

Shaping the future of the ESF - ESF and Europe 2020

Plenary Session: the ESF Contribution to the 2020 strategy

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The European Council last week gave its political endorsement to the Europe 2020 strategy. The European Parliament's opinion on the Employment Guidelines is still pending – but we have a broad idea about the key elements of the strategy.

So what is the contribution of the ESF? What follows is a personal comment, from someone who has spent three years on each of the two sides of the coin: the ESF and Lisbon – and now Europe 2020. As an old song from Mary McGregor put it, I am "torn between two lovers".

The good news...

Let me start with the good news. I have three.

First, the ESF Regulation is 4 years old, and it holds up quite well. The crisis has profoundly changed the landscape of our economies - yet, if I had to change one of the 15 articles of the original ESF Regulation, I would perhaps stress structural unemployment, or green and white jobs. But this is emphasis, not substance that requires urgent correction.

The key priorities were there – from activation to gender, to innovation. The scope of the ESF is so broad that it can support bio-engineers, Roma early school leavers, affordable childcare, personalised coaching. The current ESF Regulation was voluntarily and explicitly tailored to support the Lisbon strategy. Does the new Europe 2020 strategy now require a fundamental change in the scope of the ESF? No.

Second, the ESF Operational Programmes are in general strategic, comprehensive and flexible. Proof of this is that few Member States have felt the need to modify them because of the crisis.

Lastly, and most importantly, **the impact of the crisis on employment and social inclusion has shed a new, brighter light on the ESF**: a Fund seen by many as a rather sluggish oil tanker has not suddenly become a swift sports yacht - but few doubt that the ESF is an indispensable lifeboat.

Today, most stakeholders – Parliament and other EU institutions, social partners, even the media – seem to acknowledge the importance of the ESF as a European financial instrument in support of the Lisbon strategy for growth and jobs, of human capital, of solidarity and Cohesion.

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...and the challenge

So with this seriously good news, will the ESF – tanker or yacht - sail through fair winds into the next programming period? Will its contribution to Europe 2020 be self-evident? No. The debate on the efficiency of all EU spending, on its contribution to the Union's strategic priorities, will be as difficult as the national budget debates that are now unfolding under the shadow of fiscal consolidation – and the ESF will not be an exception.

So let me turn now to the challenges. I will mention just one – but it is a big one.

When it comes to the link between the ESF and Europe 2020, the challenges that usually come to mind – especially to the practitioners among you - are mostly about process: how to align the ESF and the Europe 2020 strategic documents and reporting? Are the new Employment Guidelines a sufficient criterion for future ESF interventions? How to report on the ESF in the future National Reform Programmes? What to do with the new tools: national targets, bottlenecks, flagship initiatives?

All these questions are important and legitimate. They also sound strangely familiar, perhaps because all ESF programming periods – at least all those I can remember – seem to have started with the leitmotiv of simplification...and yet the word "simple" is not the one you would most easily associate with the ESF. The Fund's beneficiaries – from national administrations to regions to social partners and NGOs – are rightly anxious to reduce the complexities of ESF delivery and implementation.

The overall governance aspects of Europe 2020 are still in discussion; the Commission will shortly present its views, which will surely reflect the need for stronger macroeconomic coordination and budget consolidation.

Adapting the ESF to this new governance will be a challenge. But I have no doubt that we will find the right architecture to link the ESF with the Europe2020 process. I am also sure we will be able to show what the ESF does in the different areas of Europe2020. We know the ESF spends 10 billion on 10 million people every year; that it supports partnerships, administrative capacity, mutual learning, trans-national co-operation, social innovation - and indeed social partners.

Thanks to earmarking, we can break down ESF allocations according to Lisbon strategic areas. It will not be a problem to do the same for Europe 2020. But the key is whether earmarking tells us enough about the actual contribution of these allocations to the common objectives, about their impact and efficiency.

The point I want to make today is that, in my personal view, **we need to address another, far more important challenge about the ESF contribution to Europe 2020.**

The ESF and Europe 2020: from action to impact...

Any discussion on the future of the ESF – as with any other EU financial instrument – should start with two simple questions: **How will it help put Europe back on the path towards smart, inclusive and sustainable growth? Is the money well spent?**

I started with the good news that the crisis shows the importance of restoring sustainable growth by investing in people – and that this is exactly what the ESF is about. But the crisis will also impose an extraordinary, long-term constraint on budgets, and will require a ruthless focus on the efficiency of public spending.

Nothing matters more for our citizens than more and better jobs. Nothing will matter more or the survival of Europe's social model than the effectiveness of public spending. We should not let the alignment of processes, the verification of expenditure, distract us from this reality.

The real challenge is not to show what the ESF does, how many people it assists, or how it relates to the Europe 2020 process. The challenge is to show specifically how it brings Member States and regions closer to the strategic objectives, priorities and headline targets of the EU, as described in Europe 2020 and in the Cohesion objectives of the Treaty.

It is of course impossible to provide a simple, comprehensive answer to these questions: it's much easier to measure beneficiaries than systemic impact. Policy priorities, objectives and targets are very far from the reality of implementation in the ground – but the two can be brought closer: to ensure the right ESF contribution to Europe 2020, we need a simpler, results-oriented system, which will allow us to promote and monitor real progress towards the Europe 2020 objectives and headline targets.

If we first find concrete answers to these questions, then it will be easier to answer the difficult issues that will be in everybody's mind: should the ESF have other strategic objectives than those of EU2020? What should be the geographical coverage? What is the link between ESF and solidarity? Because solidarity of course means investing more on the poorest and the most disadvantaged - but these investments must constitute a significant effort to improve performance, to achieve results towards common objectives, to ensure impact.

I know all this is not new. It has been said and tried before. The difference is that now we can't afford to fail. And it can be done.

...and the meaning of it all

What does this mean in practice? Let me give you two small examples: SMEs and Flexicurity.

A simple example is **ESF support to SMEs**. This is both within the scope of the ESF, and a Europe 2020 priority. Today, the specific objective of an ESF intervention for SMEs are defined and measured in numbers of beneficiaries. But what is the point of supporting SMEs in a Member State, if setting up an SME takes months? Why not ensure that this ESF intervention - together with the equivalent national co-financing, of course - is an explicit incentive to attain detailed, specific objectives for the reduction of red tape for start-ups, as part of a country's broader competitiveness and innovation objective?

A more complex issue is **flexicurity**. This is one of the key, overarching policy priorities of Europe 2020. So how can the ESF support the implementation of flexicurity? The simple answer is that two of the four components of flexicurity - active labour market policies and lifelong learning - are at the heart of ESF interventions. The Fund also supports social partners as key stakeholders of any flexicurity approach. But flexicurity is about the combination of its components: could we link ESF support with progress towards implementing flexicurity reforms with a specific timing and sequence of actions?

Nothing in the current ESF regulation obliges a Member State to do any of all this – but nothing prevents it either. We already have the legal basis to link the ESF with employment recommendations: we should not be afraid of the words "incentive" and "conditionality" when we think of the future ESF.

I remember from my time in the ESF a very telling comparison by one experienced Managing Authority. He said that ESF Programmes are like huge oil tankers, the biggest vessels one can find sailing our seas. Unlike swift, flexible yachts, once they set sail , the ESF programmes need time to change course in response to changing needs - but they can deliver more and on longer distances.

Until now, we have accepted the fact that ESF delivery as so important and so substantial that it must be...as heavy as a tanker. Then the crisis hit, and we have to come to terms with the fact that ESF programmes must be strong as a tanker but flexible like a yacht.

The ESF and Europe 2020 must not be parallel ships that sail together but never meet, with complex procedures that only specialists can understand. They must be two sides of the same coin: a powerful financial instrument that underpins the EU policy objectives, and a strategy that draws its strength from a dedicated Fund.

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