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European Social Citizenship

Delivering on the European Pillar of Social Rights: Towards a needs-oriented distribution of the social funds?

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Summary

The European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD) are instruments by which the European Union (EU) acts as a 'material supporter' of national welfare states. Originally, these funds served social objectives only in a derived form. Today, however, the merger European Social Fund Plus (ESF+), integrating both ESF and FEAD, is presented as the main financial instrument to implement the European Pillar of Social Rights (EPSR). This raises the question of what these levers can do in terms of financial support, especially for Member States with greater social needs. Since this question has remained unanswered so far, we aim to fill a gap in the literature by studying this topic. Concretely, in this paper, using the Social Scoreboard indicators that monitor the EPSR implementation, we analyse the size and the distribution of ESF and FEAD allocations according to Member States' economic capacity, social needs, policy outputs and efforts required to meet the European social goals. We find that the funds benefit relatively more the poorer Member States who also tend to have greater social needs. However, especially in the case of ESF, there are significant deviations from this general pattern. Some countries consistently receive less funding than others with similar levels of social needs, and vice versa. Moreover, if we express ESF and FEAD budgets as a percentage of the efforts required to lift all income-poor citizens to the EU-wide 60% poverty line, it appears that countries who need to make the greatest efforts get relatively less funding. This outcome seems to be significantly driven by the funds' allocation rules, which give only little importance to the great social and economic discrepancies between countries. Ultimately, this raises the question whether social needs should be taken more into account in the distribution of the funds, while paying attention to the risk of moral hazard.

Keywords: ESF, FEAD, European social policy, EPSR, social indicators

The making of a European Social Union: the case of food banks and the right to minimum income protection

Project name	The Future of European Social Citizenship
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Work package	EuSocialCit is an interdisciplinary research project aiming to support the EU in strengthening social rights and European social citizenship. It evaluates the current state of social rights in Europe and their relationship to social inequalities, gender inequalities, poverty and precariousness, and diagnoses the shortcomings of current policies and institutions at the level of individual countries and the EU. The EuSocialCit project focusses on three domains in which social rights are important: the empowerment of citizens (e.g. education and activation), fair working conditions and social inclusion. Each of these domains are respectively studied as part of WP3, WP4 and WP5. This report is produced as part of WP5 which is entitled *Inclusion through social policy*. This WP analyses social rights in relation to the principles in the 'social protection and inclusion' cluster of the EPSR. Core diagnoses undergirding this WP5 are the long-lasting trend of poverty in many EU welfare states and for particular groups, and the increased disparities between member states and structural inadequacies of social protection for the most vulnerable.
Web address	For more information about the EuSocialCit project, please visit www.eusocialcit.eu. EuSocialCit's output can also be found in its community on Zenodo: https://zenodo.org/communities/eusocialcit.

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1. Introduction

The European Social Fund (ESF) is the EU's core instrument to invest in people by helping them to get (better) jobs, investing in education and skills, as well as promoting social inclusion. The beneficiaries of ESF are public and private organisations who receive funding for employment-related projects[1]. The Fund for European Aid to the Most Deprived (FEAD) is intended to complement ESF: it focuses exclusively on the most deprived persons to address their basic needs and social inclusion. Nevertheless, FEAD means are mainly used to provide food and basic material assistance to individuals (ECA, 2019a). In 2021, ESF and FEAD have been integrated with other funding instruments[2] into the European Social Fund Plus (ESF+), in order to allow funding to be used in a more efficient and coherent manner[3].

ESF and FEAD have their origin in the Treaty of Rome[4], directly in the case of ESF and indirectly in the case of FEAD which unintentionally emerged from agricultural policy. Initially these policy instruments served social objectives only in a derived form. Today, these funds are part of the EU's cohesion policy representing about one third of the total EU budget, which in turn is mainly financed by Member States' contributions[5]. Through European social funding[6], the European Union (EU) acts as a 'material supporter' of Member States' social policy activities (Vandenbroucke, Keune, Ferrera & Corti, 2021). Moreover, the European Commission (EC) proclaims these funds, under the merger ESF+, to be the most important financial instruments to implement the European Pillar of Social Rights (EPSR) (EC, 2021), which was initiated to serve as a compass for renewed upward social and economic convergence (EC, 2015).

This raises the question to what extent European social funding takes into account the social situation in the Member States and, consequently, whether the funds benefit most those Member States who have to make the biggest efforts to reach the goals set by the EPSR. In this paper, we study the allocation criteria and practices that influence the distribution of the funds. Furthermore, using the

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[1] Retrieved from https://ec.europa.eu/esf/home.jsp?langId=en

[2] ESF+ integrates besides the former ESF and FEAD also YEI, EaSI and EU Health Programme.

[3] Retrieved from https://ec.europa.eu/esf/main.jsp?catId=62&langId=en

[4] Article 117 under Title III 'Social Policy' of the Treaty of Rome states that "*Member States agree upon the need to promote improved working conditions and an improved standard of living for workers*". Article 39 defined the objectives of agricultural policy as "*to increase agricultural productivity […]; thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture*".

[5] Member States contribute a proportion of their Gross National Income (GNI). This type of own resource was created in 1988 to collect if other own resources did not cover the expenditure, but now it makes up around 70% of the own resource revenue. https://www.europarl.europa.eu/factsheets/en/sheet/27/the-union-s-revenue.

[6] This term can be applied to multiple funds that pursue social goals, in particular the ESF, the Youth Employment Initiative (YEI), the FEAD and the EU Programme for Employment and Social Innovation (EaSI). In this paper, emphasis lies on ESF and FEAD.

social indicators which monitor the implementation of the EPSR, we analyse the size and the distribution of ESF and FEAD according to economic capacity, social needs, policy outputs and efforts required to reach the EU social goals in the different Member States. Our focus is on the 2014-2020 Multiannual Financial Framework (MFF) period, the most recently completed long-term EU financial strategy and the last period in which ESF and FEAD operated separately[7]. Given the objectives of the funds and their central role in the EU social agenda aiming at upward convergence, we posit that funding should accrue more to countries facing higher social needs and bigger efforts required to deliver on the EPSR.

Previous studies have focused on the impact and effectiveness of cohesion policy funds, including ESF, in terms of economic or employment growth (for an overview see for example Davies, 2017) and the administrative and financial capacity to absorb ESF funding (e.g. Hagemann, 2019; Incaltarau, Pascariu & Surubaru, 2019). Less attention, however, has been given to the allocation of the funds according to the distribution of social needs across Member States. Hence, we will add a new perspective to the literature in two ways. First, to our knowledge we are the first to make a direct link with the Social Scoreboard indicators, which monitor the EPSR implementation, when studying the size and distribution of the ESF and FEAD budgets across Member States with very diverging levels of social needs. Second, while previous studies mainly adopt a national perspective when comparing Member States' social situation, we complement our analysis with a pan-European view. This is relevant and provides added value since the EPSR was also launched to serve as a compass for upward social and economic convergence between and within countries.

The paper is structured as follows: in section 2 we give an overview of what we call the EU's 'socialisation process' and how this influenced European social funding. Section 3 describes the budgetary size of ESF and FEAD and their allocation rules and practices for the 2014-2020 period. Section 4 presents the associations between Member States' ESF and FEAD budgets and economic capacity, social needs, policy outputs and efforts needed to close the national and EU-wide poverty gap. In section 5 we discuss our findings and conclude.

[7] However, it remains highly relevant to study this period because, despite the integration of ESF and FEAD into ESF+, their previous distinct focuses are still clearly present in the ESF+ goals and implementation rules[7]. Besides that, for the new 2021-2027 period there are no thematic budget breakdowns available yet for countries' ESF+ budget.

2. European social funding and the socialisation of the EU

The European project is characterized by a slow ‘socialisation process’: gradually, social objectives emerged as an independent dimension of European cooperation. This evolution translated also in substantial changes for European social funding, which was gradually strengthened and increasingly used to pursue social goals that, along the way, became more explicit and free-standing.

In the 1950s, the founding fathers of the European project did not consider it necessary nor desirable to strive for social harmonization. This choice was strongly influenced by the Ohlin-report (ILO, 1956) which argued that social progress would follow from the development of a common market. That would not happen automatically but the authors were confident that trade unions were sufficiently strong and governments sufficiently inclined to translate economic growth into better working conditions and stronger social protection.

It was feared, however, that the free movement of capital, labour and goods would accelerate the decline of certain industries or cause enormous damage in the economically weakest regions (ILO, 1956; Bussière, Dumoulin & Willaert, 2008). To address these concerns, the Treaty of Rome included some general rules like safeguard clauses allowing a country to close its market temporarily (Warlouzet, 2018) and established the ESF “*to facilitate employment and promote the geographical and occupational mobility of workers*” (EEC, 1957, Article 123)[8]. The authors of the Ohlin report believed that particularly underdeveloped countries should benefit from a fund that could assist the (re)training and transfer of workers as well as the mobility to other countries. The latter would help southern European countries to reduce their labour surpluses as well as the more industrialised countries to overcome labour shortages and to employ unattractive occupations (ILO, 1956).

The founding fathers turned out not to be mistaken: the subsequent ‘Golden Age’ brought economic growth, impressive social progress and convergence. However, since the beginning of the 70’s, as a consequence of the economic crisis and rising unemployment, the first enlargements and the acceleration of so-called ‘negative integration’ (see a.o. Leibfried, 1993), the need for deepening the Community’s social dimension became more pressing. Within the framework of the Social Action Programme (Council of the EU, 1974), several Directives were adopted concerning workers’ health and

[8] Furthermore, the establishment of the European Investment Bank was supposed not only to contribute to the financing of projects of common interest, but to support underdeveloped areas (Bussière et al., 2008). The Treaty also created the EAGGF Guidance section in order to support underdeveloped rural areas (Brunazzo, 2016).

safety, protection against redundancies and equal treatment of men and women while the first poverty initiatives were taken[9].

The first ESF reform in 1971 aimed to address structural unemployment and underemployment by expanding the fund's target groups (EEC, 1971). The reform also significantly increased funding. Additionally, in 1975, the European Regional Development Fund (ERDF) was created. The idea was for ESF and ERDF to work hand in hand, with ESF focusing on helping people to gain new skills and ERDF to promote industry and infrastructure of regions lagging behind (Brunazzo, 2016). The two funds were collectively referred to as the 'Structural Funds'.

In the 80's, against the background of the accession of Greece, Spain and Portugal at a time of weakened social dialogue and welfare states facing pressure of increasing social expenditure and high unemployment rates, the coexistence of countries with very different living standards raised fears of 'social dumping' (e.g. Bernaciak, 2014). Therefore, further steps in the socialisation process were taken. The Single European Act (SEA, 1986) introduced Qualified Majority Voting in occupational health and safety matters, strengthened the ESF and resurrected the social dialogue process. Importantly, the Structural Funds[10] were given the objective of reducing regional disparities "*to counterbalance the effects of the completion of the internal market on less developed regions*" (SEA, 1986).

Furthermore, European funding was transformed from an essentially 'intergovernmental money transfer' to a real development instrument of the Community's regions (Manzella & Mendez, 2009). In 1988, the Structural Funds were integrated into the overarching 'cohesion policy' field which was explicitly dedicated as a Community competence. Besides that, a number of key principles were introduced aiming at increased commitment of involved actors as well as improved predictability and complementarity with domestic funds (Zimmermann, 2019). Particularly the 'partnership principle' shaped a new mode of (multi-level) governance, emphasising the increasingly shared nature of decision-making between community, national and sub-national actors (Manzella & Mendez, 2009)[11]. Later reforms extended this principle horizontally, so that the role of civil society organisations was explicitly recognised (Batory & Cartwright, 2011).

The Maastricht Treaty (1992) made economic and social cohesion a core objective of the EU, on a par with the internal market and the Economic and Monetary Union (EMU)[12]. This resulted in a large 'financial boost' for cohesion policy, whose resources doubled in the 1993-1999 period (Manzella &

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[9] See the first European anti-poverty programme 'Poverty 1' running from 1975 to 1980.
[10] In the SEA, the 'Structural Funds' referred not only to ESF and ERDF, but also to EAGGF.
[11] They emphasize the central force in pushing for the creation of a well-resourced Community regional policy based on supranational goals. Bachler & Mendez (2016) argue in the same direction: they believe that significant operational innovations were introduced that strengthened the effectiveness and strategic coherence of cohesion policy and shifted the focus of programme management from 'financial absorption of funds' to 'achieving results'. Some, however, claim that the nation states are still the dominant actors in cohesion policy programme management and allocation negotiations, retaining a 'gatekeeping' role (e.g. Allen 2005).
[12] In 2007, the Lisbon Treaty added the dimension of 'territorial' cohesion to 'economic and social cohesion'.

Mendez, 2009). Additionally, the Cohesion Fund (CF) was introduced to co-finance infrastructure projects in the poorer Member States and to help them meet the convergence criteria for joining the single currency[13].

In 2000, the first social agenda in the history of the EU was launched. The Lisbon Council concluded that "*the number of people living below the poverty line and in social exclusion in the Union [was] unacceptable*" and boldly asserted that "*steps [had to] be taken to make a decisive impact on the eradication of poverty*" [14]. The Lisbon strategy proposed a loose and flexible policy approach known as the 'open method of coordination' and replaced the ambition to develop common policy instruments with an ambition to develop common social objectives. Crucially, a set of social indicators were adopted to enable policy makers "*to define in a more precise way the substance of the European Social Model*" (Vandenbroucke, 2002). Later, the more concrete EU2020 target would be launched: a reduction of 20 million in the number of persons living in poverty, jobless households or material deprivation.

Following the 2008-2009 financial crisis and a period of austerity in the EU, the 2014-2020 MFF introduced macro-economic conditionalities on the European Structural and Investment (ESI) funds[15] and the possibility of a 0% co-financing rate for countries with temporary budgetary difficulties, such as those under a macroeconomic adjustment programme[16] (EC, 2013). At that time, diverging trends of Member States' economic and social performance began to emerge. This triggered the announcement of EU president Jean-Claude Juncker to "*develop a European Pillar of Social Rights (EPSR) which takes account of the changing realities of Europe's societies and the world of work. And which can serve as a compass for renewed convergence*" (EC, 2015). The EPSR, proclaimed in 2017, defines a set of 20 principles for the EU to become more inclusive and fairer and to improve the lives of all European citizens. Four years later, at the Porto Social Summit, the EPSR 'Action Plan' was approved which sets out concrete actions to turn the principles into reality. Furthermore, it put forward three EU-level targets in the areas of employment, skills and social protection to be achieved by 2030[17]. Importantly, this would be pursued by 'unlocking social investment through EU funds' (EC, 2021b). According to the Plan, "*The ESF+, with EUR 88 billion, will continue to be the EU's main instrument to support the implementation of the Social Pillar*" (EC, 2021b, p.34).

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[13] The annual government deficit should not exceed 3% of GDP and gross government borrowing should not exceed 60% of GDP.
[14] Lisbon European Council 23 and 24 March 2000. Presidency Conclusions.
[15] This includes ESF, ERDF, CF, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).
[16] "*Macroeconomic adjustment programmes are applied to Member States which no longer have access to financial markets and require external financial assistance. These programmes include measures aimed at consolidating public finances and reducing macroeconomic imbalances, with the final goal of recovering financial solvency and, at the same time, promoting economic growth and job creation*." Retrieved from: https://joint-research-centre.ec.europa.eu/fiscal-policy-european-semester/macroeconomic-adjustment-programmes_en
[17] At least 78% of people (20-64y) should be in employment. At least 60% of adults should participate in training every year. The number of people at-risk-of-poverty or social exclusion should be reduced by at least 15 million.

ESF+ is supposed to support policies in the areas of employment, social inclusion, access to healthcare for vulnerable persons, long-term care, education and poverty eradication. Moreover, ESF+ is more closely linked to the European Semester: "*Member States should allocate an appropriate amount of their resources of the ESF+ strand under shared management to implement relevant country-specific recommendations*" (EC, 2021a). Furthermore, the EU determined several financing priorities for Member States' ESF+ resources: first, at least 25% should be spent to combat poverty and social exclusion, out of which countries with above-average child poverty rates should invest at least 5% in measures to tackle child poverty. Yet, it is stressed that all countries are required to earmark an appropriate amount of ESF+ resources for the implementation of the Child Guarantee. Another 12,5% should (at least) be devoted to young persons neither in employment, education or training (NEETs), if Member States have a percentage of NEETs above the EU average. Furthermore, 0,25% should be invested to strengthen capacity building of social partners and civil society organisations if Member States receive country-specific recommendations in this domain. Lastly, an additional share of at least 3% should be spent to support the most deprived persons.

The latter refers to the support that was ensured during 2014-2020 through the Fund for European Aid to the Most Deprived (FEAD), which is now integrated in ESF+. Remarkably, FEAD's origins lie in the common agricultural policy (CAP) and not in social policy. Because of the existence of food surpluses due to intervention stocks that were held back not to lower market prices, in 1987, the 'Food Distribution Programme for the Most Deprived Persons in the Community' (MDP) was launched. By giving Member States the opportunity to use the food surpluses as food aid for the needy, the MDP's main goal was to keep market prices stable (Caraher, 2015). After stocks declined due to a CAP reform, a reform of the MDP allowed Member States to buy food on the open market. However, this led to a formal challenge of the programme, as buying goods on the open market shifted the focus from an agricultural/financial to a social objective (Caraher, 2015). In 2014, the programme was replaced by FEAD and transferred from DG Agriculture and Rural Development to DG Employment, Social Affairs and Inclusion. The dimension of social cohesion was added, by supplementing food and material assistance with 'accompanying social inclusion measures'. The path from agricultural policy to social inclusion policy makes FEAD a prime example of the slow socialisation of the European project and the emergence of free-standing social objectives and instruments.

It should be emphasized that there are critical voices both for FEAD and ESF. FEAD, as a programme supporting charity food aid, operates in a controversial area of humanitarian assistance. Serious concerns relate to issues of shame, stigmatization, paternalism and the lack of freedom of choice for consumption (e.g. Van der Horst et al., 2014, Pybus, Power & Picket, 2021). Besides that, it is not clear how the implementation of FEAD helps to implement the EPSR. While the assistance is not only about distributing food and material goods itself, but also about empowering hard-to-reach groups, the accompanying measures are often vaguely defined and sometimes the redirection to social services is the only accompanying measure offered (ECA, 2019a). Criticisms of ESF include the high mandatory co-financing, as well as the heavy administrative burden making it difficult for smaller organisations to manage or even apply for ESF means (e.g. Zimmermann, 2016). Moreover, the effectiveness and the measurability of the results of ESF-funded programmes is challenged (Bachtler, Begg, Charles & Polverari, 2016).

Leaving aside these concerns, it is remarkable that for the first time in EU history, European funding is explicitly used to encourage Member States to orient their programming towards the realization of social rights. According to the EPSR Action Plan, "*Member States should make full use of the unprecedented EU funds available to support reforms and investments in line with the European Pillar of Social Rights*" (EC, 2021, p.33). Importantly, due to the pandemic outbreak, the EU budget including resources for social funding has increased tremendously making this research on the size and distribution of the European social funds even more vital. New EU initiatives allowed social funding to be used in a more flexible way (e.g. the Coronavirus Response Investment Initiatives CRII and CRII Plus) and cohesion policy resources (including ESF and FEAD) in 2021 and 2022 were increased, specifically through the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) plan and generally via the Recovery and Resilience Facility (RFF).

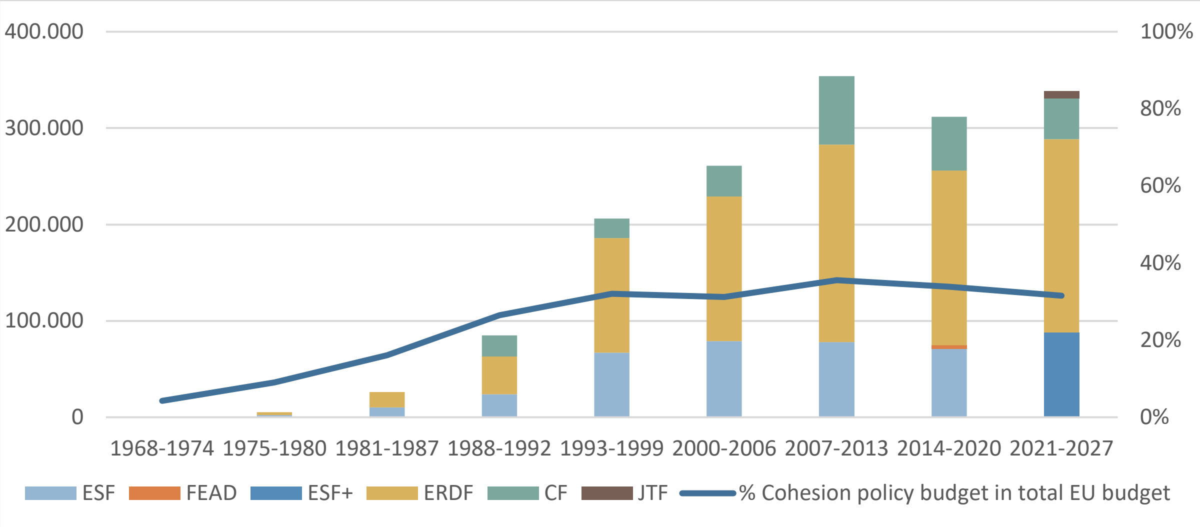
3. Funding and allocation rules and practices

This section first focuses on the evolution of the financial resources for social funding, in absolute terms and compared to the total EU budget. Second, we describe the funding allocation criteria and practices that influence the distribution of ESF and FEAD budgets across the different Member States.

3.1 Budgets for social funding

In line with the increasingly important role attributed to social funding for reaching the EU social goals, cohesion policy resources (including ESF and FEAD) have grown significantly over time. Figure 1 shows that the means for cohesion policy strongly increased, from less than 5% of the EU budget in the 1970s to around a third of the EU budget since the 1990s. Due to the 2004 eastern enlargement, which increased the number of 'less developed regions', the 2007-2013 expenditures for cohesion policy peaked at over 35%. In the latest programming periods, this share has decreased a bit, partly because of new spending priorities, such as research and development, digitalisation, climate change and security. This partly results from a stronger emphasis on 'European added value' (EC, 2018). Compared to other policy domains, the EU-impact of cohesion policy is less straightforward and there is evidence of considerable heterogeneity regarding the regional and national impact of cohesion funding (Crescenzi, Fratesi & Monastiriotis, 2020). Yet, it should be borne in mind that together with agriculture, cohesion policy is still the largest funding area in the EU budget.

Figure 1. Evolution of the size of ESF, ERDF, CF and FEAD (in million EUR, left hand axis) and the share of cohesion policy in the EU budget (right hand axis)



Note: Data about the ESF budget was only found from 1968 onwards. During 1968-1987 the 'cohesion policy budget' included ESF, ERDF and the European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section. After this period it included ESF, ERDF, CF and the smaller funds EAFRD and EMFF (and FEAD in 2014-2020). For 2021-2027, it includes ESF+, ERDF, CF and the Just Transition Fund. No data was found on the MDP budgets.
Source: European Commission (2009); European Commission (2014a); European Commission (2020).

Concretely, during 2014-2020, almost 9% of the total EU budget went to ESF to i) promote employment and supporting labour mobility; ii) promote social inclusion and combating poverty; iii) invest in education, skills and lifelong learning; iv) enhance institutional capacity and ensuring efficient public administration[18]. FEAD, with 0,4% of the total EU budget, focuses exclusively on the most deprived people by addressing their basic needs, which is a precondition for them to be able to get a job or follow an inclusion pathway under ESF[19].

[18] Regulation (EU) No 1304/2013 of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006
[19] Retrieved from https://ec.europa.eu/social/main.jsp?catId=1089

3.2 Allocation criteria

The allocation of ESF and FEAD budgets[20], is guided by four core principles, which were introduced in the 1988 revision of cohesion policy and still valid today[21]:

(a) 'Programming' – emphasizing strategic and multi-annual plans;
(b) 'Concentration' – targeting on a limited number of objectives and on the least developed regions;
(c) 'Additionality' – ensuring that EU funding does not replace national spending;
(d) 'Partnership' – establishing formal procedures for close interaction between the European Commission and national, regional and local authorities for all stages of the implementation process.

The concentration principle is present in the share of Structural Funds' (ESF and ERDF) resources that countries must spend on ESF. Common criteria define Member States' eligible Structural Funds budget, but after that they decide (in agreement with the Commission) what share they want to use for ESF and what share for ERDF. In 2014-2020, for the first time, it was required to spend at least 23.1% of Structural Funds' resources to ESF, because "Member States should concentrate support to ensure sufficient investment is targeted at youth employment, labour mobility, knowledge, social inclusion and combating poverty" (EC, 2013, p.331). This rule was created because the share of ESF was continuously declining over the past 25 years (EU, 2018).

ESF means are also geographically concentrated in the economically weakest regions: "*The level of ESF funding and the types of projects that are funded differ from one region to another depending on relative wealth*"[22]. Concretely, the Structural Funds' allocation methodology (EC, 2013) divides NUTS-2 level regions into three categories: less developed regions, transition regions and more developed regions (who respectively have a GDP per capita (in PPP) less than 75%, between 75% and 90% and more than 90% of the EU-27 average). Less developed regions are eligible for the highest EU budgets[23] and these regions enjoy lower national co-financing rates (15% in the poorest regions, up to 50% in richer regions). This principle is important, as research shows that lower co-financing can provide a financial incentive to apply for ESF funding (Zimmerman, 2016). For each category of regions, different criteria and weights exist which define regions' funding eligibility. Since the Berlin summit in 1999, GDP per capita is predominant (known as the 'Berlin method'[24]) for the budgetary amounts of all regions. Additionally, the number of unemployed and other criteria have lower weights[25].

[20] Our focus is mainly on the 2014-2020 programming period, but the previous periods are also of importance for understanding the contemporary allocations.
[21] Retrieved from https://ec.europa.eu/regional_policy/en/policy/how/principles/
[22] Retrieved from https://ec.europa.eu/esf/main.jsp?catId=525&langId=en
[23] This runs up to almost 75% of the budgets from ESF, ERDF and CF.
[24] This method implies that GDP per capita (in PPP) determines more than 80% of the allocations (ECA, 2019b).
[25] A detailed overview of the indicators and weights can be found in Annex VII of the ESIF regulation.

Member States' FEAD means are also deducted from their Structural Funds budget, meaning that there is a trade-off between FEAD and ESF resources (EC, 2014b), as "*Member States chose how much they wanted to dedicate to FEAD while complying with the minimum amount [of 3,5 million EUR plus 15% national co-financing]*" (EC, 2019). Although the FEAD regulation states that *"the population suffering from severe material deprivation and the population living in households with very low work intensity"* (EC, 2014b) was taken into account, other elements may have played a larger role. Thirteen out of the twenty countries who participated in the MDP programme[26] did not want to receive less FEAD funding than their previous MDP funding pointing to the importance of budget continuity (ECA, 2019a).

The emphasis Member States put on budget continuity also holds for ESF and ERDF: through so-called caps and safety nets[27] fluctuation in countries Structural Funds' budget from one period to another is limited (Mendez et al., 2014). Besides that, other agreed adjustments and political negotiations influence the Structural Funds' final budget distributions. For instance, a cap fixed at 2,35 percent of GDP (and 2,59 percent for 'low growth' countries)[28] has to make sure that Member States can absorb their budgets and to avoid 'overheating of the recipient economy' (EC, 2014a; Mendez, Wishlade & Bachtler, 2014). Furthermore, the distribution is influenced by national preferences and negotiations on 'special allocations'[29] and compensating mechanisms (Mendez et al., 2014; ECA, 2019b).

[26] In 2012 all Member States except Austria, Cyprus, Denmark, Germany, the Netherlands, Sweden and United Kingdom participated in the MDP programme. Croatia did not participate either as they joined the EU in 2013.
[27] 2014-2020 allocations could not exceed 110 percent of 2003-2007 allocations (this affected Romania and Slovakia) and they could not be less than 55 percent (this affected Cyprus).
[28] The 'low growth' cap applied to Hungary and the three Baltic States. Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia were affected by the cap.
[29] https://www.cpmr.org/pub/docs/366_cpmr_summary_of_berlin_formula_july_2015.pdf

4. ESF and FEAD distributions in relation to social and economic indicators

In this section, we analyse the distribution of ESF and FEAD between Member States according to economic capacity, social needs, policy outputs and efforts required to close the national and EU-wide poverty gap. To this end, we will make use of various indicators which illustrate a countries' economic capacity, social needs, policy outputs and required efforts. It is important to stress that there are strong associations between the independent variables that we include: a higher GDP per capita tends to coincide with lower social needs (such as at-risk-of-poverty) and better policy outputs (such as minimum income adequacy) because the feature of developed welfare states is exactly this conjunction of a high level of prosperity and a high level of social rights implementation (Wilensky 1975; Cantillon & Buysse, 2016). While it is obviously of great interest to study the distributions at both national and regional level, the available data allow only for national comparisons[30].

4.1 Distribution according to economic capacity

Figure 2 shows the relationship between Member States' EU[31] ESF and FEAD budgets for 1 year[32] (as a percentage of GDP[33]) and GDP per capita (in Purchasing Power Standards (PPS)). Because the size of countries' ESF and FEAD budgets is highly influenced by their population size, i.e. countries with a larger population generally receive higher budgets, we show the budgets in relative terms as a percentage of GDP[34]. In general, poorer Member States receive higher ESF and FEAD budgets relative to their GDP (correlation of respectively -0,67 and -0,56). However, there is no perfect relation, as for example Portugal receives a relatively high ESF budget (0,58%) compared to poorer countries like

[30] ESF budgets are primarily defined per NUTS 2 region, but available data is either presented at Member State level or per category of region. For FEAD, budgets are entirely decided at the Member State level. Furthermore, the quality and available information of EU-SILC data at regional level need to be improved (Till, 2021).

[31] Because our main interest is to understand how much money flows from the EU to the Member States.

[32] We divided the total EU ESF and FEAD budget for 2014-2020 by seven.

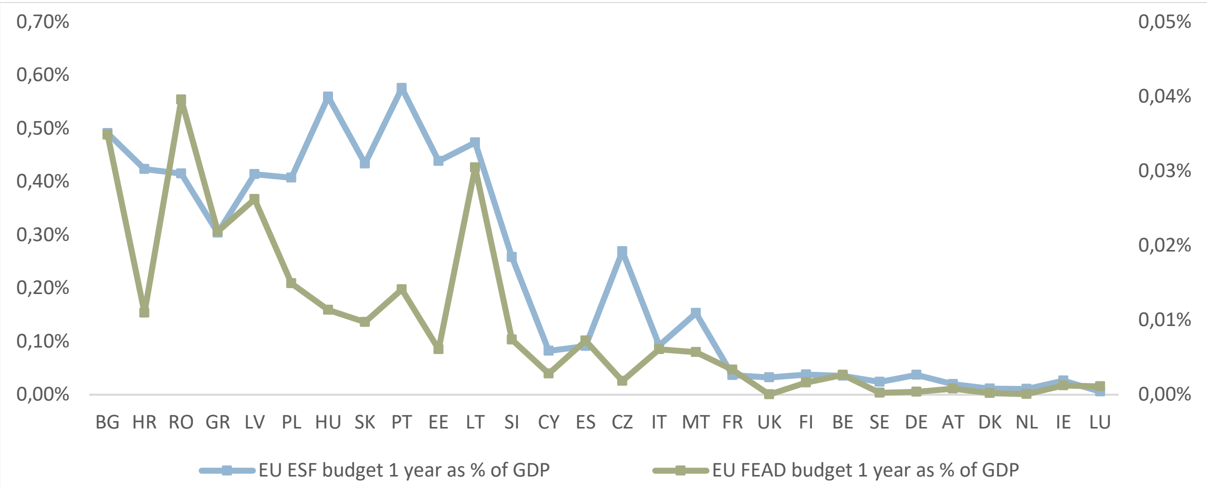
[33] We take the average GDP level in constant market prices of 2014 until 2020, as this is the period for which the ESF and FEAD budgets were decided (for the UK, no 2020 data is available so the average of 2014-2019 is used). We also executed the analysis with 2014 data only, as this is the moment the 2014-2020 ESF and FEAD budgets went into force, which resulted in somewhat higher correlations: -0,78 for ESF and -0,65 for FEAD. This implicates that the economic and social situation has changed a lot over the past seven years. Therefore, we decided to include data of the entire 2014-2020 period.

[34] Another possibility is to express the ESF and FEAD budgets per capita, which is highly correlated with the budgets expressed as a percentage of GDP (-0,90 for ESF and -0,88 for FEAD). However, we did not consider it very meaningful to show how many euros each person of a specific country hypothetically receives, as this does not reflect the reality given the specific focuses of the funds. Still, expressing the budgets relative to the number of potential beneficiaries is also not an easy task given the enormous variety in programs and target groups. Therefore, we show the budgets as a percentage of countries' GDP, a well-known and widely used indicator, despite its shortcomings which we discuss later.

Latvia (0,41%) or Romania (0,41%). This is (at least) partly due to the cap that limits the Structural Funds' budget to a certain percentage of countries' GDP. For Romania, also the cap limiting budgetary fluctuations over different programming periods has an impact.

The budgets of richer countries are almost negligible, with accumulated budgets below 0,05% of GDP. For poor countries, the accumulated budgets are more important, ranging from 0,10% of GDP in Italy and Spain, 0,45% in Romania and around 0,50% in Bulgaria and Lithuania to almost 0,60% in Hungary and Portugal. By comparison, between 2014 and 2018 Romania spent on average 0,24% of its yearly GDP on unemployment benefits and social exclusion not elsewhere classified[35] and Hungary 0,50%, meaning that for some countries their one-year accumulated ESF and FEAD budget is larger than their national spending on these benefits. In contrast, richer countries spent on average between 1,5% and 5% of their GDP between 2014 and 2018 on unemployment and social assistance benefits.

Figure 2. One-year EU ESF budgets (left hand axis) and EU FEAD budgets (right hand axis) as % of average GDP 2014-2020 of the Member States ranked horizontally from lowest to highest average GDP per capita (in PPS) 2014-2020



Source: own calculation based on Eurostat and EU Cohesion policy data.

4.2 Distribution according to social needs

How are the funds distributed according to social needs? Whereas in the previous section we looked at the budget distributions in relation to GDP per capita, the main indicator for allocating ESF budgets, we now make use of Social Scoreboard[36] indicators, listed in Table 1, to answer this question. Given the funds' social objectives, these alternative indicators give us an interesting opportunity to look further than GDP, as it is widely recognized that this indicator has serious drawbacks as a welfare and

[35] This function includes benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions (Eurostat website).
[36] https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&newsId=9163&langId=en

living standard indicator (e.g. Stiglitz, Sen & Fitoussi, 2009; OECD 2018; EC, 2014a). Next to the Social Scoreboard, the choice of indicators is also influenced by insights and proposed alternative indicators from the EU's 'Beyond GDP initiative'[37]. Figure 3 shows the associations between Member States' FEAD and ESF budgets on the one hand and the selected social need or outcome indicators on the other.

Table 1. Selected social need (outcome) indicators

Indicator	Definition
At-risk-of-poverty or social exclusion rate (AROPE)	share of persons who are either AROP, SMD or living in a household with VLWI.
At-risk-of-poverty rate (AROP)	share of persons with an equivalised disposable income below 60% of the national equivalised median disposable income.
Severe material deprivation rate (SMD)	share of persons who cannot afford at least 4 items: i) pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, ix) a telephone.
Very low work intensity rate (VLWI)	share of persons aged 0-59 living in a household where working-age adults (18-59) work 20% or less of their potential during the previous year.
Long term unemployment rate	share of the economically active population aged 15 to 74 who has been unemployed for 12 months or more.
Young people neither in employment nor in education and training (NEET)	share of persons aged 15-24 who do not fall into one of these three categories.

Source: own elaboration based on the Eurostat definitions.[38]

In general, Member States facing higher social needs tend to receive more funding. The composite headline indicator AROPE is positively associated with ESF and especially with FEAD budgets. The AROPE sub-indicators show quite divergent patterns: the association is strongest for SMD whereas the association with AROP is weaker (especially for ESF) while there is no or even a small negative association between the received funds and the very low work intensity indicator[39]. The association

[37] https://ec.europa.eu/environment/beyond_gdp/indicators_en.html

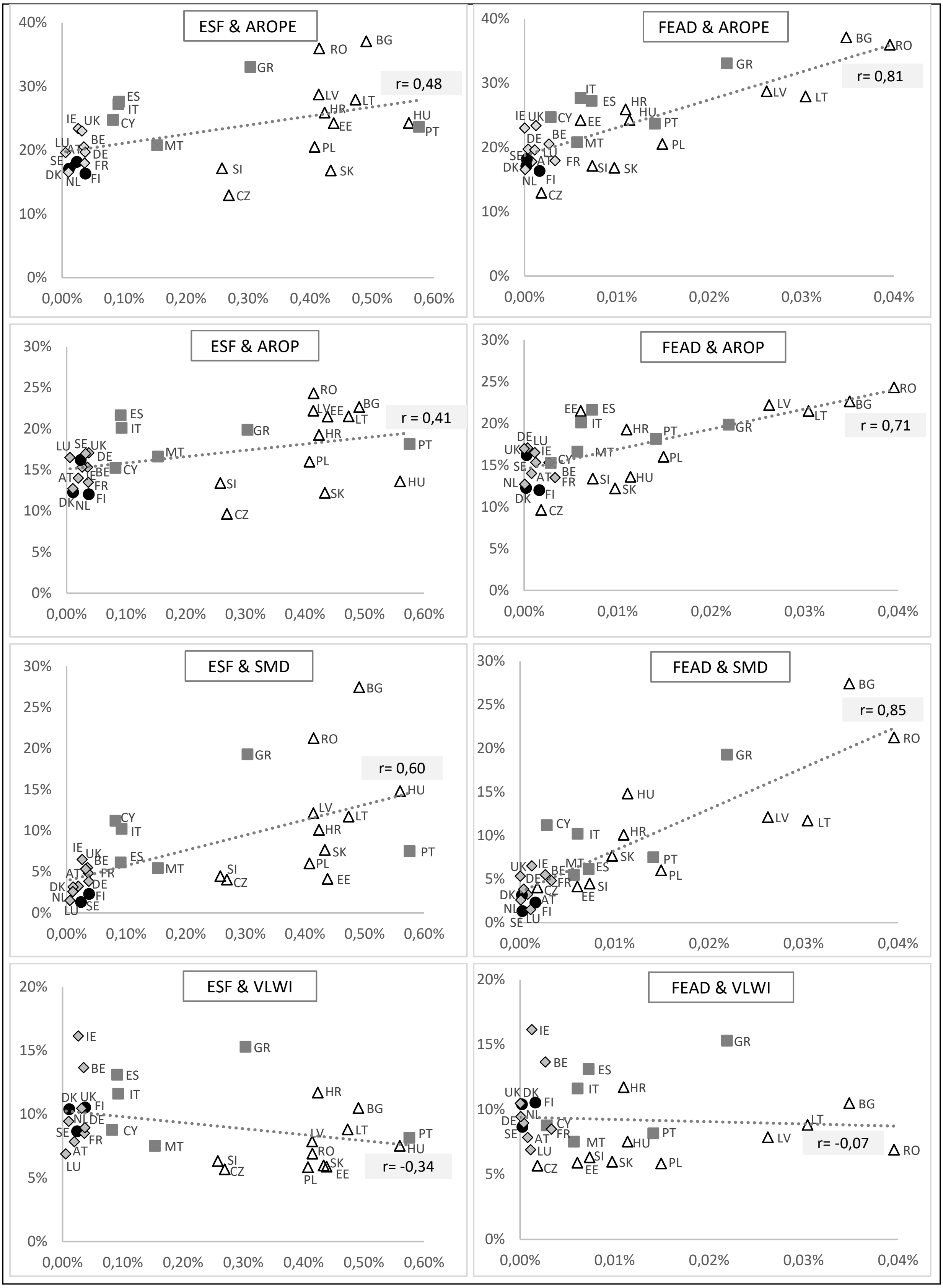
[38] Recently, the definitions of SMD, VLWI and consequently AROPE have changed. The new 'Severe material and social deprivation' indicator includes persons who cannot afford at least 7 out of 13 items: i) pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) have access to a car/van for personal use; vii) replace worn-out furniture; viii) replace worn-out clothes with some new ones; ix) have two pairs of fitting shoes; x) spend a small amount of money each week on him/herself; xi) have regular leisure activities; xii) get together with friends/family for a drink/meal at least once a month; and xiii) have an internet connection. For VLWI, the new definition includes a broader age category of 0-64 (and working-age adults 18-64). The current composite AROPE indicator is calculated by making use of AROP and the updated VLWI and SMD. In Figure 3, the 2020 data of SMD, VLWI and AROPE (which are used to calculate the 2014-2020 averages) follow these new definitions.

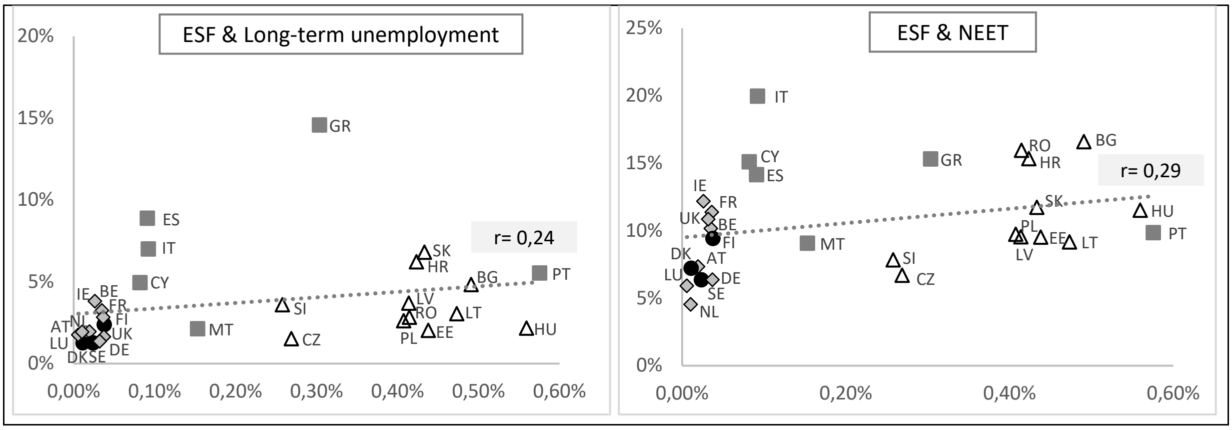
[39] The variation across countries in the composition of joblessness indicates that VLWI does not capture the same phenomenon in every country (Atkinson, Guio & Marlier, 2017; Nolan & Whelon, 2011).

between ESF and unemployment indicators are remarkably weak. Furthermore, for most indicators, we observe many departures from the trendlines.

Thus, while in the broad group of EU countries there is a positive correlation between level of support and social need, there does not seem to be an adequate differentiation between countries with relatively high levels of social need such as Romania, Bulgaria and Greece. The positive associations with the social need indicators are consistently stronger for FEAD than for ESF, suggesting preferences for FEAD of countries with greater social needs, as Member States chose how much of their Structural Funds' budget they wanted to dedicate to FEAD (while complying with the minimum budget). The weaker associations between ESF and social needs (especially employment indicators) are arguably related to the ESF allocation methodology that puts a strong focus on economic capacity.

Figure 3: Associations between one-year EU ESF and FEAD budgets (as % of average GDP 2014-2020) on the horizontal axis and social need indicators (average of 2014-2020) on the vertical axis





Note: ● Northern EU-countries, Δ Eastern EU-countries, ◇ Western EU-countries, ■ Southern EU-countries. For the UK, 2019 and 2020 data is missing for AROPE, AROP, SMD and LWI, and 2020 data for NEET and long-term unemployment. For Italy, there is no 2020 data yet on AROPE, AROP, SMD and LWI.
Source: own calculation based on Eurostat and EU Cohesion policy data.

4.3 Distribution according to policy outputs

In Figure 4, the associations between Member States' ESF and FEAD budgets and a selection of policy output indicators[40] (see Table 2) are presented. Figure 4 shows that Member States with lower scores on the policy output indicators tend to receive more funding, although there are many departures from the trendline (see e.g. social protection expenditure of Finland and the Czech Republic). As mentioned earlier, the level of social needs of a country is negatively associated with policy output performance. Therefore it is self-evident that now the correlations between the funds and the policy output indicators are negative (and not positive like the correlations with social need indicators).

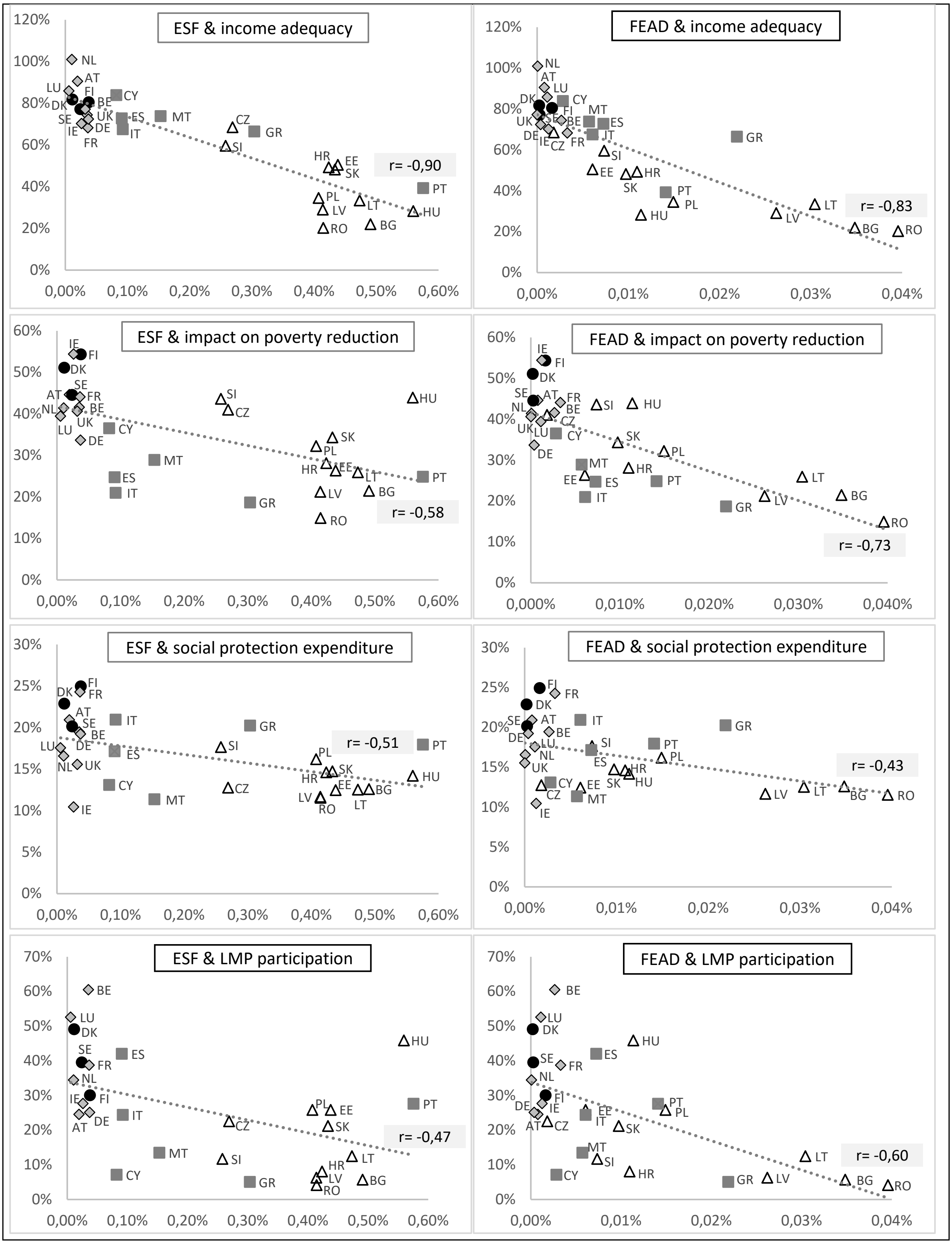
Table 2. Selected policy output indicators

Indicator	Definition
Adequacy of minimum incomes	national social assistance benefits for a single person expressed as a percentage of the AROP threshold.
Impact of social transfers on poverty reduction	reduction in the AROP rate due to social transfers (difference of the pre- and post-transfer AROP rate; pensions not included).
Expenditure on social protection as % of GDP	total expenditure on: 1) old age, 2) survivor, 3) sickness/health care, 4) disability, 5) family/children, 6) unemployment, 7) housing and 8) social exclusion not elsewhere classified.
Participation in Labour Market Policies (LMP)	participation in LMP per 100 persons wanting to work; public labour market interventions where the main activity of participants is other than job-search related. Participation usually results in a change in labour market status.

Source: own elaboration based on the Eurostat definitions and the MIPI-HHoT database (Marchal et al., 2018).

[40] These are included in the Social Scoreboard, except for the minimum income adequacy indicator, which is based on the Minimum Income Protection Indicators (MIPI-HHoT) database (Marchal et al., 2018).

Figure 4: Associations between one-year EU ESF and FEAD budgets (as % of average GDP 2014) on the horizontal axis and policy output indicators (average of 2014-2020) on the vertical axis



Note: ● Northern EU-countries, Δ Eastern EU-countries, ◇ Western EU-countries, ■ Southern EU-countries. For the UK, 2019 and 2020 data is missing on social expenditure and social transfers, and 2014-2020 data is missing on LMP participation. For Italy, 2014-2017 data is missing on income adequacy and 2020 data on social transfers. For Greece, 2014-2015 data is missing on income adequacy. The data on LMP participation is based on the 2014-2019 average for all countries.
Source: own calculation based on Eurostat, EU Cohesion policy and MIPI data.

The negative associations in Figure 4 suggest that countries who need to make the greatest efforts in terms of the realization of social rights receive the most support (expressed as a % of GDP) from Europe. But the relationships also carry a warning referring to the moral hazard conundrum central to the European social policy agenda: the funds should support Member States without creating incentives for Member States to reduce or freeze their own efforts (Greiss, Cantillon & Penne, 2020).

In order to avoid a layback of national social efforts, some kind of level playing field is needed. The EU already holds several levers to encourage proper use of EU cohesion funding, most prominently since the latest 2014-2020 programming period. So-called 'ex-ante conditionalities' were introduced for the ESI funds, which had to ensure more effective and efficient spending. According to the Commission, they "*provided an incentive for Member States to implement structural changes and policy reforms*" (EC, 2017). Also other initiatives such as the 'additionality' and 'partnership' principle were set up to contribute to this (Zimmerman, 2019).

Yet, it is not clear whether the existing initiatives are sufficient to mitigate the risk of moral hazard. At the moment, poorer Member States enjoy lower national ESF co-financing rates, regardless of their efforts and efficiency. The EU could possibly link the co-financing rates to Member States' efforts. Besides that, it is important that the EU social funds are operating in 'non-competing domains'. The 'additionality' principle says that EU funding could not replace national spending. However, when EU funding operates in a field where national competences prevail, such as FEAD might do in the social assistance field, this may induce undesirable moral hazard effects.

4.4 Distribution according to efforts needed to close the poverty gap

The previous figures showed the distribution of social funds expressed as a percentage of GDP. In this section, we consider budgets as a percentage of the efforts required to address country-specific social needs. The indicator we use is the poverty gap, i.e. the cost to lift all income-poor citizens to the 60% national at-risk-of-poverty line (in a static simulation). In addition, taking a pan-European perspective, we also express the received budgets as a percentage of the cost to lift all income-poor citizens to the EU-wide 60% at-risk-of-poverty line[41]. After all, ESF+ is presented as the main instrument to implement the EPSR, which was initiated to serve as a compass for upward social and economic convergence between the Member States. Closing the European poverty gap can be considered as an indicator of the ultimate goal to create 'social, economic and territorial cohesion' and convergence (e.g. Goedemé et al., 2019). Fahey (2007) rightly argued that an EU-wide poverty measure is

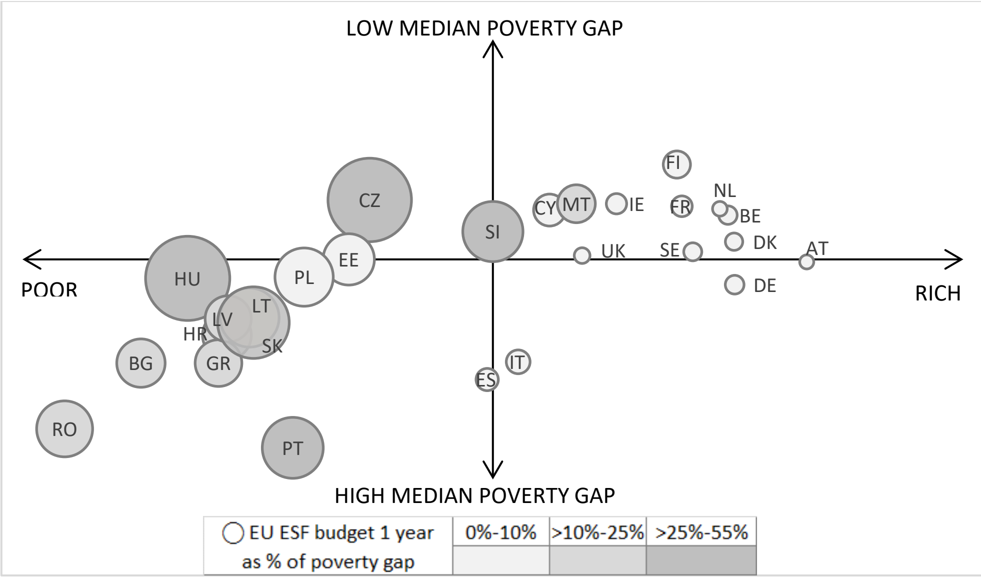
[41] This is constructed using the EU Statistics on Income and Living Conditions (EU-SILC) dataset. In line with the work of Goedemé et al. (2019), we standardized disposable incomes using the modified OECD equivalence scale and adjusted this with PPPs for individual consumption.

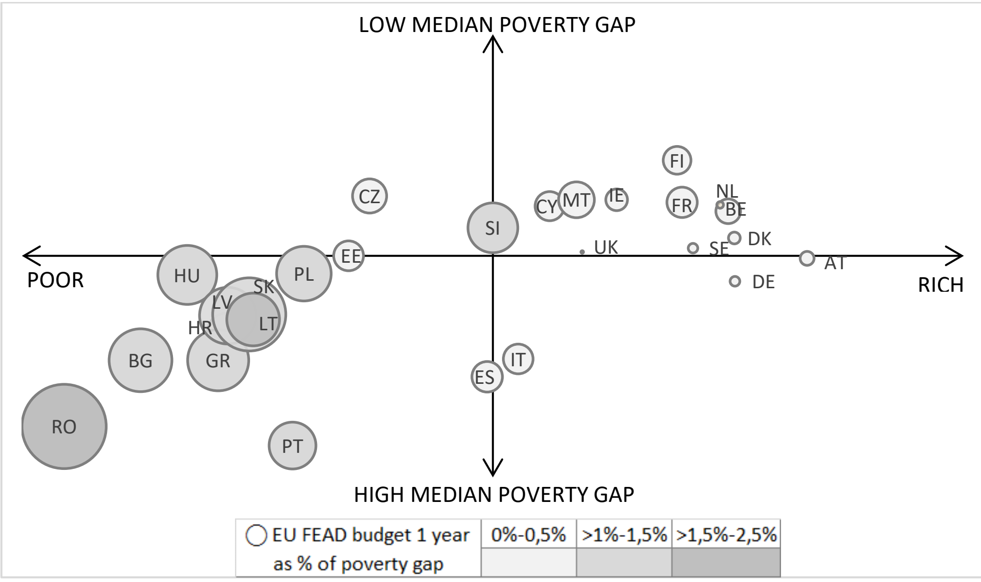
empirically meaningful to show that in poorer Member States a high rate of the population has very low living standards. In 2014 around 90% of Romanians had an income below the EU-wide poverty line, whereas in richer countries this was only the case for very few (e.g. less than 5% in Finland).

In Figure 5, the circles indicate the size of the ESF and FEAD budgets according to the efforts Member States must make to raise their citizens' incomes to the national poverty line. Member States are positioned along two dimensions: median equivalent disposable income and the national median relative poverty gap, defined as the difference between the median equivalised disposable income of people below the AROP threshold and the AROP threshold (Eurostat definition). In the upper right quadrant the countries with above average median incomes and below average poverty gaps are displayed. The lower left quadrant displays the countries with below average median incomes and above average national poverty gaps.

Figure 5 shows, first, that in some countries ESF budgets expressed as a percentage of the poverty gap are quite substantial, rising to almost 55% in Hungary and the Czech Republic. The same holds for FEAD: the budget of Romania reflects more than 2% of the cost to close its national poverty gap. Second, budgets tend to be relatively higher for poor countries with a large national poverty gap than for richer countries with smaller poverty gaps, ranging between 53% in Hungary and 1,4% in Austria for ESF, and between 2,2% (Romania) and 0,01% (Netherlands) for FEAD. Third, there are significant deviations from this general pattern. For example, if we compare Greece with Poland, we see that the relative ESF budget of the Czech Republic (52,1%) is more than three times as big as that of Greece (16,1%), whereas Greece has a lower median income and higher median poverty gap. Furthermore, Germany's relative ESF (16,1%) budget is (much) smaller than that of Finland (5,4%), although they have approximately the same median income.

Figure 5: EU ESF and FEAD budget for 1 year as % of Member States' efforts needed to close the national poverty gap (average of 2014-2020[42])





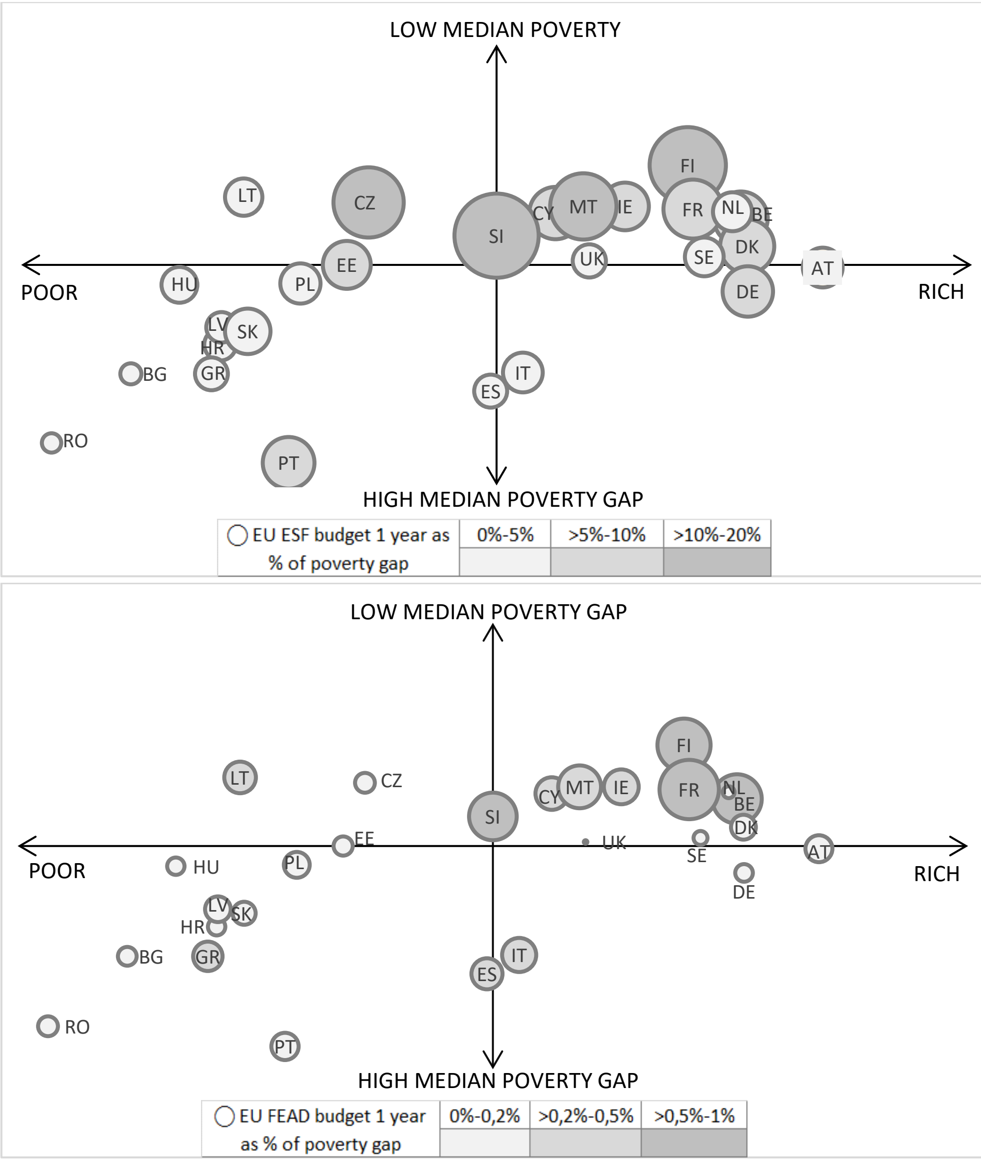
Note: on the horizontal axis, countries are positioned according to their equivalent median income in PPS (average 2014-2020). On the vertical axis, their position is determined by the national relative median at-risk-of-poverty gap (average 2014-2020). Luxembourg is not included, because of its outlier position concerning median income.
Source: own calculation with EU-SILC and EU Cohesion policy data.

In Figure 6, the budgets are expressed as a percentage of the cost to close the gap with the EU-wide poverty line. Considered in this way, compared to the efforts Member States need to make to close the EU-wide poverty gap, it appears that a relatively large share of the budgets accrues to richer countries. In most poor countries, ESF and FEAD budgets are low compared to their high cost to close the EU-wide poverty gap. Theoretically, with a one-year ESF budget, some richer countries would be able to reduce their EU-wide poverty gap with almost 10% in France to almost 16% in Finland. In

[42] Because of data lacks, for the UK the 2014-2018 average is included, for Italy and Germany the 2014-2019 average.

contrast, the ESF budget for Romania and Bulgaria only represents about 1% of their cost to close the gap with the EU-wide poverty line. Similarly, the FEAD budget of France expresses almost 1% of its efforts required to lift its poor citizens to the EU-wide poverty line, whereas in Romania this is less than 0,1%.

Figure 6: EU ESF and FEAD budget for 1 year as % of Member States' efforts needed to close the EU-wide poverty gap (average 2014-2020)[43]



Note: on the horizontal axis, countries are positioned according to their equivalent median income in PPS (average 2014-2020). On the vertical axis, their position is determined by the national relative median at-risk-of-poverty gap (average 2014-2020). Luxembourg is not included, because of its outlier position concerning median income.
Source: own calculation with EU-SILC and EU Cohesion policy data.

[43] The scale of the circle sizes in Figure 6 differs from the scale of the circles in Figure 5, because of visibility reasons (otherwise, the circles in Figure 6 would be too small). Because of data lacks, for the UK the 2014-2018 average is included, for Italy and Germany the 2014-2019 average.

Hence, a pan-European analysis presents a quite different picture compared to the national perspective taken in the previous figures. Expressed as a percentage of GDP and as a percentage of the efforts needed to close the national poverty gap, ESF and FEAD budgets are larger for poorer countries with higher social needs. From a pan-European perspective the reverse is true: relatively less funding goes to the countries who need to make the greatest efforts to lift their income-poor citizens to the EU-wide poverty threshold. Although the funds accrue more to poorer countries with greater needs, they are relatively limited compared to the size of their needs.

5. Discussion and conclusion

In the context of the socialisation process of the EU, European social funding has undergone profound changes. ESF was formerly used as an instrument primarily serving economic goals, and was only gradually used as a strategic instrument to pursue social goals which increasingly became free-standing objectives. FEAD originated as an agricultural instrument to address the problem of food surpluses, but it was later decoupled from food surpluses and transferred from DG Agriculture and Rural Development to DG Employment, Social Affairs and Inclusion. Today, the merger ESF+, integrating ESF and FEAD, is presented as the main financial instrument to implement the EPSR. Yet, these evolutions are translated only partially in the funds' distribution criteria: ESF and FEAD distributions depend highly on national preferences (including budget continuity) and GDP per capita (for ESF). GDP, however, poorly reflects living standards and the social dimension of well-being, leading to growing requests to go 'beyond GDP' (e.g. Stiglitz, Sen & Fitoussi, 2009; OECD 2018; EC, 2014a), which was also stressed during the Social Summit in Porto (Council of the EU, 2021). In this paper, using the Social Scoreboard indicators that monitor the EPSR implementation, we analysed the size and the distribution of ESF and FEAD according to Member States' economic capacity, social needs, policy outputs and efforts required to meet the European social goals.

We find that, in general, countries with relative low GDP per capita, high at-risk-of poverty rates, a high number of materially deprived persons, a low social floor and comparatively low social spending tend to benefit more from ESF and, especially, FEAD. However, particularly in the case of ESF, there are large departures from the trendlines. Some countries consistently receive less funding than others with similar levels of social needs, and vice versa. Moreover, if we express ESF and FEAD budgets as a percentage of the efforts required to lift all income-poor citizens to the European 60% poverty line, it appears that countries who need to make the greatest efforts get relatively less funding.

Our findings lead to two recommendations. First, although the ESF website states that 'needs-based funding'[44] is applied for distributing the budgets, our analysis points out that a great weight is given to other factors linked to economic capacity and country-specific preferences. In general, this concurs with a needs-based distribution. However, the many departures from the trendlines suggest that a more deliberate, intentional and planned social needs-oriented distribution of the European social budgets should be considered. Second, our analysis indicated that, although the funds accrue more to poorer countries with greater needs, the budgets are relatively limited compared to the size of their needs. In order to foster upward convergence, this points to the need to consider an increase in the volume of the social funds.

[44] Retrieved from https://ec.europa.eu/esf/main.jsp?catId=525&langId=en

These recommendations lead to the following considerations and questions for further research. First, an increase of budgets is desirable under the condition that the funds are shown to be successful in the implementation of social rights. In this context, it is worth pointing out that the current ESF+ makes a stronger link with the European Semester and country-specific recommendations. This means that the destination of country's ESF+ resources has to be taken into account "*the Pillar, the Social Scoreboard of indicators, as revised following the adoption of the new targets set out in the Social Pillar Action Plan, and regional specificities*." (EC, 2021a). However, relatively little is known about the social impact of the funds. Given their increasing importance in the European socialisation process, the study of the efficacy of the funds in terms of the effectuation of the EPSR should feature high on the research agenda.

Second, the funds should support Member States without creating incentives to reduce own structural social protection measures. Although the additionality principle is in place which stresses that EU funding could not replace national spending, the risk of moral hazard is looming. Generally, higher social needs tend to concur with less policy efforts (both in terms of quantity and quality) of Member States. Therefore, in order to foster national efforts, a level playing field is needed. The question is particularly pressing for FEAD, which Greiss et al. (2020) described as a *Trojan horse dilemma:* does FEAD ultimately foster political consensus on common social goals and better social protection standards, or does it unintentionally open up ways for the EU as an agent to fill the gaps of inadequate social protection in European welfare states? So conceived, Cantillon (2019) argued that "*minimum standards for wages, social assistance and social insurance are a necessary precondition of pan-European solidarity*. C*ompacts on minimum incomes are needed to support the functioning of the social funds*".

Our study is subject to limitations. Because of data constraints, we did not consider the associations between regional ESF budgets and social indicators at the regional level. However, it would be interesting to carry out regional analyses as well, given that the ESF allocation primarily takes places at the NUTS-2 level. Besides that, large regional socio-economic disparities exist within several Member States. Another drawback concerns the fact that only the European budgets of ESF and FEAD were taken into account, not the national co-financing budgets. Especially for ESF the co-financing budgets are important because ESF co-financing rates differ strongly across regions and countries. Furthermore, the additional resources of the initiatives induced by the COVID-19 outbreak are not taken into account in this paper.

Nevertheless, the results are a first important step to better understand the potential of EU social funding as a policy tool, and to rethink the way to distribute European social funding. To our knowledge, this study is the first to analyse the distribution of ESF and FEAD according to social indicators, from both a national and pan-European perspective. Our study is mainly descriptive in nature. We do not aim to make claims about which indicators should be used or which Member States must be entitled to the largest budget. Further research is needed to explore different pathways for distributing budgets and to gain better insight into how ESF+ could contribute to delivering on the EPSR, as to date it remains unclear how ESF and in particular FEAD support its implementation.

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