



Cities and the future of the European Social Fund: a roadmap to an employed, skilled and inclusive Europe

INTRODUCTION

The EU has set itself a number of ambitious targets for 2020. Achieving those targets will improve the quality of life of those living in Europe and boost Europe's competitiveness globally, by focusing on smart, sustainable and inclusive growth. As EUROCITIES, the network of 135 major European cities, representing one quarter of the EU population, we believe that Europe 2020 will not be successful without the full support and involvement of cities in the European Social Fund (hereafter ESF).

With 75% of Europe's population residing in cities, poverty and exclusion are predominantly urban phenomena and there are extreme pockets of deprivation even in Europe's most prosperous cities. Cities offer pathways out of poverty to those most in need, and ESF funds should be available to all cities in Europe to support the infrastructure for social mobility they provide. In today's economic climate, cities more than ever will continue to be the places people move to in search of support and opportunities. And that constant development of skill and talent will enable Europe's cities to continue to drive economic growth and competitiveness.

The lack of local government involvement in the Lisbon process has been widely recognised as one of the main reasons why the Lisbon Agenda failed to fully achieve its objectives. Europe has now a unique opportunity to learn from past mistakes and address shortcomings. This must include a stronger role and better access for cities to ESF than in the past. As the level of government closest to citizens, cities can above all ensure greater accountability and visibility of European funds.

Cities are already making a positive contribution to Europe 2020 and the ESF objectives of fighting unemployment, poverty and social exclusion. But they could do much more. Our eight recommendations for the ESF post-2013 are explained in the pages that follow. They aim to make the programme more effective and offer greater guarantees for building up an employed, skilled and inclusive Europe.

EUROCITIES RECOMMENDATIONS FOR THE ESF

POST-2013

1. An enhanced role for cities in the ESF

Cities must have a bigger role in shaping ESF priorities and managing the ESF. To this end, the regulation for the ESF post-2013 should explicitly detail an enhanced role for cities in strategic ESF governance. We also ask for the introduction of an obligation on the part of ESF managing authorities to demonstrate that cities have been involved in shaping the priorities of operational programmes and the subsequent strategic management of the ESF.

2. Strengthening the ESF's social dimension

Social inclusion should be a priority within the ESF and in the implementation of the European Active Inclusion Strategy.

3. A dedicated instrument for social innovation

There should be a specific financial instrument or mechanism to help cities foster social innovation through the testing and roll-out of new and innovative approaches at local level.

4. Improving ESF and ERDF coordination for territorial cohesion

Cities should be able to use both ESF and ERDF through multi-fund programmes to better support territorial cohesion and area-based integrated approaches.

5. Promoting transnational cooperation among cities

Support for transnational cooperation should be reinforced and cities should have a clearly defined role in the relevant programmes. ESF operational programmes should also include a transnational priority that makes it easier for cities to engage in transnational cooperation.

6. Involving cities in ESF monitoring and evaluation

Cities should be involved in the monitoring and evaluation process of the ESF in a formal capacity. This would help in measuring the impact and effectiveness of funds and ensuring the capture and sharing of good practice across EU member states.

7. Simplified rules, reduced bureaucracy

The ESF rules should be simplified further. A lighter approach would be more efficient, such as results-based monitoring for smaller amounts of ESF money. It is also necessary to ensure that national authorities are not creating additional bureaucracy, but instead are capitalising on the simplified procedures provided for in the European regulations.

8. A stronger dialogue with cities

A regular and meaningful dialogue between EUROCITIES and the European institutions would help ensure better monitoring and implementation of the ESF post-2013.

1. An enhanced role for cities in the ESF post-2013

Cities are crucial stakeholders in ensuring the delivery of ESF objectives and therefore need to have an enhanced role in the ESF process, from priority setting to implementation.

The ESF process is still too top-down with city governments having insufficient power to shape ESF priorities in operational programmes and influence ESF management and implementation. This goes against the principle of subsidiarity and the widespread recognition of the importance of urban areas for local employment and social inclusion¹. Furthermore, the Leipzig Charter on Sustainable European Cities stresses how strong multi-level governance is an effective tool for fostering cities' responsibility and ownership in these policy areas.

Some national governments and managing authorities have put in place consultation processes. However, in practice these are often unsatisfactory as they neither allow cities to directly influence the ESF process nor lead to a successful and meaningful dialogue with cities. Elsewhere, cities are even more excluded today from the ESF decision-making process than in previous funding period. Such gaps have compromised the effectiveness and added-value of ESF intervention. In some instances, ESF priorities are disjointed and not in line with cities' plans for local development. In other cases, cities have not been able to use ESF to respond to real local needs and issues.

City governments are eager and capable of taking on more responsibilities in the ESF process. Where cities exert greater influence in the management of ESF, there is clear evidence to show that the outcomes have been better. Those cities that have been able to act as an intermediary body for the ESF, for example Birmingham, or have worked closely with the managing authority, ensured greater synergies and cooperation between local stakeholders, integrated ESF activities into their strategic planning and followed up on underperforming contractors. Of particular importance is how cities in these situations are able to deal quickly with the repercussions of economic restructuring (for example the closure of car plants in Birmingham) by channelling ESF money into re-training and re-skilling programmes for those who were made redundant or were at risk of redundancy.

Cities can use their local knowledge and local capital (economic, social, human) to maximise the ESF's added value by addressing specific local challenges, creating flexible, proactive and rapid intervention programmes to deal with socio-economic changes. They can also forge alliances, work in partnership and create synergies with key local stakeholders, including businesses, training and education providers, social economy associations, NGOs and the local community.

Recommendations

The ESF should better address citizens' real needs by giving cities greater flexibility to establish objectives at the local level. Cities should be involved in shaping ESF priorities and managing ESF funds.

In terms of legislation, the regulation governing the future ESF should detail a greater role for cities in strategic ESF governance. We also ask for the introduction of an obligation on the part of ESF managing authorities to demonstrate that cities have been involved in shaping the priorities of operational programmes and the subsequent strategic management of the ESF.

¹ See *"The European Social Fund: Urban Areas and Local Employment"*, European Commission, 2010

In terms of programming and implementation, there are a number of options that would strengthen the practical involvement of cities: operational programmes with a clear urban focus; city participation as Intermediary Bodies and in ESF boards, management committees and advisory groups; ESF managing authorities working in partnership with cities in designing and delivering the programmes. It may be appropriate for some major cities to have their own operational programme.

2. Strengthening the ESF's social dimension

A strong focus on social inclusion is necessary to meet the Europe 2020 objectives of fighting poverty and implement the European Strategy for Active Inclusion

Europe 2020 is clear on the objective of fighting poverty. Under it, EU member states have, for the first time, agreed on the target of lifting 20 million people out of poverty by 2020. ESF funds should support cities' efforts in reaching this goal and in implementing the European Recommendation on Active Inclusion, which has called for better integration between employment, social inclusion and social services.

Given the high unemployment across Europe and the pressure to demonstrate results by getting people back into the labour market, there are concerns that there will be a tendency to cherry-pick. ESF programmes risk focusing mainly on those 'easier to integrate' into the labour market and could neglect socially excluded people that are suffering from multiple and complex problems. Dealing with this latter group requires more time and a higher degree of public intervention. In addition, the success of programmes for this group is better measured in qualitative terms, as it is often soft indicators that are needed to assess progress of these people towards inclusion into society and employability. This can sometimes make it difficult to demonstrate the outcomes of such programmes, compared to those where quantitative assessments can be made, for example on the number of people entering the labour market. For this reason, the ESF post-2013 must ensure that sufficient funds are available to reach the Europe 2020 objectives on social inclusion.

Recommendations

The ESF post-2013 should have a dedicated priority to support social inclusion and the implementation of the European Active Inclusion Strategy. Moreover, in measuring the effectiveness of social inclusion measures, it will be crucial to support both qualitative and quantitative evaluation methods.

3. A dedicated instrument for social innovation

'Business as usual' will no longer work in today's context and social innovation is fundamental for creating a smart, sustainable and inclusive Europe. Working with their network of partners and stakeholders, cities are uniquely placed to find new solutions to complex, interrelated problems; cities can drive forward social innovation.

With 75% of Europe's population living in urban areas, it is not surprising that cities are where social, economic and environmental problems tend to concentrate and impact most on people and places. It is local level government that has the best insight into the interrelation of social problems, and can understand why old approaches to public intervention are not working. This proximity offers the greatest potential for developing innovative social solutions, undertaken in

partnership with the right players - local stakeholders, such as grassroots organisations, social economy associations, NGOs, and local business.

Social innovation in Europe requires adequate funding, specifically designed to test new ideas, new approaches and new partnerships. The problem is that ESF does not always facilitate the implementation and piloting of innovative ideas on the ground. This is due to a combination of heavy administrative procedures, and pressure to demonstrate results and good performance, as well as the lack of a specific mechanism that encourages creativity, the testing of pilot projects and calculated risk-taking.

Recommendations

A dedicated financial instrument or mechanism is needed to enable cities to foster social innovation through the testing and roll-out of new and innovative approaches in urban areas.

4. Improving ERDF and ESF coordination for territorial cohesion

Better synergies, coordination and integration are needed across funds, especially the ERDF and the ESF to promote territorial cohesion and integrated approaches in cities.

The promotion of territorial cohesion is a clear objective established by the Europe 2020 strategy and the Lisbon Treaty. In order to achieve these objectives, European funding should support integrated development at local level.

Cities are in a unique position to achieve territorial cohesion through integrated approaches. For example in Germany the development of the 'socially integrative cities' concept has helped cities deal with different policy areas in an integrated way². It is at the local level that social, economic and environmental objectives can become mutually reinforcing. By creating synergies between the ERDF and the ESF cities can combine physical and economic regeneration with intervention in the social and employment fields and vice-versa.

A number of cities, such as Gothenburg, Antwerp, Birmingham, London and Murcia, have created projects for sustainable urban development, entrepreneurship and urban regeneration by combining ESF and ERDF funding. Typically, under these projects, ESF funding is channelled towards training people, SMEs and third sector organisations operating in deprived city area, while ERDF funding is used for the physical renewal of run-down buildings and their transformation into community and training centres.

However, for many other cities, funding integrated urban development by combining money from the ESF and the ERDF is often very difficult, if not impossible. First, the ERDF and the ESF have different administrative rules. They are often administered by different agencies at European, national and regional level and they have uncoordinated timelines. Second, in some cases, the ERDF and the ESF each focus on different objectives (economic versus social inclusion), making it hard to justify their integration³. Finally, there are ceilings on the

² <http://www.sozialestadt.de/en/programm>

³ A good practice example of is the Scottish model where the Scottish Government acts as managing authority for both the ERDF and ESF Operational Programmes, facilitating the ESF and ERDF alignment of objectives and coordination of the timeline for the applications. Thanks to this, the Glasgow City Council has been able to secure ESF and ERDF resources for integrated approaches.

percentage of one fund that can be combined with the other. This further complicates effective use of ESF and ERDF together and has prevented several cities from taking full advantage of the funds (e.g. London and Murcia).

Recommendations

The ESF should help cities take greater responsibility and leadership in coordinating integrated approaches at the level of the city or metropolitan area.

Cities should be able to access a greater proportion of ESF money to combine with the ERDF through multi-fund programmes. This will better support territorial cohesion and integrated area-based approaches.

5. Promoting transnational cooperation among cities

Cities should be involved in the ESF's transnational cooperation initiatives as they provide ESF with a crucial European dimension and create clear opportunities for mutual learning.

Transnational cooperation is an important part of European funding and the ESF is no exception. It allows for greater added-value, provides a European dimension and facilitates mutual learning between stakeholders. Cities are eager to share knowledge, experience and good practice with other cities, regions and national authorities from other member states.

Since the withdrawal of the EQUAL community initiative and subsequent mainstreaming of transnational cooperation into member states' ESF operational programmes, transnational cooperation has become weaker, inconsistent and, in some member states, completely absent. The transnational element of the current ESF regulation lacks visibility. It should have its own article to make it a clear priority. As a result, it has been difficult for cities to engage in transnational cooperation, the learning from which would significantly benefit their domestic programmes.

Recommendations

Transnational cooperation in the ESF post-2013 should be reinforced through the introduction of an explicit article in the governing regulation.

Operational programmes should also ensure that cities can be active partners in transnational cooperation by giving them a clearly defined and active role. They should include a transnational priority that would make it easier for cities, if they choose, to develop pan-European (and city-to-city) initiatives that respond to their needs and help achieve their local objectives.

Furthermore, EUROCITIES supports linking ESF to the European territorial cooperation objective to facilitate more city-to-city learning and further facilitate alignment of the ESF with the ERDF.

6. Cities in monitoring and evaluation

Monitoring, evaluation and dissemination of good practices can be more effective if cities are brought into the process. Cities represent the level of government which is closest to where ESF money is spent. They therefore have better insights into what does and doesn't work on the ground.

Monitoring and evaluating ESF projects is of crucial importance for ensuring the best results and value for money. However, a 'one-size-fits all' approach does not work for projects being implemented in very different contexts. Dealing with cumbersome and top-down monitoring and assessment indicators which are too rigid, sometimes even irrelevant, and fail to capture qualitative outcomes, creates frustration and takes a great deal of time. There is a risk of turning assessment into meaningless rubber-stamping exercises with little added value and few learning opportunities for stakeholders working on ESF projects.

Compared to other levels of government, city administrations work on-the-ground and are closest to where projects are implemented, as well as to the local stakeholders and beneficiaries involved in local ESF projects. This means that cities have privileged access to a wealth of information that is important for monitoring, assessing and evaluating results. Most importantly, cities, at an early stage, can identify and tackle obstacles that could prevent the successful delivery of a project. In this way, cities are ideally positioned to address poor performance and secure positive outcomes from ESF funded projects.

This proximity also means city administrations can make informed assessments of the results of projects focusing on soft outcomes, such as creating pathways to social inclusion for people suffering from multiple disadvantages and empowering those furthest from the labour market. ESF projects aimed at achieving softer outcomes are harder to assess by administrations that do not have access to day-to-day interactions with local stakeholders and beneficiaries. In addition to being an accountable body for ESF (Co-financing organisation - CFO) in the 2000-2006 period, Birmingham City Council is involved in partnership and service level agreements with other CFOs for the 2007-2013 period. This has led to a closer monitoring of impact on local communities as well as quicker follow-up on underperforming contractors. Cities can develop the most appropriate and meaningful indicators, both soft and hard, for evaluating projects.

As stakeholders in many local and territorial strategic partnerships, cities often oversee a variety of EU and domestic social and economic funding programmes. By being more actively involved in the governance, monitoring and evaluation of the ESF, they are able to identify opportunities to align the ESF to other funding activities. They are also able to identify and share good practice amongst a range of stakeholders, both locally and across other cities, levels of government and European institutions.

Recommendations

Cities should have a formal role in the governance, monitoring and evaluation processes for the ESF at both local and operational programme level in all member states.

Through their monitoring, cities are able to intervene at early stages of underperforming programmes and give feedback to managing authorities, national governments and European institutions with suggestions for ESF programme revision.

Cities should be allowed to select and use the most appropriate indicators for assessing both the hard and soft outcomes of ESF. For example, Rotterdam and The Hague are using qualitative indicators and tools to assess the effectiveness of their social inclusion programmes.

7. Simplified rules, reducing bureaucracy

Compliance with ESF administrative requirements is a heavy task. Simplified and less bureaucratic regulations are needed.

The administration of the ESF still imposes a heavy burden on cities. Rules are complex, not always clear, and leave room for different interpretations.

Some national interpretations of the European regulation are even stricter so as to avoid mistakes. In other cases, the administrative burden can be so disproportionate that it offsets the potential benefits for cities, thus discouraging them from applying for ESF projects; the sum of money involved has to be high enough to cover administrative costs. Other cities are discouraged from working with the ESF because of past experience with the auditing process, which led to them having to return money, not on the basis of fraud or gross mismanagement, but on non-formal compliance with unclear and obscure rules.

Recommendations

We strongly support further simplification of ESF rules and the introduction of a lighter approach for managing small amounts of money. This could be done by introducing results-based monitoring and payments, as well as greater use of lump-sums.

National authorities should be encouraged to make the most of the simplified procedures already in place through the European regulations, instead of creating additional bureaucracy.

To this end, the European Commission should provide more detailed information to all relevant stakeholders and provide training for national authorities on financial and administrative rules, making it clear what is and is not possible. There should also be a uniform European system of advising ESF stakeholders on possible audit issues before the ESF projects are approved. Such a system would create greater certainty.

8. A stronger dialogue with cities

A stronger dialogue between cities and European institutions is necessary to achieve the objectives of the Europe 2020 strategy with the support of the ESF post-2013.

A regular dialogue between cities and European institutions can enhance policy development and service delivery for citizens. It can help to identify bottlenecks in delivering ESF objectives and the objectives of the Europe 2020 strategy. It would also help to identify solutions to many of the points highlighted above. A better informed programme will improve cities' access to ESF and their ability to deliver innovative, integrated and customised solutions. This will ensure better implementation of ESF on-the-ground.

Recommendations

EUROCITIES would like to offer our partnership and cooperation. A regular and meaningful dialogue with the European institutions will provide a direct channel to the realities on the ground across Europe, and we believe will help ensure better monitoring and implementation of the ESF post-2013, as well the achievement of the Europe 2020 ambitions.