

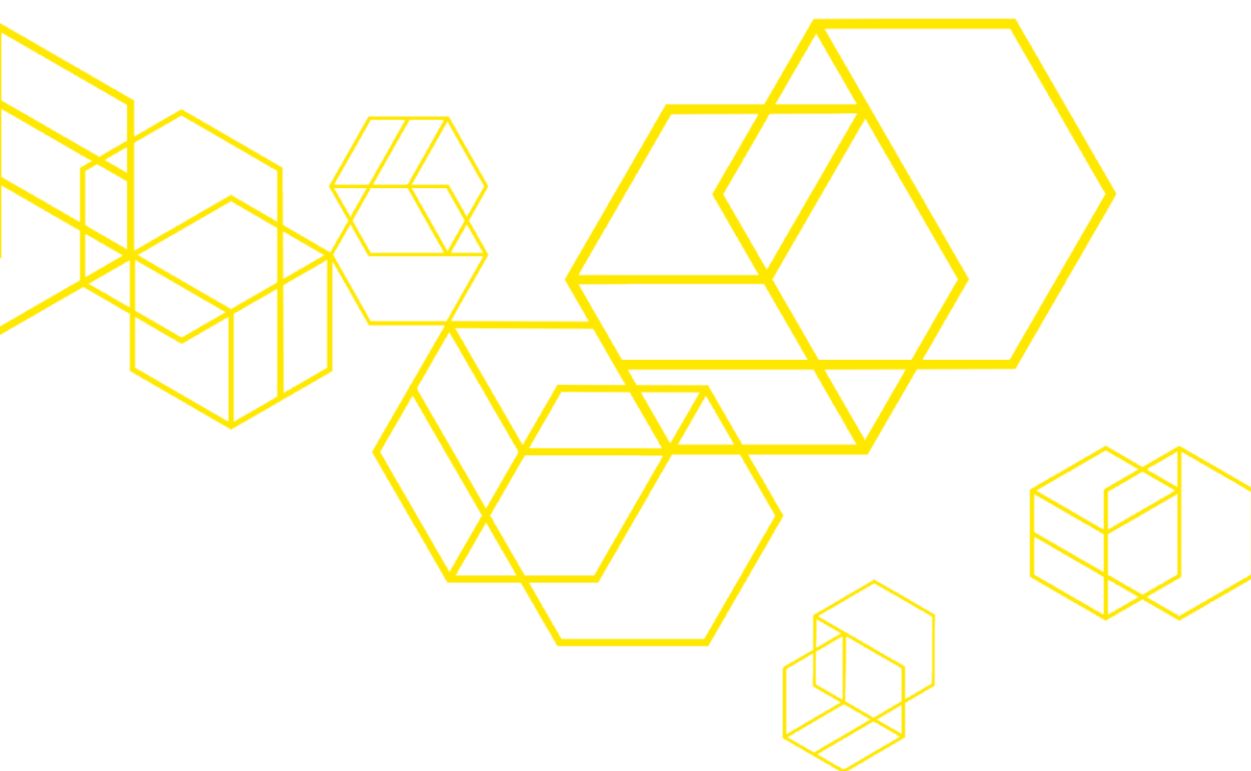


**SOCIAL
INNOVATION
COMMUNITY**

Executive Summary

How can ESF+ be optimised for social innovation?

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Executive Summary

Since 2008, Europe's renewed Social Agenda has explored how the European social model can be made more modern, inclusive, innovative and sustainable.¹ The European Social Fund is arguably the EU's most powerful policy tool for creating a more 'social Europe'. As EU policymakers debate the future of ESF, this report asks: how can it be optimised for social innovation as a way to achieve these goals?

To create a 'social Europe', we need social innovation

Set up in 1957, the European Social Fund is the EU's primary instrument to invest in people. Among other things, it is now positioned as a key tool to deliver the commitments in the European Pillar of Social Rights (which was proclaimed late in 2017 by the European Parliament, the Council and the European Commission).

To be effective in doing this, it is imperative that the ESF can support innovative activities. Social innovation is needed to find the better ways to take forward the social legacies of European welfare states and combine them with institutions, relations and services that increase population wellbeing and enable social inclusion across the EU. Public authorities need to improve policies over time, creating systems that can adapt to changing needs. For example, digitalisation is changing the world of work, and employment and skills provision needs to adapt to help people prepare and re-skill. Meanwhile, social challenges and needs sometimes change quickly. The migrant crisis, for example, emerged in the middle of the EU's current programming period. As well as adapting for the long term, public authorities also need to be able to respond to new demands and needs as they emerge.

The ESF is potentially a powerful tool to enable public authorities to test and evaluate new approaches, take risks and involve citizens and communities in shaping public employment and skills services and solutions that combat social exclusion, poverty and discrimination, so that they are more effective and fit for purpose.

In recognition of this, the ESF explicitly makes provision for social innovation. Article 9 of the [ESF Regulation 2013](#) states that 'the ESF shall promote social innovation within all areas falling under its scope'. The ESF has, in fact, been a significant funder of social innovation during the 2014-2020 programming period. As of the end of 2017, **€2.84bn** has been allocated to social innovation as a 'secondary theme'.²

¹ European Commission (2010). What social Europe can do for you. Available online: <https://ec.europa.eu/social/BlobServlet?docId=4983&langId=en> [Accessed: 18/12/18]

² This figure is based on our own analysis of ESF spend data up to the end of 2017. In the report cited earlier, Fondazione Giacomo Brodolini found that €2.72bn had been allocated to social innovation as a secondary theme up to the end of 2016.



However, social innovation activity appears to be concentrated in a relatively small number of places. Some 74% of ESF allocated to the social innovation secondary theme comes from just six countries: Germany, Portugal, Poland, Estonia, Austria and Italy.

In addition, our research suggests that there are several practical difficulties in using ESF for social innovation. Even when OPs allocate money to social innovation, they seem to have trouble spending it. Challenges with implementing social innovation within ESF are not surprising: a recent study found that the ‘implementation of social innovation projects often clash with [ESF] rules and administrative systems that were designed for ‘traditional’ vocational training actions.’³ Compounding this further, our consultation found that while ESF managing bodies are tasked with designing social innovation project calls and support mechanisms, they often lack the expertise needed to do this effectively.⁴

Our qualitative research and synthesis of other relevant literature highlights several practical reasons why countries appear to have problems using ESF to fund social innovation:

- Member States and regional authorities seem to lack awareness about what social innovation is and what the benefits of supporting it are. In turn, this contributes to a lack of coordination, buy-in and support at key levels. This can contribute to wider cultural resistance to supporting social innovation through the ESF and lead to negative perceptions that such projects are riskier and require more effort.
- Inadequate institutional support for social experimentation results in a failure to sustain innovative solutions beyond project periods, and means that not enough is done to ensure that there are clear pathways for bottom-up innovations to eventually scale transnationally. Our consultations suggest that programme stakeholders have ad hoc guidance and support needs that the PROGRESS axis model of support for funding projects simply does not meet.
- Managing authorities are often not able, or not incentivised, to create effective partnerships, coordinate between different agencies, or lead actions that involve multiple stakeholders. For example, a survey carried out by Social Platform found that most managing authorities had not involved civil society as a partner in the design and implementation of funding – even though they are obliged to do so.⁵
- ESF stakeholders, including managing authorities and beneficiaries (those applying for funding), do not always have the skills and experience to design or operationalise new, innovative approaches to tackle social challenges. Some of our consultees highlighted the need to go much further than toolkits and guidance in addressing this.

³ Istituto per la Ricerca Sociale (IRS) (2018). The European Social Fund: Beneficiaries’ Experience in the Current Funding Period, Brussels: European Parliament’s Committee on Employment and Social Affairs p. 12.

⁴ Discussion point mentioned during SIC’s policy roundtable, Optimising the ESF+ for Social Innovation, October 12th 2018.

⁵ Available online: http://www.socialplatform.org/wp-content/uploads/2017/06/170601_SocialPlatform_ESF.pdf [Accessed: 18/12/18]



- Complex regulations, processes and high administrative costs make it difficult to support social innovation through the ESF. One reason for this is that they make it unattractive for authorities to support smaller sized projects because the costs of administration are so high in relation to the grant size.⁶
- The ESF was not originally designed to support risky, experimental, locally-responsive projects, but increasingly it is being expected to do so. It is argued that the strong emphasis on results discourages projects from reaching out to riskier target users and discourages managing authorities from taking chances on early-stage projects where results are hard to predict. As a result, our consultees argued that the fund disproportionately favours the same 'usual suspects' both in terms of beneficiary organisations receiving funding, and end users participating in projects.

ESF+ addresses some of these problems, but could go further

In May 2018, the EC adopted a proposal for the multiannual financial framework 2021-27 on the future of the ESF.⁷ The new 'European Social Fund Plus' (ESF+) will combine several existing funds including ESF, the Youth Employment Initiative, the Employment and Social Innovation programme (EaSI) and others. Compared with the existing regulation, the new ESF+ proposal makes some important changes with regards to social innovation. These include:

- 01 More concrete indications of what ESF-supported social innovation looks like.** The new proposed regulation for ESF+ now offers a definition for social innovation - something the ESF regulation for the 2014-2020 stopped short of doing. With the incorporation of the EU Programme for Employment and Social Innovation (EaSI), a definition for 'social experimentation' is also offered.
- 02 A dedicated priority axis for social innovation.** The draft ESF+ proposal suggests that Member States will be required to select social innovation as a priority axis - dedicating at least one priority to the implementation of a) social innovation and social experimentations, b) the upscaling of innovative approaches tested on a small scale (social experimentations) developed under the Employment and Social Innovation strand and other Union programmes - or both. This marks a significant reinforcing of social innovation as a priority of the ESF.
- 03 A higher co-financing rate to incentivise Member States to direct more of their national ESF+ allocation to innovative actions.** Member States can allocate up to 5%

⁶ For instance, Nantes Metropole assessed that the ratio between the cost of project development and the grant amount makes small projects (≤20-30K€) unfeasible. Cited at: EUROCITIES (2018) Lessons learned from cities' experiences with the ESF in 2014-2017, Brussels. p. 16 Available online: http://nws.eurocities.eu/MediaShell/media/EUROCITIES_report_on_ESF_and_cities_FINAL.pdf [Accessed 13.12.18]

⁷ See more: <http://www.europarl.europa.eu/legislative-train/theme-new-boost-for-jobs-growth-and-investment/file-mff-esf> [Accessed 18/12/18]



of their national ESF+ allocation under shared management to Innovative Action priorities (Article 13) to take advantage of a more attractive co-financing rate, which has been increased to the maximum of 95%. While this will not increase the overall amounts for ESF, in some contexts this would see the current co-financing rate greatly increased, in particular for countries in the 'more developed region' category, like Belgium or Ireland, which can currently avail of a maximum co-financing rate of 50%. In theory if each Member State dedicated 5% of the Operational Programme to social innovation, this would earmark €5bn for social innovation priorities.

04 More centralised support for transnational social innovation initiatives (through indirect management). Some €200m has been earmarked for transnational cooperation to support transfer of innovative solutions and learning across countries through the Employment and Social Innovation (EaSI) strand. Unlike the current programming period, the EC proposes that this funding will be administered via indirect management (managed centrally by the EC, but with implementation being delegated to a managing authority for the entire programming period) rather than through 'shared management' with Member States. This is intended to reduce the administrative burden for national and subnational managing bodies.

Recommendations

The data and evidence on ESF in the 2014-20 programming period suggests ESF+ proposals could go further to ensure that funding for social innovation creates tangible and sustainable, resilient and scalable socially innovative outcomes that are relevant to final beneficiaries. We recommend that:

- 01** To incentivise Member States to prioritise social innovation, Article 13 of the ESF+ regulation should **require Member States to allocate a minimum of 5%** of their national ESF budget to support innovative actions.
- 02** To more effectively implement social innovation under ESF+, **the European Commission, Member States and key ESF implementing bodies should invite wider stakeholder involvement (communities, end users, social innovation practitioners, civil society organisations, social partners and local/regional actors) in defining and co-delivery of ESF+ priorities.** This can be achieved by:
 - Raising awareness, learning and exchange about the European Code of Conduct on Partnership to ensure that inclusive, meaningful partnerships are at the heart of defining ESF+ priorities through Partnership Agreements, Operational Programmes and Monitoring Committees.
 - Ensuring training and technical assistance can be used to support more inclusive partnerships. Member States should ensure that partnership training is made available to public administration agencies, NGOs and other stakeholders who wish to increase their knowledge on implementation of the partnership principle in ESF+ (and ESIF) programmes and projects. Furthermore, we would advocate for a new and revised European Code of Conduct for Partnership to cover the post-2020 programming period.



- Broadening the focus of the ESF+ regulation to explicitly recognise cities, regional and local authorities and actors as strategic partners (where they are not already managing authorities) and call for their meaningful involvement in governance and all phases of the programming.
- 03** To strengthen the Employment and Social Innovation (EaSI) strand's ability to experiment with and transfer social innovation, the EC should **build a network of national competence centres to improve the support environment for ESF-supported social innovation**. These centres could:
- Develop training and capacity-building support for public leaders and officials (in partnership with training and education providers and schools of government).
 - Offer managing bodies management support and a platform for learning and practice exchange.
 - Provide capacity building for project promoters and stakeholders (especially smaller social and civil society actors).
 - Develop practical guidance, support and technical assistance built on research, learning and practice for the design, preparation, implementation, evaluation, adaptation or replication of innovative actions.
- 04** To help mainstream and monitor the performance of cross-cutting social innovation policy approaches, the EC should **create a new European Observatory of Social Innovation Policy**.⁸ By complementing the actions of the Employment and Social Innovation strand, the Observatory would help deepen the relevance and impact of social experimentation by:
- Boosting the impact of social experimentation through hands-on and demand-led support for relevant stakeholders⁹ in the design and comparative evaluation of social innovations.

⁸ The concept for a European Observatory of Social Innovation Policy was outlined in SIC's Lisbon Declaration, which received high-level support from Carlos Moedas, Commissioner for Research, Science and Innovation, at Web Summit 2018 in Lisbon. Read more at: Social Innovation Community (2018) The Lisbon Declaration - Social Innovation As A Path to A Sustainable, Resilient and Inclusive Europe. Available online: https://www.siceurope.eu/sites/default/files/field/attachment/the_lisbon_social_innovation_declaration15.10_0.pdf [Accessed: 18/12/18]

⁹ As with the PROGRESS axis of EaSI currently, support should be made open to all public and/or private bodies, actors and institutions (including international organisations) who have an interest in using the ESF to support social experimentation (linked to the achievement of its policy objectives).



- Identifying and validating high-potential social innovations, good practices and scalable solutions, which can be incorporated into national policy reform packages or replicated and scaled transnationally, through transnational learning networks.
- Designing transnational learning exercises between relevant managing bodies and projects to help adapt, replicate or scale promising social innovation pilots, experiments and programmes from elsewhere.

05 The EC and Member States should launch interventions that encourage managing bodies and others to experiment with rules and regulation, and ensure they are proportionate and flexible to support social innovation. Some examples of the ways the regulation could be experimented with include:

- Setting up (and agreeing with the EC) realistic 'light' targets in the Operational Programmes for social innovation-specific priorities.
- Establishing ESF+ Social Innovation Sandboxes to support administrative experimentation. These would be new mechanisms set up to create a controlled environment where standard rules and regulations can be relaxed so that managing bodies can prototype and test new regulatory arrangements (e.g. monitoring and eligibility requirements) that aim at addressing common social innovation barriers before implementation.
- Creating improved monitoring for Operational Programmes, so that indicators, milestones and targets are defined according to the stages or aims of social innovation or social experimentation projects.