



Social dimension of EU recovery and MFF 2021-2027

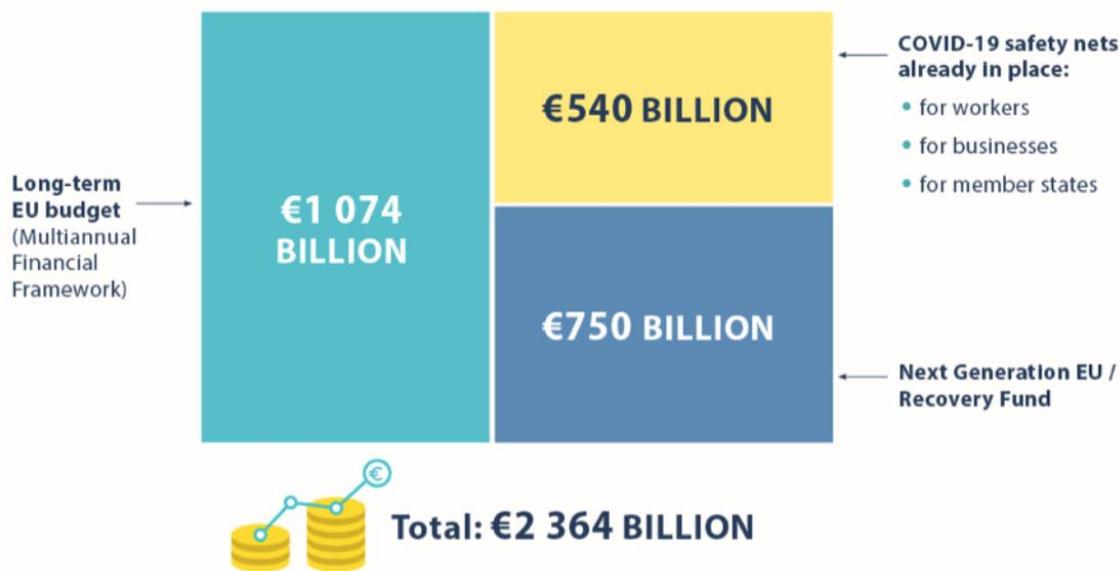
Policy brief

Updated November 2020

1. State of play

The current EU long-term budget (known as EU's multi-annual financial framework - MFF) comes to an end in December 2020. In 2018, the European Commission put forward proposals for the next EU long-term budget for 2021-2027. Given the coronavirus pandemic and the massive task to mitigate the socio-economic impact of the crisis, the Commission revised its budget proposal in May 2020, proposing an EU recovery instrument, Next Generation EU, to reinforce the EU's 2021-2027 budget and complement national stimulus packages.

On 21 July 2020, the EU member states' leaders reached an agreement on the EU budget for recovery worth € 1824 billion, combining the long-term EU budget for 2021-2027 (€1074 bn) with the EU recovery instrument for 2021-2023 worth €750 billion.



What is next?

The next step is for the European Parliament to approve the EU budget. Triilogue negotiations between the European Parliament, the European Commission and member states have started at the end of August 2020 with the aim to reach final agreement as soon as possible before end of 2020 in time for entry into force by January 2021.

Meanwhile at national level, the managing authorities are preparing the operational programmes for 2021-2027. The draft programmes have or will soon be submitted for consultation with stakeholders, under the partnership principle of cohesion policy. They are due to submit the programmes for approval by the Commission until end of 2020. The programmes should start implementation in 2020.

2. The social dimension of the EU recovery plan

The EU recovery instrument, Next Generation EU¹, will provide €750 bn (€390bn in grants, €360bn in loans) to support crisis response and recovery measures over 2021-2023:



Source: European Commission

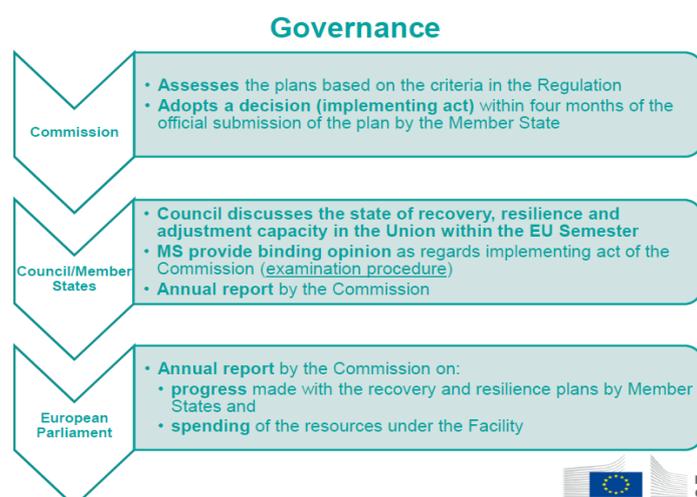
Social spending is eligible under the following EU recovery funds:

- **The new Recovery and Resilience Facility** is the cornerstone of the EU recovery plan. It will support medium-term investments and reforms for social (and economic) resilience in EU member states, including **employment, skills, education**, job creation and public administration. It will be available to all member states but focus on the areas most affected and sectors where resilience needs are greatest. No co-financing is required.
- **REACT-EU** additional funding to ESF, FEAD (and ERDF) current programmes in 2021-2022
- **Just Transition Fund** will support measures (e.g. **re-skilling** of workers) to alleviate the socio-economic impacts of the transition to climate neutrality in the areas most affected.
- **EU4Health** (€1.7 bn) as new stand-alone programme (not under ESF+ anymore) to focus on investments in critical health infrastructure, training programmes, e-health etc.

Key role of the European Semester

The priorities for investments and reforms are set through the EU Semester process:

- member states need to submit a national recovery and resilience plan for 2021-2023
- The plans will be reviewed and adapted in 2022
- European Commission has two months to assess them
- The plans will be approved by the Council
- if the plan is approved, the funding is released in instalments based on milestones and targets



¹ Financed from funds borrowed on the financial markets by the European Commission on behalf of the EU

3. Additional funding for European Social Fund in 2021-2022

Under the Next Generation EU recovery instrument, a **Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU)** will make available €47.5 billion of additional funds to the current programmes of ESF, ERDF and FEAD, during 2021-2022.

This means:

- **Current ESF and FEAD 2014-2020 programmes** (as well as ERDF) **can be extended and topped up for two more years (2021-2022)**. The objective is to ensure that support to the most deprived and vulnerable people can continue without interruption while providing the time necessary to plan the new programmes for ESF+ for 2021-2027.
- It is possible to **finance retroactively eligible measures launched as of February 2020**. An initial proposal by the Commission for ‘bridge solution’ to amend the current EU budget for 2014-2020 to make additional €5 billion available for 2020 to enable faster reaction to respond to the urgent needs was blocked by the European Council.
- The additional funding can be implemented either through programme amendments OR new dedicated programme submitted by member states to the Commission (with simplified approval procedure).
- This additional funding will be allocated based on the severity of the economic and social impacts of the crisis taking into account the GDP of the country, the level of general and youth unemployment, among other criteria. Each member state will then decide how to distribute this additional funding between ERDF, ESF and FEAD.
- Funding will support key crisis repair actions in the short-term, across economic sectors, including culture and tourism, focusing on:
 - **Labour markets**, including short-time work schemes and youth employment measures, skills training
 - Support to **healthcare** schemes
 - Provision of **working capital** for small and medium-sized enterprises
 - Aid to help people suffering from **food and material deprivation**

Flexibility in funding allocation

1) **REACT-EU**: the additional funding is based on current cohesion rules. **The flexibility** provided through the [Coronavirus Response Investment Initiative](#) (CRII and CRII+) will be maintained. This includes simplified procedures, the possibility to transfer resources between funds (between ERDF and ESF), categories of regions and priorities, and a relaxation of the rules on co-financing (up to 100% financing from EU budget).

2) **MFF 2021-2027**: Member states may request on a voluntary basis, during the programming process, at the beginning of the period and during implementation, the transfer of:

- **up to 5% in total** of the initial national allocation from any of the cohesion policy funds under shared management to any instrument under direct or indirect management for the benefit of the member state concerned, and
- **up to 20%** of the initial financial allocation of the ERDF and the ESF+ towards ERDF and the ESF+

4. European Social Fund + in new MFF 2021-2027

Budget

The political agreement reached by the European Council in July 2020 sets the budget for ESF+ at **€88 bn** (2018 prices). This represents a cut of 8.1% from the ESF budget in 2014-2020 (€95.8 bn) and a cut of 2% from the proposed ESF+ budget by the Commission in May 2020 (€89.7 bn EUR). It is far from what the European Parliament has called for (€106.8 bn EUR).

Structure

With EU4Health becoming a stand-alone programme, ESF+ will have two instead of three strands, merging existing programmes as follows:

- European Social Fund (ESF)
- Youth Employment Initiative (YEI)
- the Fund for the European Aid to the Most Deprived (FEAD)
- the Employment and Social Innovation programme (EaSI)

1. ESF strand	2. EaSi strand
Integrated ESF, YEI & FEAD	EaSI programme
€87.3 billion	€676 million
shared management	direct & indirect management

Merging these funds is intended to strengthen synergies and avoid duplication and overlaps, while enabling a more integrated and comprehensive support to youth employment, social inclusion and poverty reduction.

ESF+ Transnational cooperation
 €175 million of the ESF+ resources (reduced from the proposed €200 million) will be allocated for transnational cooperation supporting innovative solutions under direct or indirect management.

Objectives

The overarching policy objective of the ESF+ is to help create a more performing and resilient Social Europe and **implement the European Pillar of Social Rights**. The ESF+ aims to support member states to ensure equal opportunities, access to the labour market, fair and quality working conditions, social protection and inclusion.

New elements and changes in the revised ESF+ proposal

- **Green and digital transitions** - mention added that ESF+ is expected to promote the green and digital transitions through job creation and new skills for new types of jobs.
- **Gender equality** - increased emphasis on gender equality as well as equal opportunities was included in the regulation.
- **Poverty reduction** - the European Council added a mention to poverty reduction as policy area alongside ‘employment and labour mobility, education and social inclusion’, where ESF+ support is expected to contribute to specific objectives.
- **Strong link with the European Semester** - member states ‘should allocate appropriate amount of ESF+ resources to implement relevant country-specific recommendations’

- **Emergency clause** - learning from the COVID-19 crisis, a derogation article was added on temporary measures to respond to exceptional and unusual circumstances, where the ESF+ support can a) finance short-time work schemes without the requirement that they should be combined with active measures; and b) access to healthcare can be financed from ESF+ also for people not in immediate socio-economic vulnerability. To trigger this article, the member state(s) concerned needs to submit a request to the Commission, who will adopt an implementing decision.
- **Greater flexibility** - the flexibility provided through CRII and CRII+ to make transfers between ESF and ERDF funds and between regions and priorities, is maintained.
- **Review in 2024** - A review of national allocations will be done in 2024 to adjust support to the member states and regions most in need, taking into account the latest statistics at that time. The review will lead only to upwards adjustments for all member states.

Specific allocations

Member states are required to allocate a minimum of their ESF+ national allocation as such:

- **at least 25%** to measures for **social inclusion** (same as per initial ESF+ proposal), including integration of migrants (long-term measures to complement the short-term measures under AMIF)
- **at least 2%** to addressing **material deprivation** (former FEAD) (same as initial proposal)
- **at least 10%** to targeted actions for **young people not in employment** (NEET) in the case of having a rate of NEET above the EU average (reduced from 15% in the Commission's amended ESF+ proposal)

Note: no minimum allocation for measures to **address child poverty** as the European Council removed the 5% minimum allocation proposed in the Commission's amended proposal.

ESF+ has **11 specific objectives:**

- | | | | |
|---|--|---|--|
|  | better access to employment |  | lifelong learning, up- and re-skilling |
|  | modernize labour market systems |  | active inclusion, equal opportunities |
|  | better work-life balance, access to childcare, active healthy ageing |  | integration of migrants and Roma |
|  | education & training systems |  | equal access to affordable services |
|  | access to quality and inclusive education and training |  | social integration of people at risk |
| | |  | food and material assistance |

Opportunities for cities

- ✓ Additional funding for current ESF and FEAD programmes under REACT-EU for 2021-2022 can be an opportunity to **ensure continuity of current projects** until new programming period enters implementation phase. This should prevent a funding gap for projects and avoid disruption of much-needed support for the most vulnerable groups of beneficiaries.
- ✓ The **flexibility to transfer allocation** between ESF and ERDF can be an opportunity if the programming is done in an integrated way at a regional level accounting for the challenges specific to that region and local labour market conditions.
- ✓ **Innovative actions are maintained as per initial ESF+ proposal**: each member state needs to dedicate at least one priority to support actions of social innovation and social experimentation or bottom-up approaches based on partnerships involving public authorities, private sector and civil society such as the Local Action Groups in Community-Led Local Development (CLLD). Innovative approaches developed under the EaSi strand can be upscaled under ESF+. A maximum of 5% of the national ESF+ allocation with 95% co-financing rate can be allocated to this (Art 13).

Remaining concerns

- ✓ The 8% cut in the ESF+ budget is a **serious funding gap** of the much-needed employment and social initiatives for 2021-2027. REACT-EU can only partly this gap for 2021-2022.
- ✓ The higher co-financing rates for the Member States (e.g. for the FEAD-related programs) could negatively impact cities as they are not prepared for the higher financial burden.
- ✓ **Absence of a specific allocation concerning child poverty** hinder appropriate funding of new programmes, actions or structural reforms to implement EU Child Guarantee.
- ✓ The overlap in implementation of ESF+ and REACT-EU during 2021-2022 (with the n+3 rule) as well as potential social spending under the Recovery and Resilience Facility, requires intensive work for programming of these additional resources. The **risk is a limited take-up on ESF+** during the time commitments for both REACT-EU and ESF+ are possible. Another risk is (even more) limited consultation of cities in the drafting of programmes and the recovery and resilience plans, due to the short timing.
- ✓ There is **no safeguard that the additional funding under REACT-EU will result in an increase for social spending** (as opposed to an increase in infrastructure spending) to tackle the negative social impact of COVID-19 crisis. The only mechanism foreseen is the dialogue between the Commission and member states on national recovery plans.

5. What can your city do to get hold of the new funds

Multiple entry points are available for cities, as member states will face the pressure for a swift deployment of the recovery support and a rapid implementation of investment projects. To have these funds deployed, member states will need to submit national recovery and resilience plans by 30 April, while planning how to use the additional resources under the REACT-EU (new programmes or amending current programmes) all while preparing the programmes for the implementation of the ESF+ for 2021-2027.

In order to get hold of these new funds, cities must ensure they are full partners in the drafting of their member state plans and programmes, which is why we strongly urge you to act now at national level to ensure that the priorities for the coming years match the needs of your city. As the time is relatively short, we strongly advise you to act now!

What can you do concretely?

1. Contact your managing authority in charge of ESF and FEAD

- Find the contact details for your managing authorities on the EU website: https://ec.europa.eu/regional_policy/en/atlas/managing-authorities/?search=1&keywords=&countryCode=ALL&typeld=ALL
- Send a targeted email by adapting the template email you find in Annex 1. Make sure to:
 - present the key (social) challenges that your city is currently facing in the context of COVID-19 crisis, specifically referring to any data estimates you might have on the increase in unemployment and/or poverty levels and/or the number of people seeking food aid and basic material assistance and demanding social assistance;
 - present the extra services and measures your city has put in place to provide urgent support to the most vulnerable people and mitigate the social consequences of COVID-19 on people and businesses, and refer to data estimates on how much these extra services have cost your city and how this overstretches your city budget;
 - present your proposal on which EU projects funded through FEAD and/or ESF (and/or ERDF) you see as necessary to continue and require additional funding from REACT-EU allocation to your member state for 2021-2022; Make a strong case on the negative impact a disruption in this programme or project might have on the beneficiaries and the local communities as well as the social cohesion at local (and regional) level;
 - present your ideas for new projects to be supported in the new programming period under ESF+ 2021-2027
 - ask about the next opportunity to participate in the consultation on the draft of ESF+ programme **based on the partnership principle in cohesion policy**.
- Arrange a follow-up phone call or video call, if possibly, from your mayor office.

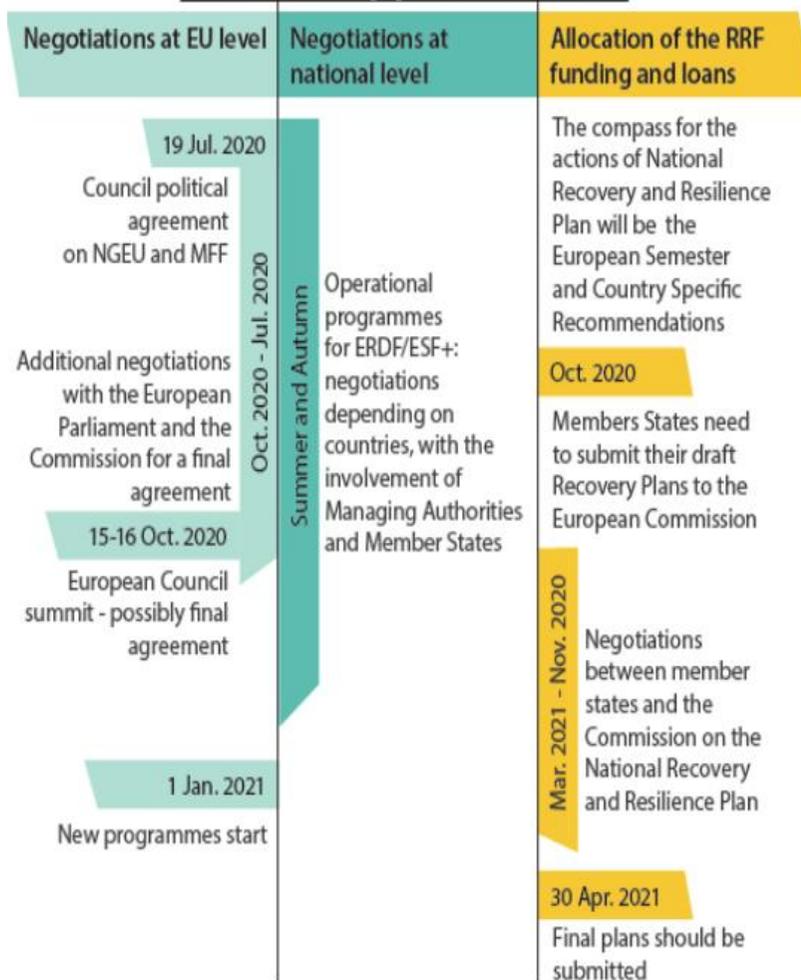
2. Join forces by building coalitions with other cities in your region or country

- if many/all cities in your region/country face the same difficulties in getting your local needs reflected into the programme, then you can join forces to address this problem with the national managing authorities (e.g. write a joint letter).

3. Keep us updated and let us know if you need extra help

- You are invited to send us updates on how your city is consulted/involved in the programming of both the additional funding for recovery under REACT-EU and the preparation of ESF+ programme in your region/country.
- Please share with us your concerns, challenges and/or good practices of working with the managing authorities.
- We can, at any stage, link you with the European Commission desk officer in charge of your country who can raise your concerns or challenges on lack of collaboration with the managing authority from your region/country.

What happens when?



What to do?



July is the new September!
Act now to ensure that the investment plans and priorities for the coming years match the needs of your city:

- ➔ Meet your national ministry in charge of the national recovery plan to influence the investment plans for your country.
- ➔ Meet your national ministry in charge of the cohesion policy funding and the managing authority in charge of developing and implementing the operational programme relevant for you.
- ➔ Form coalitions with other cities nationally.
- ➔ Engage with the press.

The Mayor of Florence met with the Italian minister in charge of recovery in June to discuss and define a joint investment plan for metropolitan areas.

French cities have joined forces through France Urbaine to make their voice heard around the National Recovery and Resilience Plan

Spanish cities are sending joint letters now to national and EU institutions, asking for a real implementation of the partnership principle.

German cities are sending joint letters to the Chancellor, calling for a strong urban dimension in the National Recovery and Resilience Plan

What to say?



National recovery plans

- » Cities are the level of government closest to citizens, providing effective infrastructures to reach many citizens and drive recovery.
- » Across Europe, cities are the hardest hit by the pandemic and economic crisis.
- » Cities are also the drivers of the green, digital and just transition which Europe needs for recovery.
- » There is a need to invest in the resilience of cities to stand stronger in the face of future crises.

Cohesion policy

- » ERDF: Earmarking for sustainable urban development (SUD) at minimum 10% and safeguarded from flexibility measures. Investing through integrated strategies allows a holistic, goal-oriented approach which delivers visible results for people locally.
- » ESF+: Match the programmes' priorities with the social urban challenges such as rising homelessness and new urban poverty. Focus on integrated measures for local communities, including tackling child poverty according to the needs on the ground.

Bring project ideas - make investment needs concrete

- » Implementation of the circular economy.
- » Green infrastructure and building efficiency retrofiting.
- » Sustainable, efficient and inclusive mobility.
- » Digital transformation of public (city) services.
- » Tackling social challenges.

BASICS ABOUT THE BUDGETS

€540 bn

SURE/ European Stability Mechanism (ESM)
Pandemic Crisis Support /
EIB Guarantee Fund for Workers and Businesses

€750 bn

Next Generation EU, an emergency European recovery instrument available for two years:

- » Recovery and Resilience Facility (€672.5 bn, 312.5 for grants, 360 for loans)
- » REACT-EU (€47.5 bn+ 5 bn from MFF 2014-2020)
- » Just Transition Fund (€10 bn + €7.5 bn from MFF)

€1.074 bn

Multiannual Financial Framework 2021 – 2027:

- » Cohesion policy (€323 bn), including ESF+
- » Horizon Europe (around €80 bn), including a mission for climate neutral cities
- » Digital Europe Programme, LIFE+, COSME, Erasmus+, Asylum and migration fund

WHAT CAN BE FINANCED?

Next Generation EU - via the Resilience and Recovery Facility

- » Green transition – projects that can implement the EU Green Deal
- » Digital Transformation - projects that can support a deeper and more digital single market
- » Inclusive recovery - projects that can support a fair and inclusive recovery



Cohesion policy - five policy objectives

- » Smarter Europe
- » Greener, carbon free Europe
- » Connected Europe: strategic transport and digital networks
- » Social Europe
- » Europe closer to citizens: locally-led development strategies and sustainable urban development

* Through national reform programmes with priorities identified through the European Semester

6. What is EUROCITIES doing?

- ✓ We are launching a consultation on the level of involvement of cities in both National Recovery Plans and Operational Programmes
- ✓ We are working with the European Parliament to improve the Regulation establishing the Recovery and Resilience facility and ensure that cities are clearly recognised as partners both for the preparation and implementation of National Recovery Plans.
- ✓ We are **gathering intelligence** from the European Commission on latest negotiations
- ✓ We are **keeping dialogue** with MEPs involved in MFF and ESF+ negotiations
- ✓ We have **organised webinars and city dialogues** with the European Commission on the ESF+ (see [recording](#) from 7 April) and FEAD (see [recording](#) from 22 April) to discuss how to improve the partnership with cities in ESF+ programming and bring up the concerns about a potential funding gap, if the ESF+ regulation is not adopted in due time
- ✓ We are **building capacity** of member cities in SAF to input and influence the operational programmes for ESF+ 2021-2027 by sharing strategies on how to work and negotiate with managing authorities on priorities, target groups and indicators, etc.
- ✓ We plan a **focus group on ESF+** at the SAF meeting in autumn (9-10 Nov 2020)
- ✓ We will keep **informing and advising members** on EU and national developments on ESF+

7. Useful resources

- [Conclusions of the European Council](#) of 21 July 2020 on the Multi-Annual Financial Framework and Next Generation EU
- EUROCITIES (July 2020). An EU Budget proposal for recovery: How will funding reach cities? [Webarticle](#) and [infographic](#)
- [European Commission amended proposal for a regulation on the ESF+](#) of May 2020
- [European Commission proposal for a regulation on the European Recovery Instrument](#) of May 2020
- [European Commission proposal for amending Regulation \(EU\) No 223/2014 as regards the introduction of specific measures for addressing the COVID-19 crisis](#) of 28 May 2020
- EUROCITIES (April 2020). [Takeaways from city dialogue on the European Social Fund+](#)
- EUROCITIES (April 2020). [Takeaways from EUROCITIES webinar on FEAD](#)
- European Parliament (April 2019). [Resolution on the proposal for a regulation of the European Parliament and of the Council on the European Social Fund Plus \(ESF+\)](#)
- [European Commission proposal for a Regulation on the European Social Fund Plus \(ESF+\)](#) of 30 May 2018
- EUROCITIES position on ESF+ (October 2018). [A smart investment in people.](#)
- [European Commission staff working document guidance to Member States on Recovery and Resilience Plans](#)
- [European Commission examples of component of reforms and](#) investments to help Member States in their preparation of National Recovery Plans



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<http://ec.europa.eu/social/easi>

ANNEX 1 Template email to the ESF/FEAD managing authority

Dear [name],

I am writing on behalf of city xxx to offer you our support and collaboration in the process of developing and implementing the programmes funded through [ESF/FEAD/ERDF] for the next programming period to ensure a fair and inclusive recovery from the COVID-19 crisis.

We are aware that the EU recovery plan, Next Generation EU, is making available additional EU funding for [ESF/REAF/ERDF] for 2021-2022 that will overlap with the first years of implementation of the ESF+ new programme, which we can imagine that implies very intense work for you, so we are happy to help with our ideas and proposals.

Firstly, we would like to share the urgent social challenges we are facing in our city and where additional support from EU funding would make a real difference for people.

[explain briefly the key (social) challenges that your city is currently facing in the context of COVID-19 crisis, specifically referring to any data estimates you might have on the increase in unemployment and/or poverty levels and/or the number of people seeking food aid and basic material assistance and demanding social assistance]

As you may know, our city xxx has been on the frontline of managing the COVID-19 crisis. We used all our capacities to act fast and contain the virus spread. We promptly mobilised resources by stretching our healthcare and social services sometimes beyond limits to meet the new and urgent needs of people on the ground. We set up new and extra services to provide tailored support to the most vulnerable people. We set out measures to mitigate the socio-economic effects of COVID-19 on people and jobs, aiming to prevent and combat rising poverty and inequalities. However, given how strained our municipal budget is from this crisis, we need EU funding support to continue helping people and businesses in need.

[highlight some of the extra services and measures your city has put in place to provide urgent support to the most vulnerable people and mitigate the social consequences of COVID-19 on people and businesses, and refer to data estimates on how much these extra services have cost your city and how this overstretches your city budget]

We would like to propose using the additional flexibility through the Coronavirus Response Investment Initiative (CRII and CRII+) to transfer more resources to [ESF/FEAD] in [our region] to respond to the urgent needs we have to [tackle unemployment, including short-time work schemes and youth employment measures, skills training; support healthcare schemes; provide working capital for small and medium-sized enterprises; aid to help people suffering from food and material deprivation; match the rise in demand for social services and active inclusion measures for vulnerable people, etc.]

We propose extending our programme xxx funded through [ESF/ERDF/FEAD] to benefit from additional funding under REACT-EU for 2021-2022. This is absolutely necessary to ensure that

support to the most deprived and vulnerable people can continue without interruption which would negatively impact their [living conditions/social inclusion] and the social cohesion in our city. Knowing it is possible to finance retroactively eligible measures launched as of February 2020, we would propose to cover the expenses for responding and mitigating to the COVID-19 crisis by [xxx].

[present your proposal on which EU projects funded through FEAD and/or ESF (and/or ERDF) you see as necessary to continue and require additional funding from REACT-EU allocation to your member state for 2021-2022; Make a strong case on the negative impact a disruption in this programme or project might have on the beneficiaries and the local communities as well as the social cohesion at local (and regional) level]

Furthermore, we wish to share our ideas for programmes and projects that require EU funding under [ESF+ for 2021-2027] that would make a real difference for people in our city and can drive the socio-economic recovery of our entire region [supporting the green/digital/demographic transitions]. We believe it is absolutely necessary to use EU funding through ESF+ in 2021-2027 to support [local schemes for employment, skills training and skills matching; active inclusion measures to tackle child poverty, in work poverty, the digital divide; provide food aid and basic material assistance; fight homelessness; to integrate migrants and refugees; improve the quality of life of the elderly living in home and care centres, etc.]

We would also like to use the opportunity highlighted in Article 13 of the EU regulation on ESF+ to get EU funding support for actions of social innovation and bottom-up approaches that our city is preparing to [pilot, upscale, experiment] for example etc.

[present your ideas for social innovation / innovative approach to pilot with ESF+ support]

Finally, we would be grateful to know of any opportunity to participate in the next consultation meeting or webinar you are holding to discuss the draft of the ESF+ programme for 2021-2027 as well as any discussions on using REACT-EU for 2021-2022. By engaging our local authority in the preparation process, you will be implementing the partnership principle in cohesion policy, as highlighted by the European Commission in the letter sent to the minister in November 2019 stressing the importance of partnership and transparency in programming the use of EU funds.

We would be very pleased to discuss further details over a phone call or video call in the next weeks at your earliest available date.

Thank you for your attention and please count on our support and collaboration!

Best wishes,

xxx