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From: Presidency
To: Delegations

Subject: MFF investment in people: contribution of EU funds and programmes to convergence, fairness and competitiveness
- Presidency steering note

Delegations will find attached the Presidency steering note on the above subject, with a view to the lunch debate at the EPSCO Council on 21 June 2018.

EPSCO lunch debate

MFF investment in people: contribution of EU funds and programmes

to convergence, fairness and competitiveness

Policy context

Once every seven years, the European Union decides on its long-term budget, the multiannual financial framework (MFF). This is a crucial moment at which to consider policy priorities for the years 2020 to 2027. These priorities should also be considered in the context of the European Pillar of Social Rights which was proclaimed one year ago.

Recognising the importance of investing in people, the Commission has proposed that one policy cluster of the future MFF should be dedicated to '*investing in people, social cohesion and values*'. The main funding instruments in this cluster are the European Social Fund+ (ESF+), Erasmus and the European Solidarity Corps. In addition, other funding instruments support the European social and employment policies and will further boost social investment and the implementation of labour and social reforms. These are notably the European Globalisation Adjustment Fund (EGF) and InvestEU.

ESF+: the main funding instrument supporting employment and social policy

Although the financial crisis is now behind us, its social impact is still severely felt. The Europe 2020 poverty reduction target will most probably not be reached and youth unemployment is still at an unacceptable level in some Member States. Furthermore, important social challenges in individual Member States are highlighted in the European Semester through the country-specific recommendations.

To respond to these and other ongoing social challenges and support the commitments under the European Pillar of Social Rights, the Commission has proposed three thematic concentration requirements for the ESF+.

Firstly, the ESF+ proposal foresees *a close link between the programming of the ESF+ and the relevant country-specific recommendations*. This seeks to ensure a closer alignment between the funding and the challenges of labour market reforms, education and training and the adaptation of social systems identified in the country-specific recommendations. Under the Commission's proposal, Member States are required to dedicate appropriate resources to these challenges at the start of the programming period and again at mid-term.

Secondly, at least one quarter of Member States' ESF+ resources should be dedicated to *social inclusion measures*, including investing in measures to tackle material deprivation.

Thirdly, the ESF+ proposal includes a specific requirement for *prioritising youth actions for those Member States* where the percentage of young people not in employment, education or training is still above the EU average.

The limited number of concentration requirements outlined above represents a significant departure from the more stringent requirements for 2014-2020, whilst still directly addressing overall EU objectives. Discussions on thematic concentration criteria concern in particular whether there should be more flexibility in the use of ESF+ funding or whether it would be useful to introduce more stringent requirements in the ESF+ Regulation.

An important issue in the discussions on the simplification and flexibility of the future ESF+ is how flexibly transfers could be made between the different regions of a Member State. The Commission proposed to allow for full flexibility of shifting funds from more developed to less developed regions and limited flexibility (up to 15%) in the opposite direction.

A large number of funding instruments supporting employment and social policies

While the ESF+ will continue to be the main tool in the social field, there are others which will have their main focus in investing in people, and in particular in skills and reskilling.

The European Globalisation Adjustment Fund will continue to provide a valuable contribution to react to unexpected adverse labour market events which have an important impact, either for workers in one large enterprise or in several smaller ones.

The InvestEU programme will bring together a multitude of EU financial instruments which exist in parallel in the current MFF. The 'Social and Skills Window' in the form of a budgetary guarantee will have the potential to mobilise an overall investment of EUR 50 billion, with the proposed Union funding of EUR 4 billion. It will finance investments, in particular, in skills, social infrastructure, healthcare, long-term care and accessibility, microfinance and social enterprise support, and integration of migrants and vulnerable people, and thus expand the potential for action in the social, education and training field. Thereby, it acts as a complementary programme to the ESF+.

For Erasmus, the Commission made a substantially strengthened, inclusive and extended proposal aiming to triple learning mobility across the EU. It reinforces support for vocational education and training and adult learning, including new actions such as centres of vocational excellence to complement the ESF+ contribution to upskilling and reskilling of young people and adults.

Complementarities are also be ensured between the ESF+ and the proposed Reform Support Programme, in particular the Reform Delivery Tool, to ensure a coherent approach to the support for structural reforms and the modernisation of public administration.

Question for discussions:

- 1. The ESF+ should have a clear policy focus, but it should at the same time remain flexible enough to address the challenges of individual Member States. What should be the main priorities of the ESF+? How should the flexibility of the ESF+ be ensured?*
- 2. Given that there are several proposed funding instruments contributing to the employment and social policies of Member States with the overall aim of investing in people, how it can be ensured that the design, priorities and future implementation of the funding instruments will complement each other?*