

**ETUC-CEEP-EFEE-ETUCE project**

**Improving social partners' involvement in EU support for public budgets  
for training and education**

**Results of the EU-level analysis:**

## **EU-LEVEL FUNDS AND FINANCIAL INSTRUMENTS FOR EDUCATION AND TRAINING AND THE ROLE OF SOCIAL PARTNERS**

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## 1 INTRODUCTION

While respecting the competence of Member States for their education and training systems, education and training make a substantial contribution to several EU strategies and initiatives, including the Europe 2020 Strategy, the Youth Guarantee, the Digital Single Market, the European Agenda on Security and the Investment Plan for Europe. Also, the increase in violent and nationalist extremism and fundamentalism throughout Europe during the last years reminds us that education and training has an important role for social inclusion, equal opportunities and a culture of mutual respect and fundamental values. Thus, education and training should be strengthened and supported in order to improve access to quality learning for all in order to avoid labour market and social segmentation and to enable processes of upward social mobility and convergence throughout Europe.

However, the latest edition of the European Commission Education and Training Monitor<sup>1</sup> shows that serious challenges remain or have even become more pressing:

- ▶ One fifth of 15 year-olds in the EU still score poorly in reading, science and mathematics and do not reach level 2 in OECD Pisa; one fifth of adults have low levels of literacy and numeracy, and only 10.7% of adults take part in lifelong learning.
- ▶ There are more than 5 million early school leavers in the EU and only 19 Member States have reached the Europe 2020 target on early school leaving of below 10% and there has been little progress in recent years. It should be noted here that around 60% of early school leavers are either unemployed or inactive. A further alarming indicator is that foreign born pupils on average are twice as likely to leave the education and training system early when compared to native-born pupils.<sup>2</sup>
- ▶ Regarding higher education attainment there has been significant progress. In 2014, 16 Member States have met the Europe 2020 headline target. However, the problem of employability of graduates has become a severe problem in the countries most affected by the crisis.

Against this background, investment in education and training systems, as well as their modernisation and adjustment is a crucial condition for economic and social progress. Yet, in recent years, several Member States (and not only those hit most by the crisis) have cut their education and training expenditure in real terms. According to the 2015 Draft 2015 Joint Report on the implementation of the ET2020 Framework<sup>3</sup>, one of the five key challenges to achieve relevant and high-quality learning will be to fill the investment gap in education and training:

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<sup>1</sup> European Commission 2015: Education and Training Monitor 2015. Directorate-General for Education and Culture, p. 37.

<sup>2</sup> Ibid, p. 35.

<sup>3</sup> European Commission 2015: Draft 2015 Joint Report of the Council and the Commission on the implementation of the Strategic framework for European cooperation in education and training (ET2020) New priorities for European cooperation in education and training. Brussels, 26.8.2015 COM (2015) 408 final.

*“This suggests the need to support Member States in designing reforms that deliver quality education and training more efficiently, within a broad societal context. The Investment Plan for Europe (IPE), Erasmus+, the European Structural and Investment Funds, including the Youth Employment Initiative and Horizon 2020 can help stimulate investments and support ET 2020 policy priorities ensuring strong links with policies.”*

The joint project of the ETUC, CEEP, EFEE and ETUCE addresses a highly relevant EU policy issue by focussing on the issue of public investment in education and training provided via EU funds. This study addresses a key element of the EU’s social investment paradigm that has been identified by public authorities, business interest groups, employers and trade union organisations as an area where increasing measures are urgently needed in order to become ‘fit for future’. This urgency has recently been illustrated by initiatives to mobilise private investment in training and education by the launch of the European Commissions “Investment Plan for Europe”.<sup>4</sup>

The project of the European Social Partners has been developed in the light of their strong expertise and involvement in shaping education and training policies at the EU level. Many evaluations have shown that a strong and pro-active involvement of social partners within the structural funds as well as education and training programmes should be regarded as an important element of efficiency, adequacy and effectiveness. At the same time, there is evidence that there is an overall “ambivalence” and contradiction between social and economic policies and reforms on the one hand and EU policies of providing support for investment and coherent strategic orientation in education and training policies on the other.<sup>5</sup>

Another factor underpinning this project is the involvement of social partners in education and training policies and investment decisions at European and national level. There is a significant gap of information regarding the involvement of social partners in policy and decision making, including in decisions taken on investment in education and training. There is also evidence that practice not always follows political advice and guidance. For example, the European Commission regularly stresses that there is a strong correlation between “world-class” VET systems and the ability to adapt to current and future needs, coping with skills mismatches on the one hand and higher employment rates of young people on the one hand. Regarding a strong role of social partners<sup>6</sup>, however, the situation in the majority of EU member states has been described<sup>7</sup> as insufficient. Similar assessments can be made in relation to national governance of EU structural funds and

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<sup>4</sup> European Commission 2014: An Investment Plan for Europe. Brussels, 26 November 2014, COM (2014) 903 final; European Commission 2016: Investment Plan. Juncker, Jean-Claude (2014): A new start for Europe: My agenda for job, growth, fairness and democratic change. Political guidelines for the next European Commission, Strasbourg, 15 July 2014.

<sup>5</sup> Agostini, Chiara/Natali, David 2015: The EU’s ambivalent involvement in education and training policies. In: Natali, David/Vanhercke, Bart (eds.): Social policy in the European Union: state of play, ETUI Brussels, p. 153-182.

<sup>6</sup> EU Commission 2012: Communication “Rethinking Education: Investing in skills for better socio-economic outcomes”, Strasbourg, 20.11.2012. COM (2012) 669 final).

<sup>7</sup> ETUI 2010: The European Social Fund 2007-2013. A handbook for trade unions. 2<sup>nd</sup> Edition, ETUI, Brussels.

the involvement of social partners in programming, planning, implementation, monitoring and evaluation practices.

The overall objective of the project is to map out the funding and investment opportunities for training and education at European, national, and regional level, and the role of social partners in decision making and use of these funds.

This objective will be supported by two research studies: A first study addresses the EU level, focussing on the current state of EU funding and investment allocated to training and education, including an analysis of the role of social partners in decision making and implementing EU funding. Building on the results of this stock-taking and mapping analysis at EU level, the second study that will be implemented later in 2016 and during the first half of 2017 will be a national level analysis focusing on the implementation of EU funding and investment opportunities at national, regional and local level in 15 EU Member States.

Both studies should feed into and facilitate the exchange between European and national stakeholders and the elaboration of policy recommendations by the EU level social partners in two conferences, one focussing on involvement at the EU level and the other on the role of social partners in decisions and use of EU funds at the national level.

This report summarizes major results of the EU level analysis. These are mainly based on desk research, summarizing evidence from already existing research, official documents and other information as well as interviews with key actors and institutions involved at EU level (various directorate-generals of the European Commission, financial institutions, social partner representatives in the field of education and training).

The report consists of four major parts that reflect key research questions of the EU level analysis: Chapter 2 provides an overview of the current state of public as well as private investment in education and training, focussing in particular on investment gaps and needs. Chapter 3 – the main chapter of this report – summarizes the results of our mapping of major EU funding instruments and programmes that are available for education and training investment. Here, the analysis also includes information on EU social partners experience in making direct use of the available funds and their involvement in the governance and decision-making processes of the various funding instruments and programmes. Chapter 4 provides an overview of EU level governance in the field of education and training policies, including recent changes and concerns of the social partners. The concluding chapter 5 summarizes key results of the analysis and draws a number of conclusions that are crucial from the point of view of the authors.

## 2 INCREASING NEEDS TO INVEST IN EDUCATION AND TRAINING – QUANTITATIVE EVIDENCE

### 2.1 The specific nature of public investment in education and training

Public investment is considered to be a form of expenditure which can create long-term growth prospects. A recent study measuring the impact of public investment on fiscal multipliers (the ratio in which the change in a nation's income level is influenced by government, with a fiscal multiplier greater than 1 meaning a positive return on investment) found that public investment has quite a high fiscal multiplier value of 1.3 to 1.8.<sup>8</sup> This means that €1 of general government expenditure in public investment increases gross domestic product (GDP) by an average of 30 to 80 cents. A recent study examining 15 EU countries also found a positive impact of rising public investment on long-term economic growth.<sup>9</sup> Furthermore, the European Central Bank demonstrated that public investment has a positive effect on economic growth. It estimates that a 1% increase in the public investment share of GDP would bring about a rise in growth of 1.6% over the long run.<sup>10</sup>

The items which are more often mentioned by the European Commission<sup>11</sup> and the literature as growth-conducive are public infrastructure investment (associated with increasing the capital stock in the economy), education and training (associated with boosting human capital and skills), research and development (associated with technological development and innovation) and health care (which affects positively both the quantity and the productivity of labour).

Due to how it increases the level of human capital, public investment in education and training is seen as a main source of long-term economic growth. As empirical evidence shows<sup>12</sup>, public investment in education has a positive effect on productivity and growth, particularly in the case of high-income countries. Investment in education can also support economic growth by facilitating social improvements and developments, or reducing inequalities.<sup>13</sup> A more educated labour force is more mobile and adaptable, can learn new tasks and skills easier, and can use a wider range of (new) technologies and sophisticated equipment. This also enables employers to modernise their workplaces more easily and

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<sup>8</sup> Horn, Gustav A.; Gechert, Sebastian; Rietzler, Katja; Schmid, Kai D. 2014: Streitfall Fiskalpolitik: Eine empirische Auswertung zur Höhe des Multiplikators, IMK Report, No. 92.

<sup>9</sup> Hakhu, A.B.; Piergallini, A.; Scaramozzino, P. 2014: Public Capital Expenditure and Debt Dynamics: Evidence from the European Union. Centre for Financial & Management Studies | SOAS | University of London

<sup>10</sup> European Central Bank 2003: Public finances and long-term growth in Europe. Evidence from panel data. Working Paper No. 246. See also: Abiad, A.; Furcer, D.; Topalova, P. 2015: The Macroeconomic Effects of Public Investment: Evidence from Advanced Economies. IMF Working Paper 16/95. Washington D.C.

<sup>11</sup> European Commission 2012: The Quality of Public Expenditures in the EU. EUROPEAN ECONOMY. Occasional Papers 125.

<sup>12</sup> Barbiero, Omar / Cournède, Boris 2013: New econometric estimates of long-term growth effects of different areas of public spending, OECD Economics Department, Working Paper no. 1100.

<sup>13</sup> Szczepanski, Marcin 2016: Public investment to support long-term economic growth in the EU. European Parliament Research Service. Briefing July 2016.

better accommodate competitive pressures and changes in consumer demand. For advanced economies, the more educated the population of a country already is, the more beneficial for economic growth an increase in government investment to education will be.

## 2.2 Quantitative trends in terms of overall allocation of funding for public investment in education and training in recent years, effects of the crisis

In a recent study, the European Investment Bank has estimated that it would cost 600 billion Euro per year until 2020 to catch up with the US, Korea or Singapore in terms of competitiveness. On education, closing the gap with US funding levels would require a conservatively estimated additional 100 billion Euro per year. Given the large maintenance backlog in education facilities, around 10 billion Euro of this total would be required for education infrastructure, including the upgrading of equipment to modern IT standards for teaching.<sup>14</sup>

Since the beginning of the crisis, public investment in the EU has decreased, especially in countries under fiscal consolidation programmes. While this is seen by many economists and stakeholders as a main barrier for economic recovery and labour market improvements, the provisions of the Stability and Growth Pact keep creating strong pressures on public expenditure and as a result many EU Countries remain constrained vis-à-vis their fiscal position.

Despite targeting education and training as a key priority, education budgets in many EU countries have been cut in recent years as the following table shows (for details see table A.1 in the annex), including member states that have been under fiscal consolidation programmes (namely Cyprus, Ireland and Portugal).<sup>15</sup>

It is worth noting that Table 1 is a summary of the European Commission's Education and Training Monitor 2015 and the overall investment of some countries is more complex than the table shows. In order to interpret public investment in education and training correctly it should be noted that the percentage of GDP invested refers to the relative share of the GDP. Given the fact that in the last five years, the GDP went down or stagnated in many countries, this means that expenditure in education went down even more in real terms. This is important as EU figures list countries such as Greece or Bulgaria as cases where public investment in education and training as a share of the GDP increased. Greece for example experienced a significant decline in GDP development during the period 2010-2013 with decrease rates ranging between -9.1% (2011) and -3.2 (2013).

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<sup>14</sup> European Investment Bank 2016: Restoring EU competitiveness. 2016 updated version.

<sup>15</sup> Milou, Maria 2014: Crisis hit countries cut down public spending on education. <http://europeansting.com/2014/04/09/crisis-hit-countries-cut-down-public-spending-on-education/>. See also European Commission/EACEA/Eurydice 2013: Funding of Education in Europe 2000-2012. The Impact of the Economic Crisis. Eurydice Report. Luxembourg.

**Table 1: Trends in total investment in education and training, % GDP, 2010 – 2014**

Pattern	Countries
<b>Overall increase</b>	Belgium, Bulgaria, Greece*
<b>Overall stability</b>	Denmark*, Luxembourg, Malta, Sweden
<b>Overall decline</b>	Austria, Cyprus, Denmark, Estonia, Germany, Ireland, Spain, France, Italy, Cyprus, Latvia, Lithuania, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, UK
<b>Strongest decline (percentage points)</b>	UK (-1.4), Portugal (-1.4), Cyprus (-1.0), Estonia (-1.0), Lithuania (-1.0)

Source: European Commission 2015: *Education and Training Monitor 2015*. \* on Greece see the explanatory note in the text above. With view on Denmark, a representative of Local Government Denmark in September 2016 reported about a 3% reduction of public spending on education and training.

While general government expenditure on education per GDP in 2014 varies significantly between 3% in Romania and 6.6% in Sweden, investment figures on education and training show that in 20 out of 28 EU Member States investment in education and training in terms of GDP percentage in 2014 was lower than in 2010.

A particular issue of concern must be that investment reductions have hit those countries most that have been affected most by the 2008 as well as 2010 crisis such as Greece, Cyprus, Ireland, Portugal or Spain as well as Italy, Slovenia, Hungary or Romania.

The need to cope with labour market and economic challenges also extends to countries other than those most affected by the economic and financial crisis. Many countries are faced with the need to implement reforms and adjustments in the education and training systems with reduced financial resources and possibilities.<sup>16</sup>

In the EU as a whole, public expenditure on education started declining in real terms in 2011. With a third consecutive drop in 2014, public expenditure on education as a share of GDP since 2010 decreased from 5.3% to 4.9%. When calculated as a share of overall public investment, Eurostat data show that for the EU as a whole, the share of education expenditure as a percentage of total public investment decreased from 10.6% in 2010 to 10.3% in 2014. The share increased in 12 Member States (Belgium, Czech Republic, Germany, Ireland, Croatia, Latvia, Lithuania, Luxembourg, Malta, Austria, Poland and Slovakia) while it decreased in the remaining 16 Member States (Denmark, Sweden, Finland, France, Netherlands, UK, Spain, Portugal, Italy, Greece, Cyprus, Hungary, Slovenia, Romania, Bulgaria, Estonia).

As highlighted in the 2015 Education and Training Monitor of the European Commission, the assessment of education investment developments must take into account two important aspects that may influence investment reductions: *First*, efficiency gains and *secondly*, demographic change:

<sup>16</sup> This paradoxical situation has been described in a recent joint statement of CEEP and EFEE as the constraint of "Doing More with Less". See: CEEP / EFEE 2014: "Matching education with the needs of the public services of the future", CEEP – EFEE.



- ▶ For the past few years, EU Member States "*have been reorganising and rethinking the use of system resources for education and how they invest in their educational institutions and students to improve quality of education and student attainment levels.*"<sup>17</sup>
- ▶ Cuts in investment in some Member States reflect attempts at improving the sector's efficiency, aiming to generate the same outcomes while consuming fewer resources. These kinds of efficiency gains are difficult to determine, as their measurement requires an agreed upon conceptual framework, defining also the outcomes of education.
- ▶ Adjustments to education expenditure levels may also reflect (or anticipate) demographic changes, as a shrinking school-age population requires fewer resources. However, as data show<sup>18</sup>, the link between changes in expenditure and changes in the school-age population proves to be very weak. Whether or not the school-age population has been decreasing or is forecasted to decrease, countries can be found with cuts of investment and increase of investment.

Difficult situations could arise in those Member States where the school-age population both in the past and in the projected future are growing and at the same time expenditure on pre-school, primary and secondary education has been cut over the 2010 – 2014 period. These countries are Slovenia, Italy, Ireland, Spain and the UK.

### 2.3 Company investment in employee training

The economic and financial crisis negatively affected the financial resources spent on training activities by enterprises. Several national studies showed that training budgets were cut in 2009, e.g. investment of Spanish companies decreased by 16%.<sup>19</sup>

In 2012, the picture had not changed significantly. More than 80 per cent of businesses in Europe had cut or frozen their expenditure on skills and training during the last year according to a research carried out for the Federation of Enterprises in Belgium (FEB) for the European Business Summit 2012.<sup>20</sup> Depending on the extent of economic downturn, there are also differences in the importance given to reduction of resources dedicated to training, being more important for example in Italy and Spain than in Germany.<sup>21</sup>

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<sup>17</sup> OECD 2015: Education Policy Outlook 2015: Making Reforms Happen, OECD Publishing, pp. 115-117.

<sup>18</sup> EU Commission: 2015 Education and Training Monitor, p. 26.

<sup>19</sup> Eurofound 2011: Preparing for the upswing: training and qualification during the crisis. <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/preparing-for-the-upswing-training-and-qualification-during-the-crisis>.

<sup>20</sup> Accenture, News release, Majority of European Employers Cut Skills and Training Investment Despite Skills Shortages, Finds Accenture and FEB Survey, 25 April 2012, <https://newsroom.accenture.com/subjects/management-consulting/majority-of-european-employers-cut-skills-and-training-investment-despite-skills-shortages-finds-accenture-and-feb-survey.htm>.

<sup>21</sup> Accenture 2012: Turning the Tide- How Europe Can Rebuild Skills and Generate Growth, [https://www.accenture.com/t20150523T052745\\_\\_w\\_\\_/us-en/\\_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Strategy\\_4/Accenture-Turning-the-Tide-How-Europe-can-Rebuild-Skills-and-Generate-Growth.pdf](https://www.accenture.com/t20150523T052745__w__/us-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Strategy_4/Accenture-Turning-the-Tide-How-Europe-can-Rebuild-Skills-and-Generate-Growth.pdf).

In 2010, the average expenditure on continuous vocational training courses by enterprises in the EU-28 was PPS 511 (Purchasing Power Standards<sup>22</sup>) per employee compared to 454 PPS in 2005 (increase by 12.6%) according to latest Eurostat data.<sup>23</sup> As shown in the annex table A.2, there are not only large differences in enterprise expenditure on continuous vocational training (in 2010, ranging from 92 PPS in Bulgaria to 1,084 in Belgium) but also in regard to development trends since 2005. Costs per employee in Denmark slumped by more than one third and also the Czech Republic and the UK experienced a decrease in expenditure by more than 20%. In contrast, countries such as Austria, the Netherlands or Germany report an increase of enterprise investment in continuous vocational training for their employees by more than 20% and Belgium by even nearly 60%. Even stronger increases in the cost per employee are also reported in Spain, Greece, Cyprus, Romania and Portugal. This, however can be linked to the drastic increase in unemployment and the smaller total labour force since 2005.

## 2.4 Private social investment in education and social impact bonds

In the light of the social effects of the 2008 crisis and the restrictions on public expenditure in the context of the fiscal stability rules, the European Commission intensified activities to search for new sources of funding of social investment, including investment in education and training. In its Communication *“Towards Social Investment for Growth and Cohesion”* (COM (2013) 83) the Commission targeted (among other areas) early childhood education, training, education, retraining and lifelong learning.

Together with the Commission Recommendation on *“Investing in Children: breaking the cycle of disadvantage”* and a series of Staff Working Documents, the Communication initiated the 'Social Investment Package'. The Commission states that Member State should make more use of innovative approaches to financing, including by using participation of the private sector and financial engineering.

The Communication in particular highlighted the following measures as important to stimulate social investment:

- ▶ Supporting social enterprises' access to finance via the European Social Entrepreneurship Funds<sup>24</sup>
- ▶ Exploring the use of new financial instruments, e.g. the EaSI-Guarantee of the European Investment Fund<sup>25</sup>

<sup>22</sup> The purchasing power standard, abbreviated as PPS, is an artificial currency unit and technical terms used by Eurostat in order to adjust the purchasing power for price level differences. Price differences across borders mean that different amounts of national currency units are needed for the same goods and services depending on the country. PPS are derived by dividing any economic aggregate of a country in national currency by its respective purchasing power parities.

<sup>23</sup> Eurostat, Cost of CVT courses per employee (all enterprises), by type of cost and size class [trng\_cvts62]. Extracted October 2016

<sup>24</sup> [http://ec.europa.eu/finance/investment/social\\_investment\\_funds/index\\_en.htm](http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm)

<sup>25</sup> [http://www.eif.org/what\\_we\\_do/microfinance/easi/index.htm](http://www.eif.org/what_we_do/microfinance/easi/index.htm)

- ▶ Facilitating the exchange between Member States concerning experience with Social Impact Bonds<sup>26</sup>

The European Commission is actively involved in promoting and financially supporting social impact investment and the development of respective financial instruments. Examples here are the launch of the "Social Impact Accelerator" (SIA) by the European Investment Fund (EIF) and private sector investors in 2013 as the first European-level partnership to foster social impact investment.

The SIA has so far provided equity financing for several national social impact funds. The following table provides examples of education or training projects funded by social investment funds.

**Table 2: Examples of education or training projects funded by private social investment funds**

Social investment fund	Country	Projects funded in the education and training sector
<b>BonVenture</b>	<b>Germany</b>	<ul style="list-style-type: none"> <li>– Rock your Life! : Coaching program for students of secondary schools</li> <li>– Mobiles Lernen Deutschland: Full-Service-Leasing-Package for Notebooks/Tablets in schools</li> <li>– bettermarks: interactive online learning system for mathematics</li> <li>– Flachsland Zukunftschulen: innovative combination of early child care and primary school</li> <li>– Chancenwerk: mentoring program at schools</li> </ul>
<b>Citizen Capital</b>	<b>France</b>	<ul style="list-style-type: none"> <li>– OpenClassrooms: online education platform</li> </ul>
<b>Impact Partenaires</b>	<b>France</b>	<ul style="list-style-type: none"> <li>– Webforce3: network of schools providing accelerated training for web professions</li> </ul>
<b>Impact Ventures UK</b>	<b>UK</b>	<ul style="list-style-type: none"> <li>– Learning possibilities: cloud based learning platform</li> <li>– K10 Apprenticeships Limited: provision of apprenticeships in construction and other sectors</li> </ul>
<b>Social Venture Fund</b>	<b>Germany</b>	<ul style="list-style-type: none"> <li>– Third Space Learning: Online Learning Program in mathematics</li> </ul>

Sources: Webpages of funds ([www.bonventure.de](http://www.bonventure.de), [www.citizencapital.fr](http://www.citizencapital.fr), [www.impact.fr](http://www.impact.fr), <http://www.impactventuresuk.com>, <http://www.socialventurefund.com>)

Through the EaSI-Programme, the European Commission is also providing financial support to social impact bond initiatives such as the "European Venture Philanthropic Association" (EVPA) that aims to strengthen and foster the idea of "Venture Philanthropic" and social investment in Europe, combining the financing of social innovation and financial returns.

<sup>26</sup> Social Impact Bonds are a form of public-private partnerships that are used to mobilize private funds for social programmes. SIB are pay-for-success contracts and transfer risk from the public to the private sector. Investors are repaid and receive interest payments in case certain predefined performance indicators are reached or surpassed. See: European Commission 2013: Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, COM(2013) 83 final, 20.02.2013, Brussels.

While the European Commission as well as the OECD<sup>27</sup> have stressed the added-value of social impact bonds and investment for providing additional resources for new needs and innovations, critics have highlighted the risks, namely the selective approach (i.e. focus on projects that promise the required financial return) and the risk that private social investment is used not only to provide additional financing but also to substitute public investment.<sup>28</sup>

**Example: Social Impact Bond in the education sector in Portugal<sup>29</sup>**

In 2015, the first SIB was launched in Portugal with a total investment value of 120,000 Euros provided by the *Calouste Gulbenkian Foundation*. The "*Code Academy Jr Programme*" financed through the SIB is about delivering computer programming classes to primary school students, with the aim of improving their problem solving ability and their school performance on the core subjects of Portuguese and Maths to 65 young students from three primary schools in Lisbon.

The programme targeted a 10% improvement in students' problem solving ability and school performance in core subjects, in comparison to a control group. If this target is achieved, the Municipality of Lisbon will reimburse the Calouste Gulbenkian Foundation the amount initially invested. Performance below 10% will be subject to partial outcome payments.

According to the EVPA ("*European Venture Philanthropic Association*") Portugal, through this example has joined a group of other Continental European countries testing SIB, such as Belgium, Netherlands and Germany.

While the importance of social impact investment in the global (rather than EU) context has grown in recent years, the social impact market still remains small.<sup>30</sup> When it comes to investment in education, the predominant focus is on comparatively small investments in school infrastructure. Regarding education funding, private grant funding and private impact investment accounted for less than 1% according to a study in 2013.<sup>31</sup>

## 2.5 Effects of underinvestment in education and training

The effects of the crisis on public budgets for education, on education related human resources, on education infrastructure and education specific programmes and on support systems for students and their families were analysed in a comprehensive report published in 2013 by the Education, Audio-visual and Culture Executive Agency (EACEA, Eurydice and Policy Support).<sup>32</sup>

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<sup>27</sup> OECD 2016: Social impact bonds: State of play & lessons learnt, OECD Working Paper

<sup>28</sup> EPSU 2013: EPSU WORKING DOCUMENT "SOCIAL INVESTMENT PACKAGE", 4 April 2013, <http://www.epsu.org/sites/default/files/article/files/EPSU-Working-Document-Social-Investment-Package-04-04-13.pdf>.

<sup>29</sup> Source: EVPA. <http://evpa.eu.com/news/first-social-impact-bond-launches-in-portugal/>

<sup>30</sup> Wilson, K. E. 2014: New Investment Approaches for Addressing Social and Economic Challenges, OECD Science, Technology and Industry Policy Papers, No. 15, OECD Publishing.

<sup>31</sup> D. Capital Partners 2013: Impact Investing in Education: An Overview of the Current Landscape, 2013, No.59.

<sup>32</sup> European Commission 2013: Funding of Education in Europe 2000-2012: The Impact of the Economic Crisis. Eurydice Report.

Apart from the effects of the crisis on investment in public education, the study highlighted a number of critical effects and impacts:

- ▶ Since 2010, the number of teachers in many countries increasingly reduced not only due to a fall in the numbers of pupils and students but also due to the reduction of public funding.
- ▶ The effect on salaries was even stronger: Cuts and pay freezes have been one of the main mechanisms to reduce education expenditure. It should be noted however that since the publication of the EACEA study pay freezes have been abolished in several Member States.
- ▶ On education infrastructure, the study found that in the majority of Member States the closure of pre-primary and other schools was mainly related to demographic changes. However, in a number of countries the financial and economic crisis has been highlighted as the main reason for merger and closure of school.
- ▶ A quarter of countries have cut back or postponed renovations or reduced maintenance on education buildings (both schools and higher education institutions) as a consequence of the crisis.
- ▶ While in a majority of countries investment in ICT equipment increased, several Member States have reported that funding of ICT resources and of specific programmes for educational support were affected by cuts in education expenditure.
- ▶ In contrast to the pre-crisis period when investment in financial support for students increased steadily in general, from 2010, support schemes for pupils and students were subject to increasing restrictions in education budgets. Restrictions were applied for example to the allocation of family allowances by linking the level of child benefit to family income or on the subsidization of meals.

Apart from the direct effects of the crisis, the fiscal policies in the context of structural reform programmes induced under the Stability and Growth Pact or the country specific recommendations (CSR) in the context of the European Semester have had a significant impact on education and training policy. The ETUCE recently analysed education related CSRs for each Member State in the context of the European Semester 2016-2017.<sup>33</sup> The analysis shows that a dozen Member States received recommendations directly targeting education, a further dozen on skills and life-long learning, and nine Member States received recommendations on research and innovation.

There are five types of recommendations: The first set focusses on improving the quality of education and "educational outcomes" and achievements (in particular of disadvantaged children). The second set of recommendations relates to addressing skills mismatches and skills shortages with a focus on VET, apprenticeship systems, life-long and adult learning. Thirdly, there are CSRs aiming at improving the labour market relevance of education. Furthermore, some countries received CSR focusing on the need to raise the attractiveness or increase the quality of teaching.

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<sup>33</sup> ETUCE 2016: European Semester 2016-2017. Education-related Country Specific Recommendations (CSRs).

There are also two sets of recommendations that directly address investment issues as highlighted in the table below. Here, the European Commission requests Member States to foster investment in human capital, strengthen the "quality of expenditure" and promote the involvement of private investments in higher education.

**Table 3: European Semester Education specific Country Specific Recommendations 2016**

Education and training CSRs	Countries
<p><b><i>Enhance investment in education and research</i></b></p> <ul style="list-style-type: none"> <li>- <b>BE:</b> Foster investment in knowledge-based capital</li> <li>- <b>DE:</b> Achieve a sustained upward trend in public investment, especially in infrastructure, education, research and innovation</li> <li>- <b>IE:</b> Enhance the quality of expenditure, particularly by increasing cost-effectiveness of healthcare and by prioritising government capital expenditure in research and development and in public infrastructure</li> <li>- <b>LT:</b> Strengthen investment in human capital</li> <li>- <b>NL:</b> Prioritise public expenditure towards supporting more investment in research and development</li> </ul>	<p>Belgium, Germany, Ireland, Lithuania, Netherlands</p>
<p><b><i>Increase private investment in higher education and research, enhancing the cooperation between businesses and universities and performance-based funding</i></b></p> <ul style="list-style-type: none"> <li>- <b>EE, ES:</b> Promote private investment in research, development and innovation</li> <li>- <b>DK, EE, PT, ES:</b> Incentivise the cooperation between businesses and universities</li> <li>- <b>ES:</b> Increase performance-based funding of public research bodies and universities</li> </ul>	<p>Denmark, Estonia, Portugal, Spain</p>

Source: ETUCE: Education-related Country Specific Recommendations (CSRs). See also table A.3 in the annex for further details.

The education and training related CSRs as well as positions of the Commission and the Council indicate a general trend and perhaps a new paradigm of investment. This suggests that there is a stronger focus on performance/outcome orientation and effectiveness of educational systems, while at the same time – against reduced public budgets, member states are encouraged to search for new forms of funding, namely from private sources, or from EU funds.

## 3 MAPPING EU FUNDING INSTRUMENTS FOR EDUCATION AND TRAINING INVESTMENTS

### 3.1 Overview

There is range of significant European funds that have the potential to support Member States in implementing education and training policies. The priorities of the European Social Fund (ESF), the European Structural and Investment Funds (ESI Funds), the 7th Framework Programme or Horizon 2020 as well as Erasmus+ are coherent with objectives of the EU2020 Strategy and the ET2020 Strategic Framework and should be mutually reinforcing.<sup>34</sup>

In terms of financial resources, the ESI Funds as an umbrella of the five large European Structural Funds provide for investment in infrastructure and strategic areas. The new Regulation for the European Structural and Investment Funds for the period 2014-2020<sup>35</sup> strengthened EU top priorities linked to such objectives as employment, fair mobility, fight against poverty, social inclusion, and education and training.

In the context of the ESI Funds, the ESF plays a crucial role on education and training as the improvement of education is one of the main objectives of the fund.<sup>36</sup>

Regarding education and training there are also specific funding programmes such as Erasmus+ which has been established for the financing period 2014 – 2020 as the main EU funding programme dedicated to education and training, integrating a number of former programmes.

However, new funds do not always include additional resources, as has been highlighted in the case of the Investment Plan for Europe that was established by the new European Commission at the end of 2014. The Investment Plan should be supported by the establishment of a European Fund for Strategic Investments (EFSI) as an instrument of the European Investment Bank (EIB) to provide risk support for long-term investment and ensure increased access to risk-financing for small and medium-sized enterprises and mid-cap companies.

On the other hand, at national level, it aims to support a more strategic use of the European Structural Funds and Investment Funds, including for investment in infrastructure as well as strategic sectors such as education.<sup>37</sup>

In the following sections an overview of major funding instruments for education and training investments is presented. Apart from a description of key objectives and invest-

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<sup>34</sup> Council of the EU 2009: Council Conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (ET 2020). Brussels, 28 May 2009, 2009/C 119/02; European Commission (2015): European Structural & Investment Funds. European Commission (2016): Lifelong Learning Programme.

<sup>35</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN>.

<sup>36</sup> European Commission 2015: European Structural & Investment Funds.

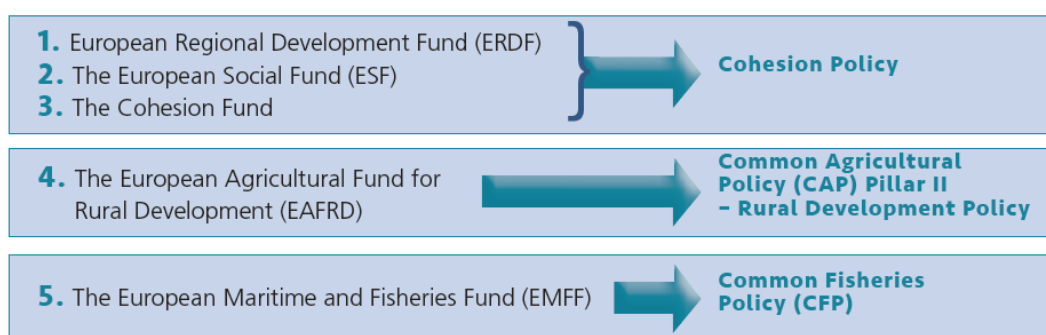
<sup>37</sup> European Commission 2015: Education and the Investment Plan for Europe.

ment priorities of these instruments, the mapping also **includes information on the involvement of cross-sectoral as well as sectoral social partners at EU level in the governance as well as experiences in making use of these funds themselves for education and training related activities.**<sup>38</sup>

### 3.2 European Structural and Investment Funds (ESI - Funds)

Based on a Common Regulation<sup>39</sup>, from 2014 the different European Structural Funds have been governed under a common provision – the “European Structural and Investment Funds” (“ESI Funds”). Together, the five funds should support economic development across all EU countries, in line with the objectives of the Europe 2020 strategy.

**Figure 1: The ESI Funds 2014 - 2020**



Source: ETUC

During the 2014-2020 programming period, the ESI Funds will provide substantial support for investment in education and training by Member States. According to the European Commission, funding will be concentrated on i) preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education. (ii) improving both the relevance of education and training systems and the transition from education to work and life-long learning; (iii) modernising higher education; (iv) developing vocational education and training, apprenticeships and traineeships; (v) upgrading education infrastructures. The following targets have been highlighted by the Commission:<sup>40</sup>

- ▶ 4.1 million young people will benefit;
- ▶ 2.9 million people will gain a qualification;
- ▶ 400,000 people will start education or training after receiving support;
- ▶ 6.8 million young people will be able to use new or improved childcare or education facilities in 15 Member States.

<sup>38</sup> The information on experience with the different funding instruments is based on written responses of EU level social partners at sectoral and cross-sectoral levels (ETUC, ETUCE, EFFAT, IndustriAll, CEEP, EFEE, CEMR, HOSPEEM).

<sup>39</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN>.

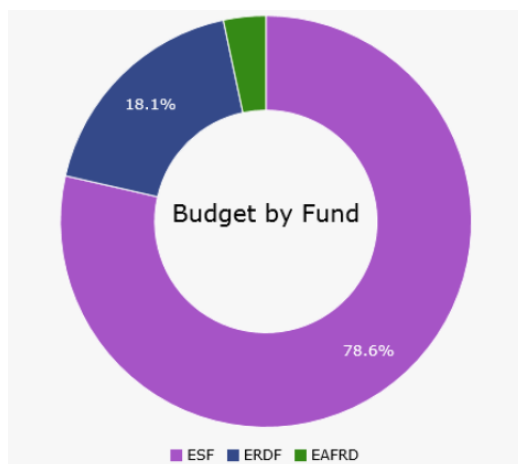
<sup>40</sup> EU Commission 2016: SWD New Skills Agenda, p. 90.



In addition, investment in education infrastructure is aimed at improving access to high-quality education and to a decrease in early school leaving, as well as improved and modernised education and training systems needed for updating skills and qualifications, upskilling of the labour force, and the creation of new jobs.

The main source of investment in human capital is provided by the ESF. The European Agriculture and Rural Development Fund (EAFRD) is also an important source of investment in education and training infrastructure. Regarding specifically investment in education and training in the 2014-20 period, the ESF allocations amount to over 27 billion Euro, ERDF support for education infrastructure comes up to over 6 billion Euro, and investment in training provided by the EAFRD (European Agricultural Fund for Rural Development) is just over 1 billion Euro. Thus the three different funds will provide up to 34 billion Euro for co-financing investments in education and training in the EU Member States.

**Figure 2: 2014-2020 ESI Fund budget for education and training, by ESI-Fund**



### 3.2.1 European Social Fund (ESF)

The European Social Fund is the second biggest and most important among the five European Structural and Investment Funds, with an overall budget of 80 billion Euros. More specifically, its importance is guaranteed by the fact that it aims to invest 27 billion Euro for the period 2014-2020 in the areas of skills, education, training, and lifelong learning. Within the framework of the support for the acquisition of qualifications and upskilling (in order to promote sustainable, quality employment and labour mobility), 34 billion Euro for the period 2014-2020 has been allocated.

Across the EU countries, the ESF is financing initiatives to increase education and training and to ensure young people complete and finish their education in order to get the skills that make them competitive on the job market. Another priority is the reduction of

school drop-outs, as well as the improvement of vocational and tertiary education opportunities.<sup>41</sup>

Since 2014, the role of the ESF has been reinforced. Thus, a critical mass of "human capital investment" should be ensured by a minimum guaranteed share of the ESF within the cohesion policy funding in each EU country. Together with the 3 billion Euro allocated for the *Youth Employment Initiative*, more than 80 billion Euro is provided to be invested in Europe's people up to 2020.<sup>42</sup>

Programmes and projects funded by the ESF aim at improving performance across the whole education sector, and, thus, the ESF funds support to education includes a broad range of activities:<sup>43</sup>

Firstly, new school curricula should be established to give young people a better start in life, learning the skills that are needed for a job and a career in industry. Moreover, in order to enhance education and social inclusion at all educational levels, educational outcomes of vulnerable young people should be improved, including those from a disadvantaged socio-economic background.

Secondly, teachers are receiving initial training and continuous professional development opportunities, and a significant focus is put on measures investing in the qualification of researchers, teachers and lecturers, improving their mobility and career opportunities.

Thirdly, the ESF is helping VET institutions and universities to build closer relations with employers and businesses in their regions/countries, through funding innovative improvements to tertiary-level teaching, supporting partnerships with industry, and opening participation to people who are under-represented in higher education.

The ESF is also supporting university postgraduate research and development to increase the number of young innovators and entrepreneurs, against the background that the proportion of highly skilled jobs in the economy is growing and the EU needs more people with tertiary-level education.

Finally, ESF projects intend to get workers and job-seekers involved in lifelong-learning opportunities to keep their qualifications and skills up to date as needed by the economy. Other programmes are set up to reduce early school-leaving and ensure young people, in particular from disadvantaged groups (such as minorities and those with an immigrant background) have appropriate skills and qualifications that matter.

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<sup>41</sup> On ESF funding opportunities in the field of education see also ETUCE 2015: Information on EU Funding opportunities for teacher unions for education and training under the European Social Fund 2014-2020, Brussels, September.

<sup>42</sup> European Commission 2015: European Structural & Investment Funds.

<sup>43</sup> European Commission 2016: European Social Fund. <http://ec.europa.eu/esf/main.jsp?catId=51>

### **ESF: Social partners making use of the fund and involvement in the governance**

**Social partners using the fund:** European level social partners at cross-sectoral as well as sectoral level have not made any direct applications for ESF funding because the fund is only available for national and regional organisations. However, social partners at EU level (for example the ETUCE) have raised awareness amongst national members to engage more actively in the ESF and make use of direct funding possibilities for projects sponsored by social partners. The ETUCE as well as IndustriAll have also provided support for its member organisations wishing to apply to the ESF at national level.

**Governance:** The ESF Committee is a tri-partite committee established by the European Treaty for the governance of the ESF. It is composed of the national representations of the trade unions, employer organizations and governments from each EU country, and it is coordinated by the European Commission. It facilitates the administration of the ESF by Member States. Each committee meeting is chaired by the Commission, and this forum offers the opportunity for social partners to address issues relating to the programming, implementation, and monitoring of the ESF in the Member States. The European Social Partners at cross-sectoral level are involved as observers in the ESF Committee and monitor the “proper and full” involvement of the national social partner organisations in the framework of the European ESF Committee.

Since the beginning of the current programming period (2014-2020) the “*European Code of Conduct on Partnership*”<sup>44</sup> is to be applied, ensuring the full involvement of social partners in the managing of the European Structural and Investment Funds also at national as well as regional level.

**Demands for improvements:** As reported by member organisations of the ETUC the implementation of the Partnership Principle is often insufficient and thus, the ETUC has demanded that the enforcement of the European Code of Conduct on Partnership should become compulsory.

According to CEEP, national sectoral social partners should be more involved in the context of the ESF. In order to facilitate this, national level social partners should have access to technical assistance and capacity building measures. This would ensure not only the strengthening of national social partners’ capacities but also their coordination and representation in the monitoring committees and decision-making procedures, which define and implement the Operational Programmes at all levels.

Sectoral social partner organisations such as EFEE, ETUCE or IndustriAll have also stressed that their experience in particular in the field of education and training should be better taken into account regarding national and regional governance of the ESF.

### **3.2.2 European Regional Development Fund (ERDF)**

The European Regional Development Fund is a fund dedicated to addressing regional imbalances across the European Member States through the promotion of sustainable development, the structural adjustment of regional economies, and the conversion of declining regions across the different Member States to realign them to the European level. Currently, four areas are considered of particular interest, intertwining with each other: supporting the Digital Agenda, transition to the low-carbon economy, innovation and research, support for SMEs.

The ERDF supports education and training investment mainly through the funding of education infrastructure, with a specific budget of more than 6 billion Euro. The most important reference in the ERDF regulation regarding education and training is number 10

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<sup>44</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0240&from=EN>.

of Article 5 – Investment priorities, stating that: “Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure”.<sup>45</sup>

Finally, at least in the past, the ERDF played a role in improving the role of social partners in regional and sectoral programmes.<sup>46</sup> For instance, in Southern Italy a successful support structure was established between 2000 and 2006 to provide what has been defined as a “successful technical assistance”<sup>47</sup> which lay the ground for a potential long term capacity of the social partners to collaborate in these kinds of programmes.

#### **ERDF: Social partners making use of the fund and involvement in the governance**

**Social partners using the fund:** As with the ESF, the European level social partners both at cross-sectoral and sectoral levels have no experience in making use of the ERDF through their own projects because only national and regional organisations can apply. However, in relation to supporting national members, it is reported by EFEE that there is a lack of sufficient information about open opportunities for education employers to use the fund.

**Governance:** Since the beginning of the current programming period (2014-2020) the European Code of Conduct on Partnership is to be applied, ensuring the full involvement of social partners in the managing of the European Structural and Investment Funds. As far as the ERDF and the Cohesion Fund are concerned, social partners are not properly involved in monitoring committees at national as well as regional level. At European level the existing body, the so-called “Structured Dialogue”,<sup>48</sup> does not ensure the proper and full monitoring of their involvement, according to the views of the European social partners.

**Demands for improvements:** According to the ETUC and ETUCE, the social partners at EU level should have a bigger role in the decision making of the ERDF in order to ensure a better coherence in the use of the fund as well as aligning it to European strategic policy objectives. In order to achieve this in terms of governance, a European tripartite body similar to the ESF Committee could be set up.

#### **Funding of education and training projects via the ESF and ERDF**

In the programming cycle 2007-2013, projects funded by the ESF and ERDF on education and training aimed at supporting reforms of the education and training systems, increas-

<sup>45</sup> Regulation No. 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006.

<sup>46</sup> ETUC 2014: European Structural & Investment Funds 2014-2020 – ETUC Trade Union Guide, 2014.

<sup>47</sup> Ibid.

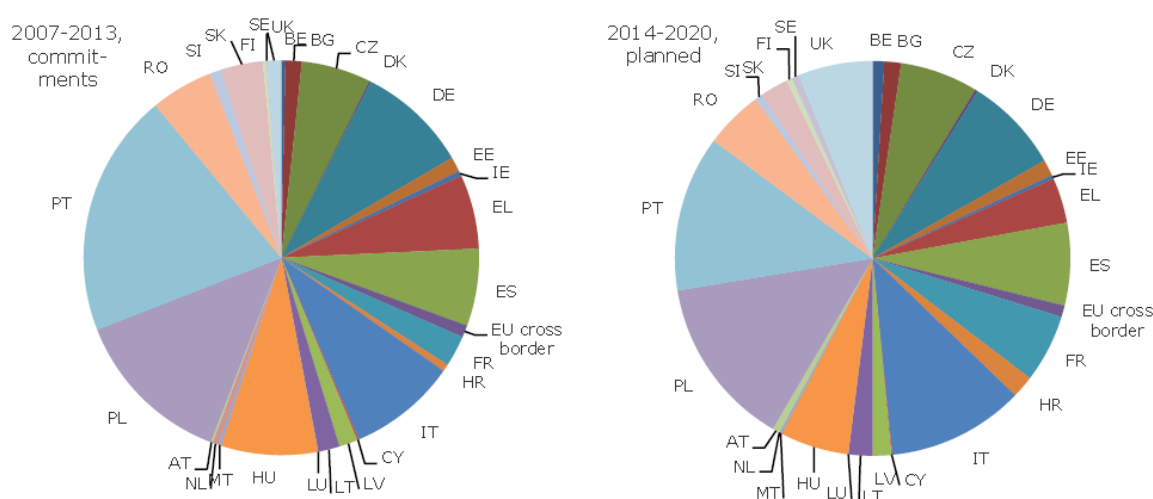
<sup>48</sup> On the basis of Article 5(6) of Regulation (EU) No 1303/2013 (Common Provisions Regulation), the Commission set up an expert group with partners at EU level in the field of the European Structural and Investment Funds (ESI Funds), for the programming period 2014-2020. The “Structured Dialogue with European Structural and Investment Funds’ partners group of experts” was formally established through Commission Decision C(2014) 4175 of 26 June 2014 and aims at establishing “an open, frank and informal dialogue with partners working in the field of the ESI funds. Members are umbrella organisations at EU level, that have been selected according to their representativeness of one of the three categories of partners set out in Article 5(1) of the above-mentioned Regulation: Associations representing regional, local, urban and other public authorities; economic and social partners, and bodies representing civil society, such as environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination).

ing participation in education, developing human potential in research and innovation, as well as improving education and childcare infrastructures.

Whereas in the programming period 2007-2013 the total budget for education and training related projects was 36.8 billion Euro, the available budget for this type of investment has decreased in the current financial cycle. For 2014-2020, 33.9 billion Euro has been earmarked for education projects, with the objective to reduce early school leaving and promote equal access to education, enhance equal access to lifelong learning, improve the labour market relevance of the education and training systems, and improve education and childcare infrastructure.

As the following figures show, ESF and ERDF expenditure on education and training is spread quite uneven across Member States, with countries such as Portugal (14% in the current funding cycle), Poland (13%), Italy (11%) and Germany (8%) absorbing a large share of the available funds.

**Figure 3: EU Structural Funds on education projects**



Source: European Commission: Education and Training Monitor 2015, p. 29-30

### 3.2.3 Other ESI-Funds (Cohesion Fund, EAFRD, EMFF)

This sections deals with the three other ESI-Funds, all dealing with European Regional Policy: the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

The **Cohesion Fund** was created to help Member States whose Gross National Income was below the 90% of the European average, with three main objectives: reducing disparities, promoting convergence, and laying the ground for sustainable development.<sup>49</sup> Therefore, for the period 2014-2020, the eligible countries are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal,

<sup>49</sup> Regulation (EU) No 1300/2013 of the European Parliament and of the Council of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006.

Romania, Slovakia and Slovenia. The budget of the Cohesion Fund for the same period is of 63.4 billion Euro, to be used for two main types of intervention, namely:

- ▶ Transport network across different European Countries
- ▶ Projects with the aim of improving environmental conditions (e.g. improving public transportation and energy efficiency)

Concerning the second point, new needs of education and training arise in order to address new skills needs.

With a grand total of 100 billion Euro for the period 2014 - 2020, the **European Agricultural Fund for Rural Development** (EAFRD) is the main investment instrument to support the rural areas of the European Union to address a broad range of economic, environmental and social challenges.<sup>50</sup> Its budget is mainly managed by the Directorate General for Agriculture and Rural Development. The EAFRD should support EU Member States, to tackle a number of challenges and should help to achieve European strategic priorities in the agricultural field such as,

- ▶ Promote social inclusion, poverty reduction and economic development in rural areas;
- ▶ Foster innovation and knowledge transfer in agriculture, forestry and rural areas, and support the transition towards a low-carbon and climate-resilient economy in European agriculture, food and forestry sectors, while promoting energy efficiency;
- ▶ Preserve and restore the ecosystems related with agriculture and forestry;
- ▶ Promote greater organisation along the food chain, improve animal welfare and risk management in agriculture, and improve the competitiveness and the viability of all types of agriculture, while promoting sustainable forest management and innovative farm technologies.

Although all strategic objectives imply the need to invest in education, skills and knowledge, the allocated share of investment in training within the EAFRD is just above 1% of the overall allocation (slightly over 1 billion Euro).<sup>51</sup> Vocational training and information actions are only mentioned in Axis 1, the Axis dealing with the improvement of the competitiveness of the agricultural and forestry sector, while the importance of acquiring specific skills is cited only in the Axis 3, the Axis focused on the quality of life in rural areas and diversification of the rural economy.<sup>52</sup>

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<sup>50</sup> [http://ec.europa.eu/agriculture/rural-development-2014-2020/index\\_en.htm](http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm).

<sup>51</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>52</sup> Act on the European Agricultural Fund for Rural Development (EAFRD), Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), 2012.

The **European Maritime and Fisheries Fund** is the main instrument at the disposal of the European Commission to implement the Common Fisheries Policy. EU resources directly contribute for 6.4 billion Euro, assuming that other ancillary national funds will contribute another 2.2 billion Euro.<sup>53</sup> The Directorate General on Maritime Affairs and Fisheries is the one involved in its use, supported by EASME, the Executive Agency for SMEs. The EMFF for the period 2014-2020 supports three main Europe 2020 thematic objectives, namely the promotion of Employment and Labour Mobility; enhancement of the competitiveness of aquaculture and the fisheries as well as fostering resource efficiency and the protection of the environment.<sup>54</sup>

Following these thematic objectives, the EMFF has the possibility to support professional training, lifelong learning, and other projects aimed at new skills acquisition. Particularly relevant in this context are the 3.4 billion Euro which have been earmarked for the “Blue Careers in Europe” call for proposals. These grants are supposed to strengthen the collaboration between companies working in the maritime sector and educational providers, at local and regional level, reducing the distance between the two stakeholders and, most of all, closing the skills gap.<sup>55</sup>

#### **EAFRD and EMFF: Social partners making use of the fund and involvement in the governance**

The survey amongst European level cross-sectoral and sectoral social partner organisations has identified no concrete experiences of own project applications within the two funds. The reasons are very similar to those mentioned for the ESF and the ERDF, i.e. applications are only possible by national and regional organisations. Furthermore, according to the social partners, education and training activities under these two funds are likely to be very limited.<sup>56</sup>

### **3.3 Erasmus+**

The Erasmus+ programme was established for the funding period 2014-2020, merging the prior programmes of the Lifelong Learning Programme (LLP) as well as taking over further previous and new investment tasks.<sup>57</sup>

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<sup>53</sup> European Commission 2015: European Maritime and Fisheries Fund (EMFF) – factsheet. 5.7 billion Euros are to be used under Member States’ shared management, being allocated directly to them.

<sup>54</sup> Regulation (EU) No. 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007 and Regulation (EU) No 1255/2011 of the European Parliament and of the Council.

<sup>55</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>56</sup> This assessment however should be further validated in the context of the upcoming national analysis in the context of the project.

<sup>57</sup> The "Youth in Action Programme", the international cooperation programmes Erasmus Mundus, Tempus, Edulink and the new sports action.

The overall budget of the programme is 14.8 billion Euro which is managed by the Directorate General for Education and Culture (DG EAC).<sup>58</sup> DG EAC also defines funding priorities, monitors the implementation of the programme and commissions evaluations. The key central actor with view on promoting the programme, launch of calls for proposals and reviewing grant requests is the Education, Audio-visual, and Culture Executive Agency (EACEA). The European Commission also provides funding to National Agencies that manage the "decentralised" activities of the Erasmus+ programme, including dissemination of information on the programme, reviewing applications in their country, monitoring and evaluation and promoting the programme and supporting stakeholders taking part in Erasmus+. The national agencies should also support beneficiaries of the programme *"from the application stage to the end of a project. They also work with beneficiaries and other organisations to support EU policy in areas supported by the programme."*<sup>59</sup>

Erasmus+ provides funding for three key action areas. Of particular importance for this study are key actions such as key action 2 activities aiming at exchanges of good practices and innovative activities. The cooperation between educational institutions, training providers, youth associations and other relevant stakeholders in the field could benefit through the use of the funds allocated for this action. Within this framework, an important role according to the Commission is also expected to be played by the new Sector Skills Alliances<sup>60</sup>, namely to address skills gaps in the field of vocational education and training and developing new curricula.<sup>61</sup> Finally, Knowledge Alliances have the task of stimulate entrepreneurial spirit, and facilitate the exchange of knowledge between higher education institutions and enterprises.<sup>62</sup>

Within key action 3, Erasmus+ provides support for policy reform, targeting national authorities (first call 2014), SMEs that have never trained apprentices in the past (call 2015) and future needs of adult learning.

### **Erasmus+: Social partners making use of the fund and involvement in the governance**

***Social partners using the fund:*** As the Erasmus+ programme is highly relevant for education and training practice and policy, the European level social partners, in particular in the education sector, are highly interested in making use of this instrument. Both EFEE and the ETUCE in the past have made successful applications for funding under the Erasmus programme and under the predecessor of the Erasmus programme (Lifelong Learning Programme 2007-14). However, in the case

<sup>58</sup> European Commission 2016: Erasmus+ Programme Guide.

<sup>59</sup> [http://ec.europa.eu/programmes/erasmus-plus/about\\_en#tab-1-2](http://ec.europa.eu/programmes/erasmus-plus/about_en#tab-1-2).

<sup>60</sup> Sector Skills Alliances are transnational projects that aim to tackle skills gaps, enhance the responsiveness of VET systems to the needs of the labour market and highlight the need of new skills following the evolution of the occupational profiles.

<sup>61</sup> This new and greater role stems from the fact that in the period 2014 – 2020 the Sector Skills Alliances have the duty of carrying out this activity, once undertaken by the Sector Skills Councils.

<sup>62</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.



of the ETUC and ETUCE, the direct experience so far is restricted to the programmes predecessor.<sup>63</sup> It should be mentioned here that the European sectoral organisations also made use of the funding for strengthening European level social dialogue.<sup>64</sup>

The experience of direct funding from the Erasmus+ resources by other EU level social partners is limited, due also – as EFFAT has highlighted – to the significant administrative and technical needs to prepare an application. For IndustriAll, Erasmus+ is interesting in particular regarding the establishment of Sector Skills Alliances. However, according to the organisation, an application requires the gathering of too many partners and expected activities (such as the development of new training curricula) require a level of technical detail that IndustriAll could not follow.

According to both cross-sectoral as well as sectoral European social partners, an important motivation to directly apply for the Erasmus+ has been the focus on education, knowledge and training practices and policies. By this, the Erasmus+ provides for much more opportunities and support than a funding through the European Commission's Budget Lines dedicated specifically to the social partners (see section below). This potential of the Erasmus+ programme has been highlighted by all social partners and not only those in the education sector. However, there are practical limitations and barriers that make it very difficult for EU level social partners to apply for funding.

**Demands for improvements:** According to the ETUC and ETUCE, the Erasmus+ programme is too bureaucratic. The partnership requirements should be changed. Even being a project partner of another organisations' lead project is burdensome, requiring many reports to be filled in. According to the two organisations, the programme thus tends to favour those applicants that have already built a specific expertise and experience under the predecessor of Erasmus+, the Lifelong Learning Programme. Furthermore, European-level trade union organisations (e.g. the ETUC and ETUCE) consider it difficult for their national member organisations to apply for Erasmus+ projects as in general they may not have the capacity to run such a complicated project. According to EFEE, it is often the case that the project application evaluators do not seem to understand the role of social partners in the EU decision-making system.

**Governance:** Erasmus+ is managed by Directorate-General Education and Culture and the Education, Audio-visual, and Culture Executive Agency (EACEA) whereby the latter is responsible of the attribution of grants and the coordination of national contact points. Regarding governance, the programme is governed by the Erasmus+ Committee. Whereas the cross-sectoral and education sector social partners at EU level (ETUC, ETUCE, EFEE, BusinessEurope, CEEP, UEAPME) had an observer role in the Lifelong Learning Programme Committee (2007-14), this is no longer the case under the Erasmus+ programme. Based on information provided by the European Commission to the social partner organisations, the government representatives did not accept having social partners in the committee because of its financial decision making role. This is deeply unsatisfactory from the perspective of the European social partners. As the Committee defines the Erasmus+ annual work programme, it has a huge impact on investment decisions under the programme related to education and training policies of the European Commission, thus social partners would like to once again have a role in the Committee and in decision making. According to the European social partners, they would like to be involved in the negotiations about the framework of the programme. IndustriAll has also stressed the role of Erasmus+ in regard to the new Sector Skills Alliances and the need to involve social partners stronger in the governance of this specific activity.

<sup>63</sup> EFEE has used funds available under the Key Action 3 – “Support for Policy Reform in the field of education and training” for operational purposes. ETUCE in the context of the Lifelong Learning Programme has carried out projects in 2009-2010 on trans-regional cooperation in LLL amongst education stakeholders and in 2004-2005 as well as 2008-2009 has carried out a project focussing on eLearning activities (ELFE 1 and ELFE 2) together with national teacher trade unions. The project aimed at improving the use of ICT in schools and teachers' capacity to use ICT in pedagogy.

<sup>64</sup> See: <https://www.csee-etuue.org/en/social-dialogue/30-european-cross-sectoral-social-dialogue/61-work-programme>.

### 3.4 Youth Employment Initiative and Youth Guarantee

The Youth Employment Initiative (YEI) was launched in February 2013 through a decision taken by the European Council<sup>65</sup> with the aim of giving further support to the individuals and regions struggling mostly with youth unemployment, inactivity and people not in Employment Education and Training (NEETs) in 20 Member States<sup>66</sup>. The YEI is under the management of the Directorate General for Employment, Social Affairs and Inclusion. The 34 programmes funded by the YEI are specifically targeting people under 25 years old in NUTS 2 regions<sup>67</sup> where youth unemployment was above 25% in 2012, with a stronger focus on NEETs. The YEI was supposed to support the provision of apprenticeships, traineeships, job placements and further training or education paths leading to the obtainment of a certification.

The Youth Employment Initiative had a 6.4 billion Euro budget for the period 2014-2020, and its budget is implemented according to the ESF rules. Half of the budget comes through a dedicated Youth Employment budget line, while the other half come from the ESF.<sup>68</sup> Some of the budget was released in the form of pre-financing in order to speed up projects, and the pre-financing was raised to 30% in 2015 to address the fact that the great majority of the eligible countries were not using the money available due to the share that they were supposed to invest themselves. The YEI projects were expected to help 2.3 million unemployed and inactive young people.<sup>69</sup>

The Youth Employment Initiative funds were later diverted to the Youth Guarantee after a Council Recommendation in April 2013, calling upon Member States that,

*“All young people under the age of 25 years receive a good-quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education”.*<sup>70</sup>

Since then, all EU countries have presented comprehensive Youth Guarantee Implementation Plans.<sup>71</sup>

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<sup>65</sup> European Council, EURECO 37/13. Conclusion Multiannual Financial Framework.

<sup>66</sup> Bulgaria, Belgium, Czech Republic, Ireland, Greece, Estonia, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, Slovenia, Slovakia, Sweden, and United Kingdom. Source: Youth Employment Initiative, Update 2015, 2015.

<sup>67</sup> For more details on NUTS 2 regions in every European country, please visit the page: <http://ec.europa.eu/eurostat/web/nuts/overview>

<sup>68</sup> The YEI was created to amplify the effects of the ESF in the regions that more were suffering from the economic downturn, especially for what concerns their younger cohorts.

<sup>69</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>70</sup> Ibid.

<sup>71</sup> See: <http://ec.europa.eu/social/main.jsp?catId=1161&langId=en>

Compared to the declared purpose, the available funds for it are quite scarce: 6.4 billion Euro for the period 2014 – 2020, even if impartial research set the requirements at 21 billion Euro a year,<sup>72</sup> while the cost of inaction was estimated at a mind-numbing 153 billion Euro per year.<sup>73</sup> The rest of the resources are expected from Member States. Three years after its start, its impact on the quality of traineeships, internships, and skills acquired by young people remain questionable at best, as the fact of being a “guarantee”, and the programme lost momentum rapidly in the European Agenda after the first signs of recovery in 2014 -2015.<sup>74</sup> Moreover, a lack of reliable and comparable monitoring and evaluation tools has been noted, and this weakness doubled down on the initial uncertain aspects that were characterizing it from its start.<sup>75</sup>

### **Youth Employment Initiative and Youth Guarantee: Social partners’ involvement and making use of the fund**

Under the Youth Guarantee Member States put in place measures. The Youth Employment Initiative is complementary to other actions undertaken at national level, including those with European Social Fund (ESF) support, and therefore follows the governance of the ESF particularly at national level. Thus the Code of Partnership should be applied as is required for all ESI Funds. Other measures are directly implemented by the relevant departments of national ministries for education and employment.

At EU level, the national plans and implementation of the Youth Guarantee is assessed in the context of the European Semester. Also the Employment Committee (EMCO) of the EPSCO (Employment, Social Policy, Health and Consumer Affairs Council) – in its preparation of Council deliberations –pursues its multilateral surveillance on the implementation of the Youth Guarantee. EMCO has developed an Indicator Framework for Monitoring the Youth Guarantee.

**Social partners using the fund:** The involvement of the EU level social partners within the European Semester and the EMCO is still limited to various forms of informal cooperation.

**Governance:** According to the social partners there should be a much stronger role for them in the governance and decision making, monitoring and implementation of the Youth Employment Initiative as well the Youth Guarantee at EU level.

**Demands for improvements:** The European-level social partner organisations work to a great extent on the education and training related recommendations under the European Semester. In this context it should be mentioned that at the end of October 2016, the European cross-sectoral social partner organisations and their national member organisations were invited to a review-meeting of the Employment Committee of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) dedicated to the state of social dialogue at national level and its influence on the European Semester. This was the first time that EMCO had looked at the subject of the involvement of social partners in the European Semester.<sup>76</sup>

<sup>72</sup> ILO 2012: Studies on Growth with Equity, “Eurozone Job Crisis – Trends and Policy Responses”.

<sup>73</sup> Eurofound 2012: “NEETs Young people not in employment, education or training: Characteristics, costs and policy responses in Europe”.

<sup>74</sup> C. Dhéret, M. Morosi 2015: One year after the Youth Guarantee: Policy fatigue or signs of action? European Policy Centre, Policy Brief.

<sup>75</sup> Ibid. See also: M. Barslund, D. Gros 2013: Unemployment is the scourge, not youth unemployment per se - The misguided policy preoccupation with youth”, CEPS. A. Sapir 2013: Youth Unemployment: it’s growth, stupid! Bruegel.

<sup>76</sup> See the CEEP press note on this: <http://www.ceep.eu/first-participation-of-national-social-partners-in-a-multilateral-review-of-the-employment-committee-on-the-european-semester/>.

### 3.5 Horizon 2020

Horizon 2020 is one of the Europe 2020 Flagship Initiatives. With a budget allocation of nearly 80 billion Euro for the period 2014 – 2020, it is the biggest research and innovation programme in EU history.<sup>77</sup> However, parts of the available funds under Horizon 2020 have been transferred to the European Fund for Strategic Investment.

Horizon 2020 is divided in three main pillars:

- ▶ The Excellent science pillar, which has a specific target of universities and research centres. It includes initiatives such as: The European Research Council; future and emerging technologies; the Marie Skłodowska-Curie actions; and the research infrastructure, including e-infrastructure;<sup>78</sup>
- ▶ The Industrial Leadership pillar, more targeted towards SMEs. It includes actions as Innovations in SMEs, access to risk finance, and leadership in enabling and industrial technologies, advanced manufacturing and processing, and biotechnology;<sup>79</sup>
- ▶ The third pillar addresses societal challenges, especially health, demographic change and wellbeing; food security, sustainable agriculture and forestry, marine, maritime, and inland water research and the bio-economy; secure, clean, and efficient energy; smart, green and integrated transport; climate action, environment, resource efficiency and raw materials; inclusive, innovative and reflective societies; secure societies – protecting freedom and security of Europe and its citizens.<sup>80</sup>

The Horizon 2020 budget is spread across different Directorate Generals within the European Commission, responsible for awarding of the budget and for managing the whole programme. Three of them are particularly relevant: The Directorate General for Research and Innovation, the Directorate General for Internal Market, Industry, Entrepreneurship, and SMEs, and the Directorate General for the Digital Single Market.

More recently, in the Horizon 2020 working programme for 2015 and 2016<sup>81</sup> it is said that the programme targets young people (starting from those in primary and secondary edu-

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<sup>77</sup> Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC Text with EEA relevance.

<sup>78</sup> More information on the single objectives here

<https://ec.europa.eu/programmes/horizon2020/en/h2020-section/excellent-science>

<sup>79</sup> More information available here <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/industrial-leadership>

<sup>80</sup> More information on the single challenges is available at

<https://ec.europa.eu/programmes/horizon2020/en/h2020-section/societal-challenges>

<sup>81</sup> Available at [http://ec.europa.eu/research/participants/data/ref/h2020/wp/2016\\_2017/main/h2020-wp1617-societies\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/wp/2016_2017/main/h2020-wp1617-societies_en.pdf)

cation) with low basic and functional literacy levels, as well as NEETs, and will fund research in skills and education as close as possible to young innovators.<sup>82</sup>

One of Horizon 2020's primary objectives (encouraging links between innovation and educational system) has been strengthened, thus trying to build joint education and training programmes through the creation of a platform targeting all educational levels. Horizon 2020 is trying also to revive Public Private Partnership (PPP) in its effort to bridge the gap between research and real economy, and some PPP are exploring which skills are necessary in modern world, and which learning and training possibilities suit this purpose most.<sup>83</sup>

### **HORIZON 2020: Social partners making use of the fund and involvement in the governance**

**Social partners using the fund:** Given the complexity of the HORIZON 2020 programme, the EU level social partners with one exception (Council of European Municipalities and Regions, CEMR<sup>84</sup>) so far have not applied for funding under this programme.

**Governance:** The HORIZON 2020 is managed by Directorate-General for Research & Innovation of the European Commission through the managing authority EASME ("Executive Agency for Small and Medium-sized Enterprises") that also manages the implementation of other EU level funding instruments and programmes (including most of COSME, the EU programme for the Competitiveness of Enterprises and SMEs, parts of the LIFE programme (Environment and Climate Action) and the European Maritime and Fisheries Fund (EMFF)).

Social partners currently are not involved in the governance structure.

**Demands for improvements:** According to the ETUC and ETUCE, HORIZON 2020 is not oriented enough towards societal research and it is not open enough to the application of stakeholders other than research institutes and academia. National trade unions would like to apply for grants under this programme but the application process is too complicated and they are not experienced enough in running such projects. According to the surveyed social partner organisations at cross-sectoral and sectoral, there should be a much stronger role of social partners in the governance and decision-making of the programme, also in order to bring the programme closer to societal needs and challenges, e.g. in the field of professional development.

More concretely it is suggested for example by CEMR that social partners should be involved in the programming phase and should be consulted during the preparation of the programme. IndustriAll has highlighted that trade unions should be involved at least in the pillar on "societal challenges" as well as in other areas where they have specific experiences and knowledge, e.g. on "Industrial Leadership". As CEMR underlines, a stronger involvement of European umbrella organisations would also be likely to contribute positively to an extension of the number of potential applicants to the HORIZON 2020 programme.

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<sup>82</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>83</sup> Ibid.

<sup>84</sup> This is the CITYinvest project (<http://cityinvest.eu/home>), focussing on the introduction of innovative financing models in three pilot regions in Belgium, Bulgaria and Spain and conduct a comprehensive capacity building process in 10 focus countries in regard to specific financial instruments.

### 3.6 EaSI funding

The EU Programme for "Employment and Social Innovation" (EaSI), is a financing instrument managed by the Directorate General for Employment, Social Affairs and Inclusion. EaSI has the aim of promoting a high level of quality and sustainable employment, guaranteeing social protection, tackling social exclusion and poverty and, in general, improving working conditions.

The available budget for the 2014-2020 funding period is 919 million Euro, divided along three EaSI axis:

- ▶ The PROGRESS axis, charged with the task of modernising European employment and Social Policies (absorbing 61% of the total budget)
- ▶ The EURES axis, aiming to improve job mobility across different Member States (with 18% of the total budget)
- ▶ The Microfinance and Social Entrepreneurship axis (with the remaining 21% of the budget), dealing with the access to micro-finance and social entrepreneurship<sup>85</sup>

Altogether these three axes should deal with a broad range of objectives according to the EaSI regulation:<sup>86</sup>

- ▶ Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform;
- ▶ Ensure that the EU Law on social protection is applied, and contribute to modernise it;
- ▶ Strengthen ownership of EU objectives in the areas of employment, social affairs, and inclusion;
- ▶ Promote geographical mobility and foster job creation in an open labour market;
- ▶ Increase the availability of microfinance, especially towards the most vulnerable groups, on top of strengthening social and micro enterprises.

In relation to this study, the most important of EaSI's axes is clearly PROGRESS, since it deals with skills anticipation, analysing and estimating the likely skills supply and needs concerning European single market, laying the groundwork for future public investment in education and training.<sup>87</sup> The most relevant of EaSI's actions, both in terms of budget and of relevance for our study, is the setting up of the European Skills, Competences, qualifications and Occupations (often shortened as ESCO), a classification of skills, competences, qualifications and occupations. This classification is seeking to become the gold standard across different European qualifications, with the ultimate aim of making curric-

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<sup>85</sup> The three names of the axis are reminiscent of three 2007 – 2013 programmes that were managed independently: PROGRESS, EURES, and Progress Microfinance.

<sup>86</sup> Regulation (EU) No 1296/2013 of the European Parliament and the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion.

<sup>87</sup> Cf. European Commission 2015: Performance Monitoring Report of the European Union Programme for Employment and Social Innovation (EaSI) 2014.

ula from different Member States comparable and therefore facilitate European mobility to become as fair and as mutually beneficial as possible for both employers and employees. ESCO's budget amounts to 7 million Euro.<sup>88</sup>

It is also important to mention that the European Sector Skills Councils are funded by EaSI. These are a sector driven initiative willing to nurture the communication and the collaboration between stakeholders involved with skills intelligence at European and national level. European Sector Skills Councils have the double aim of providing a clearer picture of potential skills gaps at sectoral level and supporting the creation and the development of skills governance both at sectoral and national level.

### **EaSI funding: Social partners' involvement in governance and experience in using the fund**

**Social partners using the fund and Governance:** While the EaSI funding is managed by the Directorate-General for Employment and Social Affairs of the European Commission, social partners are not involved directly in the overall programme governance and decision-making.

However, many sectoral social partner organisations were engaged actively as key stakeholders in the establishment of **sector skills councils** financed by the EaSI instruments. In a number of other sectors (nursing, construction, steel, gas, automotive, chemicals, fishery, furniture, shipbuilding, audio-visual & live performance, agriculture, electricity, sports & leisure, dairy) feasibility studies have been carried out by the EU level sectoral social partners in the context of their Social Dialogue Committees but have not resulted in the establishment of a Sector Skills Council. Such bodies have been established in only three sectors: Textile, clothing, leather and footwear<sup>89</sup>, commerce<sup>90</sup> and the automotive industry.<sup>91</sup>

### **3.7 Budget Lines for Social Dialogue**

The EU budget contains a specific funding instrument to promote social dialogue at cross-industry and sectoral levels, the so-called Social Dialogue Budget Lines. This instrument is related to Article 154 of the Treaty on the Functioning of the European Union (TFEU) and the duty of the European Commission to foster and support European Social Dialogue both at cross-sectoral and sectoral level with a view on different dimensions such as information exchange, consultation, negotiation and joint actions.

The calls for proposals in the context of the budget lines are to financially support consultations, meetings, negotiations and other actions designed to achieve these objectives

<sup>88</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>89</sup> <http://europeanskillscouncil.t-c-l.eu/>

<sup>90</sup> <http://www.europeancommerce.eu/default.aspx>

<sup>91</sup> <http://euautomotiveskillscouncil.eu/>

and to promote further actions<sup>92</sup> of the European level social partners at cross-sectoral as well as sectoral level.

The measures that receive financial support should help the social partner organisations to contribute to addressing the overarching EU employment and social policy challenges as laid down in particular key Commissions documents such as the Communication on completing the economic and monetary Union (COM(2015)600), the annual growth surveys, the Joint Employment Report and the recommendations addressed to the Member States in the context of the European Semester as well as other documents such as the political guidelines and work programmes of the European Commission.

These budget lines can also be used to finance actions involving representatives of the social partners from the Candidate Countries. It is also intended to promote equal participation of women and men in the decision-making bodies of both trade unions and employers' organisations. These last two components are horizontal requirements.

### **Budget Lines for Social Dialogue: Social partners' involvement and governance**

**Social partners using the fund:** All EU level social partners at cross-sectoral and sectoral level have made use of the budget lines for a broad range of project themes, including on education and training issues (see table in annex). The projects carried out have had a direct impact on improving the capacity and role of social dialogue, in particular in those Member States that joined the EU most recently. The budget lines for Social Dialogue thus play a crucial role for cross-sectoral as well as sectoral level social dialogue<sup>93</sup> and the implementation of the multi-annual work programmes of the social partners within this context.

**Governance:** The Social Dialogue Budget Lines are managed by Directorate-General for Employment, Social Affairs & Inclusion in cooperation with Directorate-General for Budget. There is no dedicated governance body – the implementation, including funding decisions on specific projects are made by the responsible Unit of the European Commission. As main beneficiaries of the fund, the European level social partner organisations are not involved in the decision-making and the governance. The social partner organisations see a recent rather negative development in relation to the granting rules of this fund, for example an increasing administrative burden as well as the shrinking available budget. Thus, the social partners consider it important to enhance a closer and better exchange and regular coordination between DG EMPL and the social partners in regard to the management and implementation of the Budget Lines.

**Demands for improvements:** Though social partners are generally satisfied with the EU Budget Lines, they are concerned about changes that have occurred in the last years, namely the reduction of the overall budget available that has increased competition within the available funds amongst social partner organisations at European, and in particular, national and regional levels. Many social partners have also indicated that they have not been happy with other measures, for example the change from two to only one call each year and the extension of the duration of projects from one to two years. These changes are understood as a result of less personnel resources available at the Commission).

<sup>92</sup> As outlined as in EU Commissions documents such as the Communications on "European social dialogue - A force for innovation and change (COM(2002)341)", the Communication on Partnership for change in an enlarged Europe – Enhancing the contribution of European social dialogue" (COM(2004)557) or the Commission Staff Working Document on the Functioning and potential of European sectoral social dialogue (SEC(2010)964).

<sup>93</sup> Currently, there are 43 Sectoral Social Dialogue Committees. See: <http://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=1859>



### 3.8 Others (COSME, CIP Programme, EGF, LIFE, Health Programme, etc.)

In this paragraph we will briefly describe other programmes and initiative of interest for the public financing of education and training investment at European level.

First, there is **COSME**, Europe's programme for small and medium sized enterprises. COSME is managed by EASME, the European Commission Executive Agency for SMEs. COSME has a planned budget of 2.3 billion Euro for the period 2014 – 2020. COSME has a fourfold objective:

- ▶ Support a smoother access to finance for SMEs (e.g. encouraging them to adopt new business model)
- ▶ Ease the access to market for SMEs
- ▶ Nurture entrepreneurial spirit (e.g. through funding the Erasmus for Young Entrepreneurs programme<sup>94</sup> and capacity building)
- ▶ Advocate for more favourable framework conditions for business creation and growth

COSME is also relevant for having financed the WORTH project, launched under Competitiveness and Innovation Framework Programme (often known with the acronym CIP, more on this programme in the following paragraphs) in 2013 for the period 2013 – 2015. WORTH had the task to make connections and help businesses to cross borders for businesses working in design, craft and manufacture industry across Member States.<sup>95</sup>

This entailed the promotion of these creative industries (i.e. design and several crafts and professions related) as such, and the creation of high-value design products and processes. The WORTH project was such a success as a pilot project that it was decided that it would be continued after 2013 through the funding of the COSME programme.<sup>96</sup>

The **Competitiveness and Innovation Framework Programme** was a programme supporting Innovation activities: it was archived at the end of 2013. It had an overall budget of 3.6 billion Euro and it was the predecessor of COSME. It is worth-mentioning that through its three programmes (i.e. the Entrepreneurship and Innovation Programme – EIP, the Information Communication Technologies Policy Support Programme ICT-PSP, and the

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<sup>94</sup> [Erasmus for Young Entrepreneurs is a programme financing cross-border exchange actions through experience sharing and mentoring from seasoned entrepreneurs, who host the younger participants. More information available at: http://www.erasmus-entrepreneurs.eu/](http://www.erasmus-entrepreneurs.eu/)

<sup>95</sup> More information available at: <http://www.worth-project.eu/>

<sup>96</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

Intelligent Energy Europe Programme - IEE) it contributed to the development of the information societies while investing in education and training concerning ICT.<sup>97</sup>

The **European Globalisation Adjustment Fund**<sup>98</sup> was established in 2006 and was created to provide support to people who have lost their jobs due to global structural changes. It is managed by the Directorate General for Employment, Social Affairs and Inclusion and it has a maximum budget of 150 million Euro every year for the period 2014 – 2020. With this fund EGF can fund up to 60% of the cost of projects helping people who are made redundant in the current labour market, the trigger being the redundancy of 500 workers in a company production chain. To live up to its task, the EGF finances measures in education, training and retraining. The main instruments are tailor-made active labour market policies to provide immediate and long-term relief to the dismissed workers, such as: information, guidance, and mobility allowance, along with the training.<sup>99</sup>

**Life** is a financial instrument launched in 1992 by the European Commission. Its budget is managed by the Directorate General for the Environment and its current budget is of 3.4 billion Euro for the period 2014 – 2020.<sup>100</sup> Its main objective is to support the protection of the environment and climate, and to this extent it has invested in education and training. Life's interventions helped create several green jobs through the "greening" of the European labour market, the introduction of practical guidelines and the establishment of ad hoc training courses.<sup>101</sup>

The last programme worth mentioning in this section is the **Health Programme**, the third of its kind in European history. Launched in 2014,<sup>102</sup> it aims to improve EU citizens' health and reduce health inequalities, through the promotion of health campaigns, health innovation, and sustainability of the health systems.<sup>103</sup> Its budget amounts to 0.44 billion Euros for the period 2014 -2020, under the management of the Directorate General for

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<sup>97</sup> More information on CIP at its old page, <http://ec.europa.eu/cip/>

<sup>98</sup> More information of EGGF at its page <http://ec.europa.eu/social/main.jsp?catId=326>

<sup>99</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>100</sup> More information available the financial instrument page <http://ec.europa.eu/environment/life/>

<sup>101</sup> European Commission, Commission Staff Working Document 2016: Analytical underpinning for a New Skills Agenda for Europe Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A NEW SKILLS AGENDA FOR EUROPE: Working together to strengthen human capital, employability and competitiveness.

<sup>102</sup> Regulation (EU) No 282/2014 of the European Parliament and of the Council of 11 March 2014 on the establishment of a third Programme for the Union's action in the field of health (2014-2020) and repealing Decision No 1350/2007/EC.

<sup>103</sup> European Commission, Statement by Commissioner Borg following the vote in Parliament on the Health Programme 2014-2020, available at: [http://europa.eu/rapid/press-release\\_STATEMENT-14-31\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-14-31_en.htm)

Health and Food Safety. Despite its relatively small size, it is relevant for this study because it co-funded studies<sup>104</sup> on skills mismatches and skills needs in the health sector.<sup>105</sup>

### 3.9 Education and the Investment Plan for Europe

#### 3.9.1 The Investment Plan for Europe and the EFSI

The Investment Plan for Europe (IPE) was announced in November 2014 as the first major initiative of the Juncker Commission (thus also called the “Juncker Plan”)<sup>106</sup> addressing the challenge that investment in the EU in 2013 was 15% below the level of 2007. In order to close the investment gap, the IPE was officially approved in June 2015 and the European Fund for Strategic Investments (EFSI) launched immediately after.

In spite of its name, EFSI is not a fund, but comprises of a guarantee provided to the EIB Group from the EU budget (mostly Horizon 2020) and a capital contribution provided by the EIB. This financial structure enhances the risk-bearing capacity of the EIB Group, allowing it to finance more high-risk projects or riskier tranches of projects without deteriorating its asset quality, and therefore without threatening its AAA credit rating—a fundamental element underpinning the sustainability of the Group’s business model. This, in turn, would stimulate other investment, namely in the safer tranches of projects by reducing risk through credit enhancement. It is also essential that EFSI shall provide additionality to operations that it supports.

Within the EFSI, it is expected that by providing a total of 21 billion Euro (15 billion coming from the EU Budget and 6 billion from the EIB) a total of 315 billion Euro of investments can be triggered (i.e. a trigger factor of 1:15) until July 2018 through leverage effects and co-financing. The resources used for the guarantee come from a reorganisation of the EU budgets from 2015-2020 and are mainly taken from HORIZON 2020/InnoFin (equity and risk sharing instrument in the field of innovation and research), COSME (SME guarantee) and the Connecting Europe, i.e. transport infrastructure.

According to Art. 9 of the EFSI Regulation,<sup>107</sup> EFSI projects are eligible in the following 7 areas:

- ▶ *Research, development and innovation*, in particular through projects that are in line with HORIZON 2020 (it should be noted in this context that the respective investments will come from the HORIZON budget which is thus reduced); research

<sup>104</sup> The studies themselves are carried out by the organisation for Economic Co-operation and Development (OECD).

<sup>105</sup> Regulation (EU) No 282/2014 of the European Parliament and of the Council of 11 March 2014 on the establishment of a third Programme for the Union's action in the field of health (2014-2020) and repealing Decision No 1350/2007/EC.

<sup>106</sup> COM (2014) 903 final, Communication from the EC on An Investment Plan for Europe, 26 November 2014.

<sup>107</sup> Regulation (EU) 2015/1017 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments.

infrastructures; demonstration projects and programmes as well as deployment of related infrastructures, technologies and processes; support to academia including collaboration with industry; knowledge and technology transfer;

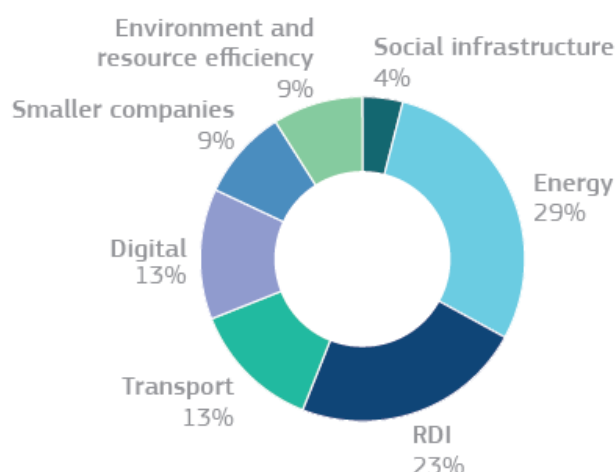
- ▶ *Development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks (expansion of renewable energy, energy efficiency/saving; modernisation of energy infrastructure);*
- ▶ *Development of transport infrastructures, and equipment and innovative technologies for transport, in particular through projects and horizontal priorities eligible under Regulations (EU) No 1315/2013 and (EU) No 1316/2013; smart and sustainable urban mobility; projects connecting nodes to TEN-T infrastructures;*
- ▶ *Financial support through the EIF and the EIB to entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies, in particular through (“SME window”);*
- ▶ *Development and deployment of information and communication technologies, in particular through digital content and services, high-speed infrastructures, broadband networks;*
- ▶ *Environment and resource efficiency*
- ▶ *Human capital, culture and health, in particular through education and training; cultural and creative industries; innovative health solutions; new effective medicines; social infrastructures, social and solidarity economy; tourism.*

According to the European Investment Bank (EIB), the EFSI potential in the Education sector can be deployed to its full potential through Public-Private Partnership (PPP). EFSI-type projects for the education sector according to the Commission/EIB would be for example PPPs mobilising investment for infrastructure (private sector based establishment, such as universities and pre-primary education facilities), R&D and business cooperation, vocational training programmes and student loans. The Commission also announced that it will further develop possibilities to use the EFSI for fostering investment in intangible assets such as teacher training or vocational training. Given the likely small scale of projects, the Commission also regards the aggregation of projects as decisive. Here, assistance via the European Investment Advisory Hub and the setting-up of a specific investment platform are suggested in this context.

Since the plan was launched, around 250 projects have been approved (not all signed yet) under EFSI in 26 EU Member States according to the European Commission in June 2016, amounting to financial commitments under the EFSI of 12.8 billion Euro (9.3 billion Euro for infrastructure and innovation projects and 3.5 billion Euro for SME financing).<sup>108</sup>

**Figure 4: EFSI transactions approved by the European Investment Bank (EIB) - Breakdown by sector (as of May 2016)**

<sup>108</sup> EU Commission: Communication “Europe investing again. Taking stock of the Investment Plan for Europe and next steps”. COM (2016) 359 final. Brussels, 1.6.2016.



Source: European Commission (2016): *The Investment Plan for Europe. State of Play.*

Regarding the target sectors, out of the 57 projects that were approved as of May 2016 under the EFSI infrastructure and innovation window, **only 5 have a social dimension and not one single of those is related to the human capital, education and skills objective.**<sup>109</sup>

While the share of these social projects in the total amount of EIB/EFIS financing commitments is only 4% and much lower than in all other sectors, the trigger factor to mobilise additional investments is also far below the general EFSI expectations. With EFSI/EIB financial commitments amounting to 818 million Euro it is expected to trigger 1.56 billion Euro in total investments which implies a trigger factor of less than 2.

The ETUC and ETUCE have raised this concern as well as the danger that the EFSI instrument might create distortions by the strengthening of already existing trends of “marketization” of public services and education and training, stressing the need to maintain the public responsibility of public investment in education.<sup>110</sup>

In the context of taking stock of EFSI experience after one year, the European Commission has indicated that in relation to social investment, including in education, a number of measures will be taken in order to foster the development of eligible projects.<sup>111</sup> In order to create a higher visibility of projects in the social economy and health sectors, the Commission is currently carrying out a feasibility study on a European Investment Project Portal on social/education investments.

The Commission also indicated that it is in discussion with the European Investment Fund (EIF) about the creation of an “innovative” Social Impact Instrument that would entail the establishment of Social Impact Funds (SIFs) or investing into existing ones in order to sup-

<sup>109</sup> The five projects are located in *Spain* (Research and development to improve medical treatment), *Ireland* (Construction of new primary care centres), *France* (social housing), *UK* (construction of a new teaching hospital in a brown field site in Birmingham) and *Austria* (construction and refurbishment of hospitals).

<sup>110</sup> ETUC: ETUC declaration on the EU-level investment plan. Adopted at the meeting of the Executive Committee on 2-3 December 2014. ETUCE: Position on the Investment plan for Europe. Adopted by the ETUCE Bureau on 10 December, 2014. CEEP: CEEP views on the investment plan presented by the European Commission. Opinion, 22 December 2014

<sup>111</sup> EU Commission (2016): *The Investment Plan for Europe. State of Play*

port social entrepreneurship and the provision of social services by social enterprises (for more details see the following chapter).

The Social Impact Funds are intended to mobilise investment from National Promotional Banks and the private sector. Mobilised investment at the level of final recipients is expected to be up to 1 billion Euro. Such investment into SIFs could be supported under the EFSI framework (as part of the SME window equity instrument). Furthermore, the Commission is considering the possibility of complementary financial support from the EaSI programme and the European Social Fund.

### 3.9.2 EIB lending in the education sector

It is important to refer also to lending activities of the European Investment Bank in the field of education as the EIB is involved in this sector already since the end of the 1990s.

The EIB is lending for different types of education related projects, most of them related to investment in facilities and infrastructure:

- ▶ pre-school facilities and kindergartens;
- ▶ primary and secondary school infrastructure;
- ▶ universities and higher education facilities;
- ▶ vocational training colleges;
- ▶ student loan facilities;
- ▶ research infrastructure.

As the following table shows, the overall amount of lending in the education sector as a share of total EIB lending is quite modest, around 6% in 2015 and only 5% for the period 2011-2015. There is also significant variance between countries (see table A.4 in the annex). While in countries such as Luxembourg, Ireland, Finland, France or Cyprus, the share of education projects in the total projects that received EIB lending is quite high, it has to be stressed here that EIB lending is biased in favour of low-risk projects and thus low-unemployment/economic stable countries.

**Table 4: Financing provided by the EIB within the EU on education and training (EUR million)**

	2015		2011-2015	
	Amount	% of total	Amount	% of Total
<b>Education</b>	<b>4.296</b>	<b>6,2</b>	<b>14.765</b>	<b>4,9</b>
Secondary education	1.407	2,0	5.377	1,8
Tertiary education	1.291	1,9	4.982	1,7
Education and training	1.529	2,2	4.048	1,3
Primary education	28	0,0	274	0,1
Pre-primary education	41	0,1	84	0

Source: EIB Statistical Report 2015. See also table A.4 in the annex for further details.

### 3.10 Initiatives to foster public-private-partnerships for investment in training and education

#### 3.10.1 Definition of Public-private-partnerships

In the European Union there is no uniform concept of Public-Private Partnerships, however, the Green Paper on public-private partnerships (COM/2004/0327 final) defines the following common elements of PPPs:

- ▶ The relatively long duration of the relationship, involving cooperation between the public partner and the private partner on different aspects of a planned project.
- ▶ The method of funding the project, in part from the private sector, sometimes by means of complex arrangements between the various players. [...]
- ▶ The important role of the economic operator, who participates at different stages in the project (design, completion, implementation, funding).
- ▶ The public partner concentrates primarily on defining the objectives to be attained in terms of public interest, quality of services provided and pricing policy, and it takes responsibility for monitoring compliance with these objectives.
- ▶ The distribution of risks between the public partner and the private partner, to whom the risks generally borne by the public sector are transferred.

According to Education International, representing organisations of teachers and other education employees, there are different forms of contractual PPPs that are relevant for the education sector:<sup>112</sup>

- ▶ First, the most common form are **Infrastructure PPPs** where after having financed and built for example a school, the private partner in some cases also will lease and finally transfer the facility to the public sector.
- ▶ Second, there are **Contract Schools** that are publicly owned and funded schools operated by the private partner in exchange for a management fee.
- ▶ Third, **educational services** such as school evaluation or inspection or supply of learning materials (and in some cases non educational support services) are **outsourced** to the private partner.

Whether one type is classified as a PPP depends on the national background and a clear distinction is not always possible. The focus of the following description and analysis will be on infrastructure PPPs as this form is of special importance in many countries as well as in the EU market.

#### The public private partnerships market in the EU

Several provisions promote public private partnerships in the EU. The European PPP Expertise Centre (EPEC) was founded in 2008 by the European Commission and the EIB in order to advise on PPPs. Since the beginning of the 1990, an increased recourse to PPPs has been justified by budgetary constraints, the wish to benefit more from the know-how of the private sector and a more

<sup>112</sup> Education International (2009), Public Private Partnerships in Education, September 2009, [http://www.boeckler.de/pdf/magmb\\_2010\\_10\\_ppp\\_studie\\_en.pdf](http://www.boeckler.de/pdf/magmb_2010_10_ppp_studie_en.pdf).

general change in the role of the State in the economy becoming an organiser, regulator and controller.<sup>113</sup>

Due to the financial crisis, the value of PPPs declined mostly as a consequence of a trend towards smaller projects.<sup>114</sup> After a decline of the PPP transaction value from 2007 on, in 2010 the value increased again for the first time.<sup>115</sup>

The UK still is the largest PPP market in Europe. However, other countries increasingly make use of PPPs. According to the EIB, and PPP activities have recently increased in France as well as Southern European countries.

The role of institutional investors such as insurance companies and pension funds as providers of debt to European PPPs has grown over the years with eight countries (the UK, Belgium, Denmark, France, Ireland, Finland, Turkey and the Netherlands) having closed transactions involving institutional investor debt in 2015 compared to six countries in 2014. The role of governments and public international financial institutions in funding and financially supporting European PPPs has been important in this time.<sup>116</sup>

Comparing PPP investment flows with total infrastructure investment, the share of PPPs is relatively small. PPPs themselves are mainly financed through loans (public and private). While bond financing has not played an important role since 2008, the share of equity is characterized by important fluctuations. Between 2000 and 2011, the share of EIB loans in total PPP financing ranged between 10 and 15 % with some exceptions.<sup>117</sup> The use of EU grants from the Structural Funds to finance PPPs was not very wide spread in recent years also due to difficulties to combine long-term projects with specific grant rules.<sup>118</sup>

### 3.10.2 Public private partnerships financed by the EIB

Between 1990 and 2015 the European Investment Bank financed a total of 216 PPPs accounting for a lending commitment of the EIB of 44.3 billion euros. While between 1990 and 1997 only projects in the transport sector were supported, since 1998 education projects have also been financed.<sup>119</sup> The following figure gives an overview of the share of projects financed in different sectors:

**Figure 5: Share of PPP projects financed by the EIB 1999-2015 per sector**

<sup>113</sup> European Commission 2004: Green Paper on public-private partnerships and Community law on public contracts and concessions. COM/2004/0327 final

<sup>114</sup> Kappeler, A. and Nemoz, M. 2010: Public-Private Partnerships in Europe – before and during the recent financial crisis, [http://www.eib.org/epec/resources/efr\\_epec\\_ppp\\_report1.pdf](http://www.eib.org/epec/resources/efr_epec_ppp_report1.pdf)

<sup>115</sup> epec 2010: Market Update: Review of the European PPP Market in 2010

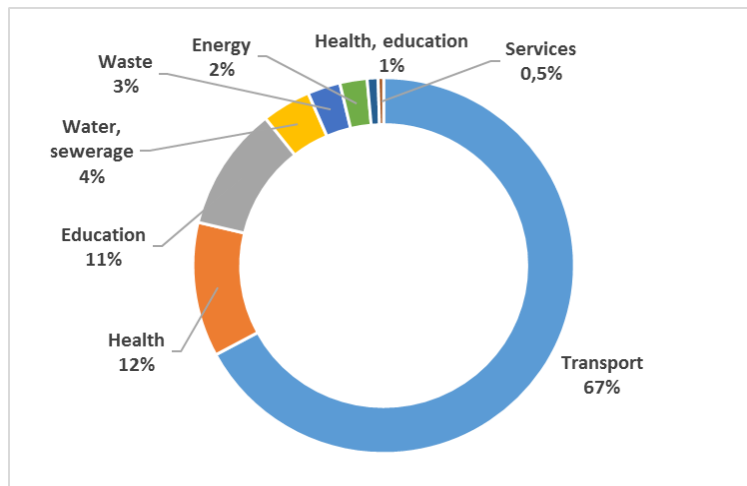
<sup>116</sup> epec: Market Update: Review of the European PPP Market in 2010 / 2015.

<sup>117</sup> Kappeler, A. 2012: PPPs and their Financing in Europe: Recent Trends and EIB Involvement, 20 September 2012, [http://www.eib.org/attachments/efs/econ\\_note\\_2012\\_ppp\\_and\\_financing\\_in\\_europe\\_en.pdf](http://www.eib.org/attachments/efs/econ_note_2012_ppp_and_financing_in_europe_en.pdf).

<sup>118</sup> Śmiechowicz, J. 2015: PPP and using EU funds in its financing in terms of crisis and budgetary restrictions.

<sup>119</sup> epec 2016: PPPs financed by the European Investment Bank from 1990 to 2015, April 2016.





Source: epec: PPPs financed by the European Investment Bank from 1990 to 2015, April 2016

The average amount of EIB support per project across all sectors is 205 million Euro, while for projects in the education sector, the average is only 89 million Euro.

Most PPP projects that have been supported by the EIB since 1998 are to be found in the UK (see table A.5 in the annex). The focus is on refurbishment and modernization as well as construction of schools.

## 4 GOVERNANCE, COORDINATION, TRANSPARENCY AND SOCIAL PARTNER INVOLVEMENT IN THE FIELD OF EDUCATION AND TRAINING POLICY

### 4.1 EU level education and training policy – a brief overview

Education and training in many respects (mobility, culture, and joint educational orientations) is one of the pillars of European integration.<sup>120</sup> Though the role of the EU in the field of education is limited, EU competencies in regard to vocational training are stronger. In general, the EU can only intervene to support, coordinate or complement the action of EU countries.<sup>121</sup>

An important impetus for a more active role of EU level policies and a more intense cooperation between European governments was the Bologna process on higher education at the end of the 1990s, as well as the Copenhagen process<sup>122</sup> on vocational education and training (VET). Under the umbrella of the Lisbon Strategy, the "Education & Training 2010 Work Programme" (ET 2010) established the first framework for European cooperation and introduced the Open Method of Coordination (OMC) into this field.<sup>123</sup> This method aimed at supporting cooperation, promoting best practices and modernising education and training systems across Europe, as highlighted by the Bruges Communiqué in 2010 and the 2015 Riga Conclusions.<sup>124</sup>

In June 2016, the European Commission launched a comprehensive package of measures under the umbrella of the "New Skills Agenda":<sup>125</sup> Rather than launching new measures the New Skills Agenda is a "re-engineering" and review process of already existing measures and initiatives in the field (European Qualification Framework, Digital Skills, Sector Skills initiatives, Europass, etc.) with the aim of promoting better visibility and better use of available skills as well as reaching a better understanding of skills needs and trends in the labour market.

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<sup>120</sup> Agostini C. and Capano G. 2013: Education policy: comparing EU developments and national policies, in Natali D. and Vanhercke B. (eds.) Social developments in the European Union, Brussels, ETUI and European Social Observatory, 147-180.

<sup>121</sup> For further information see the Factsheet of the European Parliament on this issue: [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU\\_5.13.3.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU_5.13.3.html).

<sup>122</sup> European Commission 2002: Declaration of the European ministers for vocational education and training, and the European Commission convened in Copenhagen on 29 and 30 November 2002, on enhanced European cooperation in vocational education and training.

<sup>123</sup> Capano G. and Piattoni, S. 2011: From Bologna to Lisbon: the political uses of the Lisbon 'script' in European higher education policy, Journal of European Public Policy, 18, 584-606.

<sup>124</sup> European Commission 2010: The Bruges communiqué on enhanced European cooperation in vocational education and training for the period 2011-2020.; European Commission (2015): Riga conclusions 2015 on a new set of medium-term deliverables in the field of VET for the period 2015-20.

<sup>125</sup> See: <http://ec.europa.eu/social/main.jsp?catId=1223&langId=en>.

However, European Social Partners are critical about the lack of dedicated and additional financial resources for the implementation of the Agenda, namely for the implementation of the Skills Guarantee.

## 4.2 Involvement and influence of the social partners in the governance and implementation of EU education and training policy

### 4.2.1 European education and training policy

As stressed elsewhere<sup>126</sup>, the ET2020 key priorities, the coordination process<sup>127</sup> as well as the six sets of benchmarks<sup>128</sup> have proved remarkably stable. One reason for this may be because they are largely accepted by all stakeholders involved and there is a system of governance that allowed for various inputs of social partners, e.g. in the midterm evaluation of ET 2020 that took place in 2014. Social partners and other stakeholders were involved at different levels, online surveys, larger stakeholder fora (e.g. the third ‘European Education, Training and YouthForum’ in October 2014).

At an informal High Level meeting in October 2013<sup>129</sup>, the then European Commissioner, representatives of the European cross-industry and education related sectoral social partners agreed to cooperate more closely on EU education and training policies. Acknowledging the key role of strong social partner involvement for progress in implementing new policies in the areas of education and training, a strengthened cooperation was agreed that should concentrate on four priority areas, including in the area of investment and funding:

- ▶ Quality of education: Improving basic skills in primary and secondary education, and achieving excellence in higher education, including STEM skills;
- ▶ Curricula development, e-skills, work-based learning, school-work transitions;
- ▶ Lifelong learning, adult learning and workplace learning, including cost sharing;

<sup>126</sup> Agostini, Chiara/Natali, David 2015: The EU’s ambivalent involvement in education and training policies, p. 161.

<sup>127</sup> The ET 2020 is based on two main documents. Each year, the Commission publishes the Education and Training Monitor, which provides information on developments in Member States and performance compared to the ET 2020 benchmarks. Every three years, the Commission and the Council publish the Joint Report on Education and Training, to assess the previous 3-year cycle of activity and prepare the next one. See: [http://ec.europa.eu/education/tools/et-monitor\\_en.htm](http://ec.europa.eu/education/tools/et-monitor_en.htm)

<sup>128</sup> These are: (1) At least 95% of children (aged 4 to compulsory school age) should join in early childhood education. (2) Fewer than 15% of 15-year-olds should be under-skilled in reading, science and mathematics. (3) The proportion of early leavers from education and training 18 to 24 years of age should be below 10%. (4) At least 40% of people aged 30 to 34 should have finished some form of higher education; at least 15% of adults should participate in lifelong learning. (5) No less than 20% of higher education graduates and 6% of 18 to 34 year old people with an initial vocational qualification should have spent some time studying or training abroad. (6) The share of employed graduates (aged 20 to 34 with at least upper secondary education attainment and having left education 1 to 3 years ago) should be 82% as a minimum. See: European Commission (2016): Strategic framework – Education & Training 2020. [http://ec.europa.eu/education/policy/strategic-framework/index\\_de.htm](http://ec.europa.eu/education/policy/strategic-framework/index_de.htm)

<sup>129</sup> European Commission 2013: High-level meeting on education and training between European Commissioner Androulla Vassiliou and the leaders of the European Social Partners. Brussels, 16 October 2013

- ▶ Investment and funding of education and training, in the framework of national reforms.

In relation to the implementation and monitoring of the ET2020, the social partners are involved in the ET2020 working groups that have been established as expert bodies under the Open Method of Coordination.<sup>130</sup>

#### 4.2.2 ESI Funds / ESF

As highlighted already in chapter 3 the European Social Partners have been satisfied that the Partnership Principle has been clearly enshrined in the management of the Structural funds and has been strengthened by the adoption of the European Code of Conduct on Partnership<sup>131</sup>, which governs the involvement of local authorities, social partners and other stakeholders in all stages of programming, implementation and monitoring of Structural Funds. However, the Partnership Principle does not cover all funds outside the Regulation for European Structural and Investment Funds. In addition to that, the Code of Conduct on Partnership is not implemented and respected equally in all Member States, as highlighted by the ETUC.

Concerning governance at EU level, only cross-sectoral social partners, and only in relation to the ESF, are involved on the basis of an observer status. The ESF Committee is a tri-partite committee established by the European Treaty, and it facilitates the administration of the ESF by Member States. The committee is composed of 3 representatives from each Member State representing the government, trade unions and employers. The European cross-sectoral social partners (ETUC, BUSINESSEUROPE, UEAPME and CEEP) are also present in the committee. Each committee meeting is chaired by the Commission, and this forum offers an opportunity for social partners to address issues relating to the programming, implementation, and monitoring of the ESF in the Member States.

According to Article 24 of the ESF Regulation<sup>132</sup>, the ESF Committee shall

- ▶ (a) be consulted on draft Commission decisions relating to operational programmes and programming in the case of support from the ESF;
- ▶ (b) be consulted on the planned use of technical assistance in the case of support from the ESF, as well as on other issues having an impact on the implementation of strategies at Union level relevant to the ESF;
- ▶ (c) endorse the list of common themes for transnational cooperation provided for in Article 10(3)<sup>133</sup>.

Furthermore, the Committee may deliver opinions on questions related to the ESF contribution to the implementation of the Europe 2020 strategy. The opinions of the ESF Committee shall be adopted by an absolute majority of the votes validly cast, and shall be

<sup>130</sup> [http://ec.europa.eu/education/policy/strategic-framework/expert-groups-2014-2015\\_en](http://ec.europa.eu/education/policy/strategic-framework/expert-groups-2014-2015_en)

<sup>131</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0240&from=EN>.

<sup>132</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1304&from=EN>

<sup>133</sup> "Member States, in partnership with the relevant partners, may select themes for transnational cooperation from a list of common themes proposed by the Commission and endorsed by the Committee referred to in Article 25 or select any other themes corresponding to their specific needs."

communicated to the European Parliament for information. The Commission shall inform the ESF Committee of the manner in which it has taken account of its opinions.

#### 4.2.3 Governance and decision making in the context of the Investment Plan for Europe

According to the EFSI-Regulation<sup>134</sup> the EFSI should be provided with an "appropriate governance structure" that comprises a steering board, a managing director and an "investment committee".

##### Governance of the EFSI

According to the EFSI-Regulation, the governance of the EFSI rests on the following key bodies:

**EFSI Steering Board:** Main task it to set the strategic orientation of the EFSI and the rules necessary for its functioning. The Steering Board also supervises the fulfilment of the EFSI objectives and monitor the respect of the members of the Investment Committee of their obligations under the regulation. According to the EFSI Regulation (Art. 7.3) the Steering Board shall regularly organise a consultation of relevant stakeholders - in particular co-investors, public authorities, experts, education, training and research institutions, the relevant social partners and representatives of civil society - on the orientation and implementation of the investment policy carried out by the EIB under this Regulation. The EFSI Steering Board consists of three representatives of the European Commission and one from the EIB, as stipulated in the Regulation. Currently, the Steering Board is chaired by DG Energy with further representatives coming from DG Competition and DG Economic and Financial Affairs as well as the EIB.

**EFSI Managing Director:** Responsible for the daily management of the EFSI. He is also a member of the Investment Committee.

**EFSI Investment Committee:** Consists of experts and "takes decisions on the use of the EU guarantee for potential projects and for the operations with national promotional banks or institutions or investment platforms in a transparent and independent manner". The Investment Committee should be composed of eight independent experts, representing "a broad range of expertise as outlined in this Regulation", and the Managing Director. The Investment Committee should be accountable to the Steering Board, which should supervise the fulfilment of the EFSI's objectives and monitor on a continuous basis the respect by the members of the Investment Committee of their obligations under this Regulation.

Apart from being involved in the "dialogue with stakeholders" as required by the EFSI regulation, social partners are not involved in the governance of the EFSI. This non-involvement could be critical in regard to the possibility defined in the Regulation that EU Member States are able to use European Structural and Investment Funds to contribute to the financing of eligible projects that are supported by the EFSI. The Commission should be able to provide guidance so as to ensure that the combined use of Union instruments with EIB financing under the EU guarantee allows an appropriate level of complementarity and synergy.

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<sup>134</sup> [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2015.169.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2015.169.01.0001.01.ENG).

## 5 CONCLUSIONS

The study tackles two important topics: the issue of investment in education and training in general, and the use and governance of EU funds.

The topic of investment in education and training has gained increased attention at EU level in recent years. This is indicated by the fact that the call for reforms seeking to increase its efficiency and quality has become more prominent. This is also the case in the context of the European Semester and country-specific recommendations. The increasing role of education and in particular vocational training and skills as a recipe against various labour market challenges has been strongly illustrated by several policies. Additionally, the Juncker-Plan and the initiative to boost investment by establishing a new financial instrument refers to education and training investment needs and investment gaps and bottlenecks. Though so far no single project application from the field of education has been proposed to the EFSI, the Commission seems to be eager to explore new channels of funding and investment in not only tangible but also intangible education assets.

Given the crisis of public financing, the effects of fiscal consolidation at national level, the role of EU education and training policies and investment is increasing. There is an important role for the EU in financing of education and training.

New fields in need for investment are also increasing in the light of new challenges, namely youth unemployment, digitalisation, globalisation, mobility. This study shows that the EU funds are increasingly required in the field of education and training to provide sustainable support and to be more accessible for the use of the social partners. EU funds are essential contributions to education and training systems and could be more available for wider societal and geographical needs.

Our study – as many previous studies, including several analyses in the context of the European Commission’s own monitoring of the ET2020 process – confirmed the decreasing investment in national public education and training systems since around 2010 as a direct effect of fiscal consolidation processes. Education and training is facing an investment backlog and gap (due to geographic differences and differences between education/training types) as well as the emergence of new needs and future challenges (shifts of demands within countries, effects of demographic change and migration, digitalisation, etc.).

10% of expenditure/investment goes into educational infrastructure while a safe and healthy school environment is the condition of quality education. Our study shows that, to date, lending of the EIB, public-private partnerships and new financial instruments such as social impact funds/bonds seem not be suitable instruments to address the underinvestment in the education and training sector. Within the European social model education and training is a universal right and should be free and available for all. Thus, investment in the education and training system is a public responsibility heavily relying on public investment as its main funding source.

This means that private funds are not sufficient to close investment gaps in the field of general education and training and the mobilisation of private funds must always be carefully considered. Therefore, it is not surprising that so far the record of EFSI spending on education projects is of no relevance. Our analysis confirms that the logic of the EFSI instrument - namely the orientation towards investment that has a higher risk profile than normal projects supported by the EIB and the principle of additionality (i.e. the project would not receive funding by other sources) – does not match the nature of investment in national public education and training (extremely long-term, less risky, often smaller scale projects, etc.).

However, against declining national and regional investment as a result of the crisis, European Structural and Investment Funds have become more important for co-financing public investments. And here, in the context of the European Fund for Strategic Investments and the Stability and Growth pact, the European Commission has called upon Member States to explore new forms of funding and to “maximise” the contribution of European Structural and Investment Funds.

There is namely an increasing experience with PPP, in particular in the field of modernisation of existing infrastructure or new infrastructure developments (in particular in tertiary education and research). The analysis of EIB lending in the education and training sector shows that new financial instruments and project funding that brings in private investments in the education and training field is extremely complex and requires a thorough analysis of framework conditions at national, local and sectoral level. Also experience is very limited, restricted mainly to investment in infrastructure and heavily concentrated in the UK. Against this, any debate on the exploration of new financial instruments should be based on broad stakeholder involvement at various levels, bringing in experiences in regard to past results (e.g. with PPP).

Concerning the governance and the involvement of social partners in education and training policies at EU level, the work of social partners in the evolving European education and training policy has always been strong and social partners have an important role in influencing EU policies and strategies. In some decision making bodies on EU funds - for example in the governance of the ESI Funds and in particular the ESF - the social partners play a strong role and they are directly involved on the basis of the partnership principle, which has recently been strengthened and also involves tasks in the monitoring and financing of programmes and funds.<sup>135</sup>

However, this study also shows that the role of social partners in the governance on several EU funds and the use of these funds is not strong enough or has been weakened in the context of changes in the governance system (e.g. Erasmus+) or new initiatives (e.g. Sector Skills Alliances).

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<sup>135</sup> How this works on the ground at national level will be the focus of the second phase of this study that will analyse the situation in single EU Member States.

At the same time, interview partners from the European Commission and representatives of financial institutions working on investments in education and training stated that in this particular field the expertise and knowledge of social partners is well valued and that the exchange on challenges and possible solutions in the field of investment in education and training - in general and via the EU funds - should be strengthened in the future.



## ANNEX

### Data tables

**A.1: Government expenditure on education as a percentage of GDP and Year-on-Year change**

Country	Year					Year-on-Year Change				Total change
	2010	2011	2012	2013	2014	2011	2012	2013	2014	
<b>EU28</b>	5,3	5,1	5,0	5,0	4,9	-0,2	-0,1	0,0	-0,1	<b>-0,4</b>
<b>Austria</b>	5,1	5,0	5,0	5,0	5,0	-0,1	0,0	0,0	0,0	<b>-0,1</b>
<b>Belgium</b>	6,0	6,1	6,3	6,4	6,3	0,1	0,2	0,1	-0,1	<b>0,3</b>
<b>Bulgaria</b>	3,6	3,4	3,4	3,7	4,1	-0,2	0,0	0,3	0,4	<b>0,5</b>
<b>Cyprus</b>	6,8	6,6	6,1	6,5	5,8	-0,2	-0,5	0,4	-0,7	<b>-1,0</b>
<b>Czech Rep</b>	5,1	5,1	5,1	5,1	5,2	0,0	0,0	0,0	0,1	<b>0,1</b>
<b>Germany</b>	4,4	4,3	4,3	4,3	4,3	-0,1	0,0	0,0	0,0	<b>-0,1</b>
<b>Denmark</b>	7,2	6,9	7,0	7,0	7,2	-0,3	0,1	0,0	0,2	<b>0,0</b>
<b>Estonia</b>	6,6	6,2	6,2	5,9	5,6	-0,4	0,0	-0,3	-0,3	<b>-1,0</b>
<b>Greece</b>	4,1	4,4	4,5	4,6	4,4	0,3	0,1	0,1	-0,2	<b>0,3</b>
<b>Spain</b>	4,5	4,4	4,2	4,1	4,1	-0,1	-0,2	-0,1	0,0	<b>-0,4</b>
<b>Finland</b>	6,6	6,5	6,4	6,4	6,4	-0,1	-0,1	0,0	0,0	<b>-0,2</b>
<b>France</b>	5,6	5,5	5,5	5,5	5,5	-0,1	0,0	0,0	0,0	<b>-0,1</b>
<b>Croatia</b>	5,1	4,9	4,9	5,1	4,7	-0,2	0,0	0,2	-0,4	<b>-0,4</b>
<b>Hungary</b>	5,5	5,1	4,7	4,6	5,2	-0,4	-0,4	-0,1	0,6	<b>-0,3</b>
<b>Ireland</b>	5,0	5,0	4,8	4,5	4,3	0,0	-0,2	-0,3	-0,2	<b>-0,7</b>
<b>Italy</b>	4,4	4,1	4,1	4,1	4,1	-0,3	0,0	0,0	0,0	<b>-0,3</b>
<b>Lithuania</b>	6,4	6,1	5,8	5,6	5,4	-0,3	-0,3	-0,2	-0,2	<b>-1,0</b>
<b>Luxembourg</b>	5,2	5,4	5,6	5,2	5,2	0,2	0,2	-0,4	0,0	<b>0,0</b>
<b>Latvia</b>	6,2	5,9	5,7	5,7	5,9	-0,3	-0,2	0,0	0,2	<b>-0,3</b>
<b>Malta</b>	5,6	5,7	5,7	5,8	5,8	0,1	0,0	0,1	0,0	<b>0,2</b>
<b>Netherlands</b>	5,6	5,5	5,5	5,4	5,4	-0,1	0,0	-0,1	0,0	<b>-0,2</b>
<b>Poland</b>	5,5	5,4	5,4	5,3	5,3	-0,1	0,0	-0,1	0,0	<b>-0,2</b>
<b>Portugal</b>	7,6	7,3	6,2	6,2	6,2	-0,3	-1,1	0,0	0,0	<b>-1,4</b>
<b>Romania</b>	3,3	4,1	3,0	2,8	3,0	0,8	-1,1	-0,2	0,2	<b>-0,3</b>
<b>Sweden</b>	6,5	6,5	6,5	6,6	6,6	0,0	0,0	0,1	0,0	<b>0,1</b>
<b>Slovenia</b>	6,5	6,4	6,5	6,5	5,9	-0,1	0,1	0,0	-0,6	<b>-0,6</b>
<b>Slovakia</b>	4,2	4,1	4,1	4,0	4,1	-0,1	0,0	-0,1	0,1	<b>-0,1</b>
<b>United Kingdom</b>	6,6	6,0	5,7	5,3	5,2	-0,6	-0,3	-0,4	-0,1	<b>-1,4</b>

Source: Eurostat, extracted October 2016

**A.2: Cost of Continuous Vocational Training (CVT) courses per employee in Purchasing Power Standards (PPS). All enterprises.<sup>136</sup>**

Country	2005	2010	Change
EU28	454	511	12,56%
Austria	525	637	21,33%
Belgium	681	1.084	59,18%
Bulgaria	79	92	16,46%
Croatia	:	244	n.a.
Cyprus	325	677	108,31%
Czech Republic	332	240	-27,71%
Denmark	1.011	663	-34,42%
Estonia	213	198	-7,04%
Finland	448	464	3,57%
France	842	935	11,05%
Germany	487	592	21,56%
Greece	142	212	49,30%
Hungary	304	332	9,21%
Ireland	683	:	n.a.
Italy	420	442	5,24%
Latvia	66	96	45,45%
Lithuania	118	115	-2,54%
Luxembourg	798	774	-3,01%
Malta	408	472	15,69%
Netherlands	677	830	22,60%
Poland	191	200	4,71%
Portugal	238	475	99,58%
Romania	102	178	74,51%
Slovakia	259	367	41,70%
Slovenia	534	526	-1,50%
Spain	370	515	39,19%
Sweden	763	697	-8,65%
United Kingdom	345	266	-22,90%

Source: Eurostat, *Cost of CVT courses per employee (all enterprises), by type of cost and size class [trng\_cvts62]. Extracted October 2016*

<sup>136</sup> According to Eurostat, Continuing vocational training in enterprises (trng\_cvts), Reference Metadata in Euro SDMX Metadata Structure (ESMS) **Continuing vocational training (CVT)** are training measures or activities which have as their primary objectives the acquisition of new competences or the development and improvement of existing ones and which must be financed at least partly by the enterprises for their persons employed who either have a working contract or who benefit directly from their work for the enterprise such as unpaid family workers and casual workers. Persons employed holding an apprenticeship or training contract should not be taken into consideration for CVT. The training measures or activities must be planned in advance and must be organised or supported with the special goal of learning. Random learning and initial vocational training (IVT) are explicitly excluded. CVT measures and activities cover both CVT courses and other forms of CVT (see: [http://ec.europa.eu/eurostat/cache/metadata/en/trng\\_cvts\\_esms.htm](http://ec.europa.eu/eurostat/cache/metadata/en/trng_cvts_esms.htm))

## A.3: Challenges to investment from the point of view of the EU Commission

Country	Specific challenges of education and training	2015 European Semester recommendations on education and training
<b>Austria</b>	<ul style="list-style-type: none"> <li>- foreign-born students are three times as likely to leave school early as native-born students</li> <li>- educational performance continues to be very dependent on parents' socio-economic status</li> <li>- higher education lacks consistent strategic orientation and is underfunded; drop-out rate from higher education remains high</li> <li>- starting to be a lack of maths, science and technology graduates</li> </ul>	<b>X</b>
<b>Belgium*</b>	<ul style="list-style-type: none"> <li>- high educational inequality related to socio-economic and immigrant background</li> <li>- wide gaps in performance between schools</li> <li>- marked differences in basic skills performance and in early school leaving rates between the communities and regions</li> <li>- academic performance of pupils enrolled in VET is poor</li> <li>- most disadvantaged schools lack experienced teachers and head teachers</li> <li>- capacity and quality problems in the education infrastructure</li> <li>- transition from school to work is very difficult for young people with lower secondary education qualifications</li> <li>- implementing the reforms will require major efforts from a wide array of actors</li> </ul>	---
<b>Bulgaria*</b>	<ul style="list-style-type: none"> <li>- needs to improve the overall quality and efficiency of its school education system and the capacity of higher education to respond to labour market needs</li> <li>- school education act (framework for comprehensive reforms, modernisation of curricula, improving teacher training) still not adopted</li> <li>- access to education for disadvantaged children, in particular Roma</li> <li>- quality of vocational education and training is insufficient, including its integration in the general education system</li> <li>- rate of adult participation in lifelong learning is among the lowest in the EU</li> </ul>	<b>X</b>
<b>Croatia*</b>	<ul style="list-style-type: none"> <li>- improving educational outcomes in mathematics in primary and secondary schools</li> <li>- modernising initial vocational education curricula in line with the needs of the labour market</li> <li>- increasing access to higher education and reducing drop-out rates</li> <li>- low participation in early childhood education and care</li> <li>- under-regulated and underfunded adult learning system</li> </ul>	----
<b>Cyprus*</b>	<ul style="list-style-type: none"> <li>- lack of efficiency in public spending and the relatively low quality of educational outcome</li> <li>- one of the lowest employability rates of recent graduates in the EU; unsatisfactory performance in basic skills by students and young adults alike</li> <li>- one of the lowest participation rates in vocational education and training (VET) in the EU, but recent reforms and new initiatives in this area include a gradually expanding VET offer.</li> </ul>	<b>(fiscal consolidation programme)</b>
<b>Czech Republic*</b>	<ul style="list-style-type: none"> <li>- reduce inequalities that affect socially disadvantaged students and Roma in particular</li> <li>- legislative amendments adopted in 2015 will have to be supplemented by adequate financial means, close communication with stakeholders and strict monitoring of the impact of measures</li> <li>- teachers' salaries are low in comparison to other countries, the prestige of the profession is weak and the teacher population is ageing</li> <li>- Skills mismatches need to be reduced, in particular for graduates from the</li> <li>- vocational education and training (VET) sector measures will be necessary to ensure quality and labour market relevance</li> </ul>	<b>X</b>
<b>Denmark*</b>	<ul style="list-style-type: none"> <li>- decrease the high proportion of underachievement in basic skills among pupils with an immigrant background</li> <li>- reduce the rate of drop-out from vocational education and training</li> <li>- The reforms in the school and vocational education and training sectors launched in 2014 provide an opportunity to address these issues</li> </ul>	---
<b>Estonia*</b>	<ul style="list-style-type: none"> <li>- certain structural challenges related to the effectiveness and efficiency of the education system</li> <li>- adapting the Estonian education system to the rapidly declining demographic situation and to the future requirements of a technology-intensive labour market</li> <li>- attractiveness of vocational education and training and the provision of apprenticeships remain problematic (to address this an apprenticeship development programme is being planned)</li> <li>- stronger links are needed with the business sector within the knowledge triangle</li> <li>- the gender gap in education, especially for young males</li> </ul>	<b>X</b>
<b>Finland</b>	<ul style="list-style-type: none"> <li>- Level of basic skills remains high, despite somewhat less favourable results in recent international surveys</li> </ul>	---

Country	Specific challenges of education and training	2015 European Semester recommendations on education and training
	<ul style="list-style-type: none"> <li>- new challenges are emerging, especially for young migrants and in the light of a recent trend towards differentiation between schools in densely populated urban areas</li> <li>- overall number of apprenticeship type placements remains comparably low</li> </ul>	
<b>France*</b>	<ul style="list-style-type: none"> <li>- results are average in comparison to other countries and educational inequalities linked to socio-economic status have been constantly widening</li> <li>- significant regional disparities remain in early school leaving, in particular of young people with an immigrant background</li> <li>- still not sufficient apprenticeships for the least qualified</li> <li>- level of adult literacy and numeracy is among the lowest in the EU for those with poor qualifications and for older age groups</li> </ul>	---
<b>Germany</b>	<ul style="list-style-type: none"> <li>- shortages of highly qualified people in certain sectors and regions, in part due to negative demographic trends</li> <li>- improving educational outcomes still further and loosening the strong link between educational achievement and socioeconomic status</li> <li>- more and better quality ECEC, increasing the number and the quality of all-day school places</li> <li>- promoting access to training for the low-skilled</li> <li>- integrating the high number of recently arrived migrants into the education system and preparing their transition to the labour market</li> </ul>	X
<b>Greece*</b>	<ul style="list-style-type: none"> <li>- Despite comprehensive reforms still need to increase efficiency and effectiveness at virtually all levels of education</li> <li>- education and training system requires further modernisation in terms of its performance and its ways of working, in particular with regard to providing basic skills, and its capacity to ensure the successful transition of young people to the labour market</li> </ul>	<b>(fiscal consolidation programme)</b>
<b>Hungary*</b>	<ul style="list-style-type: none"> <li>- proportion of low achievement in basic skills is increasing and the socio-economic gaps in performance are still among the highest in the EU</li> <li>- Increasing the participation of disadvantaged students, in particular Roma, in mainstream inclusive education</li> <li>- improving support through targeted teacher training</li> <li>- three-year vocational programme is not attractive to young people and does not provide flexible career opportunities</li> <li>- early school leaving rate among pupils in vocational schools is significant; too many students drop out of higher education</li> <li>- adult participation in lifelong learning remains very low</li> </ul>	X
<b>Ireland*</b>	<ul style="list-style-type: none"> <li>- acting in a very difficult fiscal context and decreasing public spending on education</li> <li>- access to full-time childcare remains limited and expensive</li> </ul>	---
<b>Italy*</b>	<ul style="list-style-type: none"> <li>- early school leaving rate remains well above the EU average</li> <li>- marked regional differences in basic skills proficiency</li> <li>- tertiary education attainment rate for young people is the lowest in the EU</li> <li>- many students still drop out of tertiary education</li> <li>- work based learning is not sufficiently well-developed</li> <li>- entry into the labour market is difficult for young people, including the high-skilled</li> <li>- government expenditure on education as a proportion of GDP is among the lowest in the EU, particularly at tertiary level</li> </ul>	X
<b>Latvia*</b>	<ul style="list-style-type: none"> <li>- further improve the quality of vocational education and training (VET) and higher education</li> <li>- public funding for higher education has so far lacked a performance-oriented component</li> <li>- gender gap in education is a challenge across the board, with women significantly and persistently outperforming men both in terms of qualifications and basic skill proficiency.</li> </ul>	X
<b>Lithuania*</b>	<ul style="list-style-type: none"> <li>- skills acquired in secondary and tertiary education often do not meet the needs of the labour market</li> <li>- underachievement in reading and maths is high</li> <li>- participation in initial vocational education and training relatively low</li> <li>- Only a small percentage of adults participate in learning</li> <li>- teaching workforce is ageing and there are difficulties in attracting young</li> </ul>	X
<b>Luxembourg*</b>	<ul style="list-style-type: none"> <li>- socio-economic status plays a significant role in influencing educational outcomes, in particular for pupils from an immigrant background</li> <li>- percentage of early school-leavers is relatively high among population with an immigrant background</li> </ul>	

Country	Specific challenges of education and training	2015 European Semester recommendations on education and training
	<ul style="list-style-type: none"> <li>- despite high spending for primary and secondary education, PISA results for 15 year-old students show performance somewhat below the OECD average</li> </ul>	
<b>Malta*</b>	<ul style="list-style-type: none"> <li>- despite recent progress, the early school leaving rate remains high</li> <li>- basic skills proficiency is poor by international comparison</li> <li>- supply of skills from the vocational education and training system has not yet adjusted to labour market requirements</li> </ul>	<b>X</b>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>- education performance is good in international comparison but has not improved in recent years</li> <li>- improve numeracy skills in primary, secondary and vocational schools</li> <li>- coping with ageing teaching population</li> <li>- shortage of well-qualified teachers, in particular for teaching languages, maths and science and for teaching students with special needs</li> </ul>	---
<b>Poland*</b>	<ul style="list-style-type: none"> <li>- access to quality early childhood education and care, teaching of transversal skills</li> <li>- attractiveness of vocational education and training (VET)</li> <li>- relevance of higher education to the labour market</li> <li>- low level of adult participation in lifelong learning and poor skills levels among adults, particularly in ICT</li> </ul>	---
<b>Portugal*</b>	<ul style="list-style-type: none"> <li>- high proportion of students re-sitting years</li> <li>- equity in in basic education and the extent to which socioeconomic background determines educational achievement</li> <li>- attractiveness of higher education, and university in particular</li> </ul>	---
<b>Romania*</b>	<ul style="list-style-type: none"> <li>- accessibility of higher education for disadvantaged groups</li> <li>- early school leaving rate well above the EU average</li> <li>- availability and access of early childhood education and care services is limited, especially in rural areas and for the Roma community</li> <li>- tertiary education attainment rate remains the second lowest in the EU</li> <li>- adult participation in lifelong learning remains far below the EU average</li> <li>- government expenditure on education as a share of GDP is the lowest in the EU</li> </ul>	<b>X</b>
<b>Slovakia*</b>	<ul style="list-style-type: none"> <li>- educational inequalities remain high and educational outcomes have deteriorated over recent years</li> <li>- participation of Roma children in mainstream education and in high-quality early childhood education needs to increase</li> <li>- attractiveness of the teaching profession to talented young people is low</li> <li>- initial teacher education and continuous professional development need to be improved</li> <li>- quality of higher education and cooperation with employers need to be strengthened</li> <li>- deeper knowledge of the labour market needs would contribute to fewer skills and qualifications mismatches</li> <li>- reforms often do not always reach their full potential partly because stakeholders are not always fully on-board with the reforms and due to weaknesses in the implementation phase</li> </ul>	<b>X</b>
<b>Slovenia</b>	<ul style="list-style-type: none"> <li>- higher education system is marked by a disproportionately high number of study programmes, a high drop-out rate and problems with fictitious enrolment</li> <li>- higher education sector is underfunded and as a result, the quality of teaching and resources is unsustainable</li> <li>- in upper secondary education, the reversing demographic trends and the drop in student numbers have caused schools across the country to function beneath their capacity</li> <li>- marked regional differences in results in national examinations, indicating that socio-economic background has a strong effect</li> </ul>	---
<b>Spain*</b>	<ul style="list-style-type: none"> <li>- despite a steady fall in early school leaving over the past six years, Spain still has the highest rate in Europe, with significant differences between regions</li> <li>- also great disparities in the performance of school students in basic skills between cohorts, schools and regions, mostly linked to socioeconomic background</li> <li>- employability of higher education graduates, particularly in certain disciplines, remains a major challenge</li> <li>- significant proportion of graduates employed in jobs that do not require a university degree</li> </ul>	---
<b>Sweden</b>	<ul style="list-style-type: none"> <li>- despite high investments school outcomes have deteriorated in terms of basic skills proficiency</li> <li>- equity in Swedish schools has declined - younger cohorts perform worse than their predecessors by international comparison is of concern</li> </ul>	

Country	Specific challenges of education and training	2015 European Semester recommendations on education and training
	<ul style="list-style-type: none"> <li>- transition from school to work remains difficult for young people who leave school without having completed upper secondary education</li> <li>- integrating in the education system the large number of newly arrived students is an important challenge</li> </ul>	
<b>UK*</b>	<ul style="list-style-type: none"> <li>- access to early childhood education and care for children under the age of 4</li> <li>- literacy of 18-24 year-olds with only lower secondary education</li> <li>- numeracy skills among 15 year-olds</li> <li>- continued reduction in the early school leaving rate</li> <li>- availability of higher vocational and technical education trails behind other European systems</li> </ul>	<b>X</b>

Source: Own compilation, based on EU Commission: Education and Training Monitor. Country Reports 2015.

\* In these countries public reforms have been recently carried out addressing education and training or are currently carried out.

**A.4: EIB Lending on education investments 2011 – 2015 (Euro million)**

Country	Total lending 2011-2015	Total Lending 2014	Total Lending 2015	Lending on education projects 2011-2015	Share Education %	Large projects 2015
Belgium	7.988	1.916	2.102	230	2,9	
Bulgaria	1.284	610	65	n.a.		
Czech Rep	4.300	1.198	324	n.a.		
Denmark	2.463	875	559	n.a.		
Germany	33.161	7.726	6.710	950	2,9	Hochschulen NRW 450m
Estonia	738	252	32	95	12,9	
Ireland	3.347	932	745	663	19,8	Dublin City University & Trinity College 147m
Greece	5.881	1.556	1.348	242	4,1	
Spain	51.683	11.886	11.943	1.168	2,3	
France	33.245	8.213	7.928	4.826	14,5	various colleges and lycees total around 800m
Croatia	2.140	635	358	3	0,1	40m hospital investment
Italy	47.368	10.888	10.987	1.179	2,5	School upgrade investment plan 908m
Cyprus	1.308	265	215	197	15,1	
Latvia	489	108	210	20	4,1	
Lithuania	832	80	474	60	7,2	
Luxembourg	851	50	320	302	35,5	Infrastructure Education 300m
Hungary	5.926	756	1.424	490	8,3	Hungarian Academy of Science 120m
Malta	67	0	27	n.a.		
Netherlands	7.671	2.194	2.079	230	3,0	
Austria	8.777	1.496	1.795	n.a.		
Poland	26.474	5.496	5.545	252	1,0	Poland University research support 520m Euro, science and research national centres 420m Euro, advanced medical research 120m
Portugal	6.646	1.320	1.413	210	3,2	
Romania	2.597	590	211	n.a.		
Slovenia	2.344	111	798	90	3,8	
Slovakia	2.891	556	1.042	n.a.		SZRB loan for SMEs and youth employment 15m
Finland	5.531	1.039	1.626	846	15,3	Helsinki education infrastructure 300m Vantaa education infrastructure 140m
Sweden	6.412	1.411	1.590	118	1,8	Helsingborg hospital 270m
UK	29.115	7.013	7.768	2.595	8,9	

Source: EIB statistical Report 2015

**A.5: Public-private partnerships in education financed by the EIB between 1998 and 2015**

Year	Country	Project	Amount of EIB loan (EUR million)
2015	UK	<b>Priority Schools Building Programme (PSBP)</b> 260 schools will be rebuilt	
		<b>PSBP – North East</b>	65
		<b>PSBP – Hertfordshire, Luton and Reading</b>	88
		<b>PSBP – North West</b>	69
		<b>PSBP – Midlands</b>	88
2014	Greece	<b>Attica Schools (Bundles I and II)</b> Design, construction and facility management of 24 new schools in the Attica region in Greece under a 27-year Partnership Agreement, procured as two separate PPP sub-projects, concerning 14 and 10 schools each.	36
2013	UK	<b>City of Glasgow College</b> Design, construction and maintenance of a new campus for the City of Glasgow College using the NPD (Non-Profit Distributing) procurement model.	95
2012	Ireland	<b>Irish Schools Bundle III</b> Construction of eight schools	50
2010	Ireland	<b>Irish Schools</b> Construction of 23 post-primary and four primary schools	45
2010	Sweden	<b>New Karolinska University Hospital</b> In addition to improved healthcare access, closer collaboration between Nya Karolinska Solna and the Karolinska Institutet medical university contributes to EU objectives in the areas of education, research, development and innovation.	699
2009	Portugal	<b>University Hospital of Braga</b> 30-year DBFM (design, build, finance, maintain) project finance concession for the construction and operation of a new university hospital.	65
2009	UK	<b>BSF Education</b> Investment loan for English education Public/Private Partnership projects procured under the "Building Schools for the Future" programme.	243
2008	UK	<b>Dumfries &amp; Galloway Schools</b> Construction and refurbishment of ten schools and the provision of facilities management services.	79
2007	UK	<b>Newcastle Schools</b> Construction/ refurbishment of schools	79
2006	UK	<b>Scottish Highland Schools</b> Provision for primary, secondary, combined schools and one for children with special educational needs.	88
2005	UK	<b>Argyll and Bute Schools</b> Replacement of up to 28 primary and secondary schools.	81
2005	UK	<b>North Lanarkshire Schools / Scotland</b> Refurbishment and maintenance of 3 secondary and 21 primary schools	103
2004	UK	<b>Cornwall Schools</b> Construction, refurbishment and maintenance of 1 secondary and 16 primary schools.	345
2003	Ireland	<b>National Maritime College</b> Design, building, financing and facilities management of the new college.	29
2003	Ireland	<b>Irish Schools</b> Design, construction, operation and maintenance of post primary schools.	38
2003	UK	<b>Rotherham Schools</b> Refurbishment/re-build of 17 (reducing to 15) schools, including provision of facilities management services.	70
2001	UK	<b>Edinburgh Schools</b> Modernisation and renovation of 18 schools (design, rebuild, refurbish and	59



Year	Country	Project	Amount of EIB loan (EUR million)
		provide services for the schools)	
2001	UK	<b>Kirklees Schools</b> Refurbishment and modernisation of twenty schools	40
2000	UK	<b>Glasgow Schools</b> Refurbishment of twenty-eight secondary schools and one primary school	166
2000	UK	<b>Sheffield Schools</b> Modernisation of six schools	46
1998	UK	<b>Falkirk Schools (Scotland)</b> Rebuilding of five secondary and special needs schools	56

Source: epec: PPPs financed by the European Investment Bank from 1990 to 2015, April 2016