



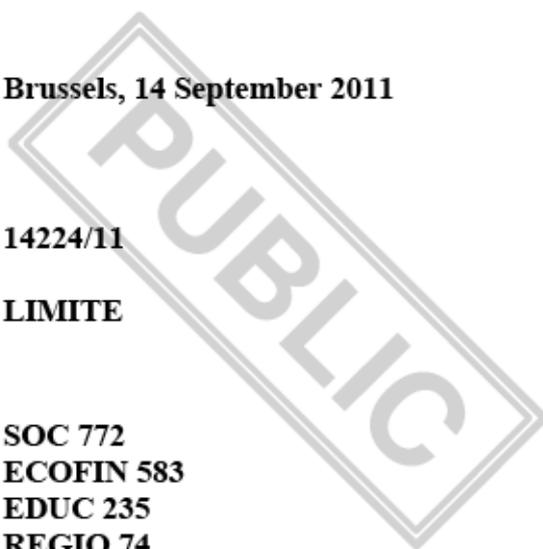
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NOTE

from : Presidency
to : Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject : European Social Fund in the implementation of the Europe 2020 Strategy
 - Presidency background paper

Delegations will find attached a background paper prepared by the Presidency on the European Social Fund in the implementation of the Europe 2020 Strategy, in view of the policy debate at EPSCO Council at its session on 3 October 2011.

European Social Fund in the implementation of the Europe 2020 Strategy

For over 50 years now ESF activities have been undertaken in the areas of employment, education and adaptability. Besides contributing to balance in the labour markets, it also included all other aspects of social cohesion. As the programming period for the forthcoming Structural Funds approaches, it appears to be the appropriate moment to discuss the future shape of the European Social Fund.

Adopted in 2010 for the next decade, the Europe 2020 Strategy sets out a vision of Europe's social market economy for the 21st century. Numerous policy areas indicated in this Strategy have been supported by the European Social Fund. In order to ensure a successful implementation of the Strategy, financial support for its provisions will be required. The focus is on developing an economy based on knowledge and innovation. This includes promoting a more resource-efficient, greener, and more competitive economy and fostering a high-employment economy delivering social and territorial cohesion.

The Europe 2020 priorities are indentified by a **limited number of interrelated and measurable headline targets¹ which are critical to overall success by 2020**. To ensure that each Member State tailors the Europe 2020 Strategy objectives to its own particular situation, the EU goals were translated into national targets and trajectories. Based on sufficiently reliable data for the purposes of comparison, the national targets should reflect the diversity of Member States' situations. These targets are not exhaustive; a wide range of actions at local, regional, national, EU and international levels will be necessary to underpin them.

¹

- i) 75 % of the population aged 20-64 should be employed;
- ii) 3% of the EU's GDP should be invested in R&D, and the "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right);
- iii) the share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree, and
- iv) 20 million fewer people should be at risk of poverty.

The strategy is therefore putting forward **seven flagship initiatives to catalyse progress under each priority theme**. Some of them are of particular interest to the EPSCO Council.

Furthermore, the **10 Integrated Guidelines for the economic and employment policies of the Member States demonstrate the significant role played by the ESF in the future success of the Europe 2020 Strategy**. According to *Guideline 7 (Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality)*, the ESF should in particular support Member States in integrating the flexicurity principles into their labour market policies. Member States should also make appropriate use of the ESF in developing a skilled workforce responding to labour market needs and promoting lifelong learning as indicated in *Guideline 8* and thus promoting full participation in society and economy, as aimed at by *Guideline 10 (Promoting social inclusion and combating poverty)*.²

On 29 June 2011 the European Commission published its Communication “A Budget for Europe 2020”, which is currently under discussion. The Commission proposes a 10% increase in the ESF allocation compared to the 2007-2013 financial perspective, reaching EUR 84 billion. The Commission underlines that the **ESF has a key role to play**. It proposes that Member States ought to set out the way in which different funding instruments would contribute to delivering the headline targets of Europe 2020. Unemployment and persistently high rates of poverty call for action at EU and national level. As the Union faces the growing challenges (such as shortfalls in skill levels, under-performance in active labour market policy and education systems, social exclusion of marginalised groups) there is a need for both policy initiatives and specific supporting action. Many of these challenges have been exacerbated by the financial and economic crisis, demographic and migratory trends and the fast pace of technological change. Unless tackled effectively, they constitute a significant challenge to social cohesion and competitiveness. It is therefore essential to accompany growth-enhancing investment in infrastructure, regional competitiveness and business development with measures related to labour market policy, education, training, social inclusion, the adaptability of workers, enterprises and entrepreneurs and administrative capacity.³

² Council Decision of 21 October 2010 on Guidelines for the employment policies of the Member States (2010/707/EU).

³ COM(2011) 500 final, A Budget for Europe 2020.

The role of the ESF - as an EU instrument for investing in human capital – is to underpin the three priorities of the Europe 2020 strategy. The ESF should support actions undertaken by the Member States based on the Integrated Guidelines as well as thematic and country-specific recommendations. Employment, training and education, active inclusion and equal opportunities policies are indeed key engines for empowering people by developing their knowledge and skills, supporting adaptation to change, promoting a culture of innovation, boosting quality employment levels and fostering an inclusive labour market.⁴

The ESF emphasises the importance of local needs. The efforts aimed at stimulating Member States' and regions' own potential by strengthening access to public services in a broad sense and counteracting “peripheralization” may enable specific regions to enter the pathways for sustained development. Thus, adequate identification and effective actions supporting the process of optimal utilisation of endogenous development potentials must represent key factors in the implementation of the *Europe 2020* Strategy. Implementation of this approach needs closer cooperation between the financial instruments both within the Cohesion Policy and with other EU policies.

In order to achieve alignment with the Europe 2020 Strategy, a "package" of thematic priorities directly linked to the Integrated Guidelines and the Flagship initiatives would be established in the legal instruments for cohesion and would reflect the objectives set for the cohesion policy in the EU budget review.

Furthermore, a Common Strategic Framework (CSF) would be established in order to translate the targets and objectives of the Europe 2020 Strategy into investment policies. This framework, which would replace the current separate sets of strategic guidelines, would cover the ESF - in addition to the Cohesion Fund, the ERDF⁵, the EAFRD⁶ and the EFF⁷ - and would thus ensure greater coordination between them. Moreover, a “Partnership contract” based on the CSF would be agreed with each Member State to synthesize the commitments of partners at national and regional level so as **to effectively deliver Europe 2020 goals through the programming of the EU structural and cohesion funds.**

⁴ ESF Committee Opinion on the future of ESF in the context of 5th Cohesion Report and Budget Review.

⁵ European Regional Development Fund.

⁶ European Agricultural Fund for Rural Development.

⁷ European Fisheries Fund.

Preparing for the future of the ESF therefore forms part of a long process of consultations and reflection on the best way to achieve the EU's objectives in the social sphere. There is a growing demand for a more performance-oriented EU cohesion policy which requires refocusing from financial inputs and outputs towards progress in performing policy objectives.

It is the Presidency's belief that the ESF is, and should be, a significant tool for measures boosting inclusive and sustainable growth, while respecting the national competence and responsibility of Member States or regions for employment and social policy and ensuring an adequate level of flexibility in defining national and regional investment priorities.

The Presidency's intention is therefore to start and encourage this debate on the **future shape of the European Social Fund and its role in the implementation of the Europe 2020 Strategy** on the basis of the following questions:

Questions for discussion:

1. For which of the Europe 2020 objectives, goals and Flagship Initiatives should the ESF provide priority support?
2. How can the actors at EU, national, regional and local level improve the effectiveness of the ESF and reorient it towards a more result-based approach?
3. Contributing to the EU headline targets – what is the Member States' perspective? Should all Member States and regions be involved in a similar way to achieve the targets of Europe 2020 or should their involvement depend on the needs and potentials of specific regions?
4. Would the application of minimum shares for the ESF according to region contribute to increasing its effectiveness in delivering Europe 2020 targets?
5. How could coordination between the structural funds be improved so that comprehensive policy objectives can be achieved?