of the ESF in Germany must be performed **much more efficiently** (see Figure 1) so that welfare organisations and institutions continue to implement ESF funds locally and the error rate is kept to a minimum. The application procedure and statistical proof must be streamlined and selection and accounting procedures significantly accelerated. Organisations, especially those from civil society, can no longer afford to have to disburse funds and then wait for months to be reimbursed. IT-supported application, project administration and billing must be significantly improved.

Due to the complexity of technical and financial requirements in the context of shared funding management, welfare organisations require **more direct advice** in the application process and in project management. They are furthermore also increasingly reporting **a need for support in acquiring third-party funding**. **Requirements laid down in state aid and procurement law** pose major challenges. Germany should support local welfare organisations in these areas with technical assistance funds.

⁷ <https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32012D0021&from=en>

⁸ According to the SGEI Decision, so-called social services of general economic interest "for the provision of services of general economic interest meeting social needs as regards health and long term care, childcare, access to and reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups" (Art. 2 para. 1 lit. c) can be funded to an unlimited extent.

The social welfare organisations offer their expertise and their close links to services and institutions implementing projects, but also to target groups of the ESF, in the discussion on the design of the EU funding period and the ESF for the period commencing in 2028. Raw data from the 2024 survey of associations can be requested at euvertretung@bag-wohlfahrt.de

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