



The Regional Development Fund and The Social Fund in Denmark 2014-2020

Citizens' Summary – 2018

1. Introduction

The European Regional Development Fund (ERDF) and The European Social Fund (ESF) invests approximately 3 billion DKK in the period 2014 to 2020 in boosting economic growth and increasing job creation all over Denmark. This is primarily done through efforts focusing on small and medium-sized companies (SMEs), and through improving the qualifications of the workforce. The European Structural Funds are divided into two funds (ERDF and ESF) and co-financed with at least 50 percent by the Danish state, regions, municipalities, private companies, foundations etc.

Given below, is a status on the programme implementation by the end of 2018.

Between 2014 and 2018, the Structural Funds have co-financed 211 projects all over the country with more than 1.8 billion DKK. The projects cover a wide field from e.g. innovation partnerships between private enterprises and knowledge institutions, counselling of entrepreneurs with the aim of improving their growth potential, green development within SME's, competency boosts and formal education of the work force as well as inclusion of marginalised citizens.

The overall framework for the two funds investments is established in the ERDF programme and the ESF programme. Adjustments were made to the original programme in 2018, to be able to act on possible challenges in relation to the implemented programme. The adjustments are based on both the mid-term evaluation made of the programmes carried out in 2018 and on the dialog with project managers. Furthermore, the new programmes have been adjusted to the changes made in the partnership of the Structural Funds, in effect from 2019 onwards.

The second paragraph briefly describes the measures of The Regional Development Fund and gives a status on the programme implemented by the end of 2018, including a status on the current results. The third paragraph comparably describes The European Social Fund (ESF). Finally, a description of the milestones of 2018 and the performance reserve is given in paragraph four. This also includes four examples of projects already in the process of being implemented.

2. The European Regional Development Fund programme

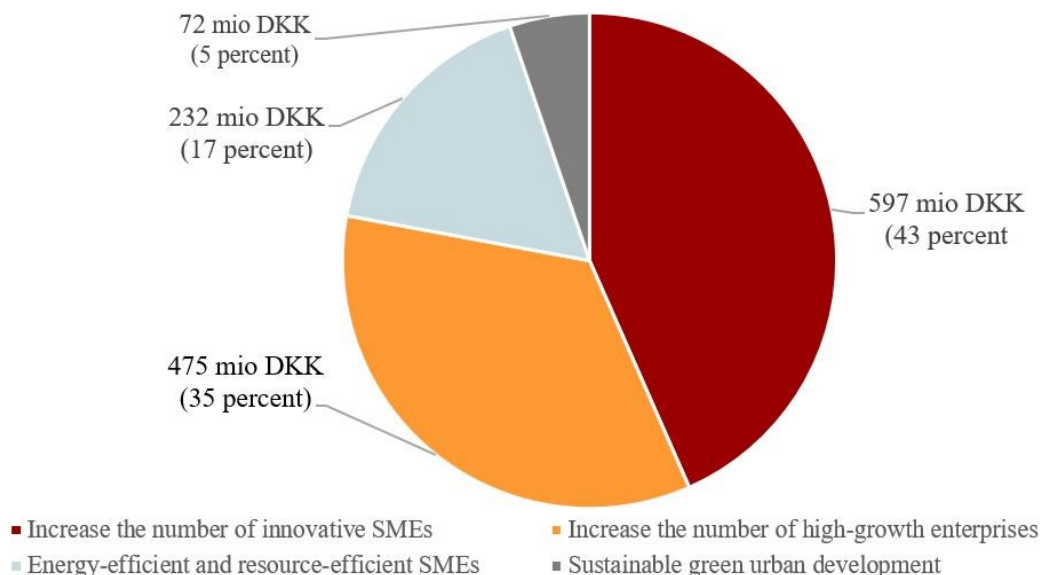
The ERDF programme, “Innovative and Sustainable Enterprise Growth”, focuses on four priorities and goals.

- Increase the number of innovative SMEs
- Increase the number of high-growth enterprises
- Improve the efficient use of energy and resources by SMEs
- Reduce the energy consumption and increase the number of innovative SMEs in urban areas with a population of more than 30,000

In parallel, the priorities of the ERDF contribute to achieving the Danish Europe 2020-targets, primarily the targets relating to research and development, climate and energy as well as employment.

Figure 1 shows the allocation of the ERDF means on the four priorities. Approximately 43 percent is granted to projects that contribute to increasing the number of innovative SMEs, while projects aiming at increasing the number of high-growth enterprises receive a good third of the means. Furthermore, well over 20 percent of the means is granted to “green” projects, and three quarters of these projects are aiming at improving the efficient use of energy and resources by SMEs, while the last quarter is reserved for supporting sustainable urban development.

Figure 1. Allocation of the ERDF means during the period 2014-2020 (Million DKK.)



On the website of The Danish Business Authority there is [an overview and a short description of all projects that receive funding divided into both priorities and regions.](#)

Project example 1: The ERDF priority: Increase the number of high-growth enterprises

Digital transition: Growth Plan

The ERDF funds a project in the Region of Southern Denmark with 18.5 Mill. DKK. The project's goal is to increase the growth in SMEs by highlighting the importance of digital transition. SMEs with growth potential are offered funding to develop/draw up a digitalisation plan, including for example new digital business models, efficient intelligent production or Industry 4.0-solutions. The overall goal is to strengthen the companies' competitiveness through increased digitalisation. The principal goals for the project are to create 160 new jobs, 40 new high-growth enterprises, a permanent turnover of 160 Mill. DKK and a permanent increase in exports of 96 Mill. DKK. The project is carried out jointly by Business Hub Fyn, Developing Fyn, the Growth Council of Sønderborg city, the Development Council of Southern Denmark and the Triangle region in Denmark during the period June 2017 – February 2021.

Status of the ERDF programme by the end of 2018

Since the start of the ERDF programme in 2014 until the end of 2018, 104 projects have been co-financed by the Regional Development Fund, see Table 1. A total of 856 Mill. DKK have been invested in these 104 projects, which is approximately two thirds of all means. The EU means are paid to the recipients on a regular basis as the project activities are carried out. By the end of 2018, a total of approximately 283 Mill. DKK had been paid out, equivalent to 21 percent of the means.

Almost half of the projects aim to increase the number of innovative SMEs in Denmark. At the moment, only a few projects focus on promoting the efficient use of energy and resources by SMEs. These projects are co-financed with just half of the means.

Generally, the progress measured in the number of contracts and payments has been slower than expected. This is, to a certain extent, due to the positive economic trends in Denmark, where many companies experience full order books and are busy with day-to-day operations, which makes it difficult for them to reserve the time to participate in development projects and programmes. Additionally, the increased focus on the programmes' scope and the requirement to use common indicators requires time to adapt for the operators, which might have resulted in delayed progress.

Table 1. Regional fund projects of each priority axis, 2014-2018

| Priority axis | Number of projects | Grants (mio.DKK.) | Percentage of EU means | Payed out (mio. DKK.) | Percentage of EU means |
|--|--------------------|-------------------|------------------------|-----------------------|------------------------|
| <i>I alt</i> | 104 | 856 | 62 | 283 | 21 |
| Increase the number of innovative SMEs | 49 | 387 | 65 | 130 | 22 |
| Increase the number of high-growth enterprises | 29 | 309 | 65 | 114 | 24 |
| Energy-efficient and resource-efficient SMEs | 12 | 108 | 47 | 26 | 11 |
| Sustainable green urban development | 14 | 53 | 73 | 12 | 16 |

On the website of the Danish Business Authority, The Department for Regional Development, you can find [graphics showing the current status of the progress in the ERDF programme](#).

Project example 2: The ERDF's priority Strengthened innovation in SMEs

Innovation cooperation in Offshore clusters.

The Offshore industry has great growth potential but is suffering from a high cost structure, that potentially could slow down the growth. The ERDF has therefore co-financed a four-year project with 13.3 Mill. DKK. The project aims at creating more innovative SMEs in the offshore cluster. The project began with five innovation partnerships, but the outcome was found to be highly relevant for the participating companies, and the project was therefore extended to include a total of 12 partnerships in the cluster. The cooperation focuses on cost reduction and innovation, which can lead to new solutions with innovation, competitiveness and exports within the offshore business as the main objectives. The project is carried out by Offshore Center Denmark (per. January 1st Energy Innovation Cluster) from august 2016 until December 2020.

Output and effects

Result orientation is a key word in the structural funds work and all projects must contain a solid chain of effects which describes how the activities in question will contribute to one or more of the goals listed in the structural funds programmes; e.g. to increase the number of innovative SMEs or to reduce the emission of CO₂.

As part of result orientation, all projects must continuously follow up on reported output – and some also on effects. Output is typically measured by the number of participating companies including their supplies; prototypes, growth plans and sustainable business models and can therefore be measured within the project period.

Often it is quite difficult to measure the effects at the end of a project, and the effects are therefore measured – when possible – in cooperation with Statistics Denmark using registry data and impact evaluations, where the development in companies, which have participated in the activities is compared to the development in a control group, which has not participated in structural funds projects, but have similar characteristics as the participating companies. The register-based impact evaluations are supplemented with evaluations of a more qualitative kind, where evaluations of single projects are performed by an external evaluator (COWI). By the end of 2018, only a few regional funded projects were completed, and it is therefore too early to measure the effects by using registry data.

Out of 104 regional fund projects, which were initiated by the end of 2018, 52 reported output, and some of them also reported effects. Among the most important output and effects are: 268 private companies have participated in 22 innovation projects. The companies have co-financed the projects with approx. 90 Mill. DKK, and approx. 73 innovative companies have been established.

Under the priority axis focusing on increasing the number of growth companies, around 1,300 private companies have participated in 23 projects. The project managers expect to create more than 350 new growth companies and around 8,000 new private full-time jobs, based on the growth plans presented in the projects.

Under the priority axis focusing on energy efficiency and resource efficiency, a total of 186 private companies have participated in 7 projects, which are collectively expected to reduce the emission of

greenhouse gas with approximately 6,800 tons (CO₂ equivalent). By the end of 2018, one of the urban projects had developed a new method or technology to promote sustainable urban development.

3. The European Social Fund Programme

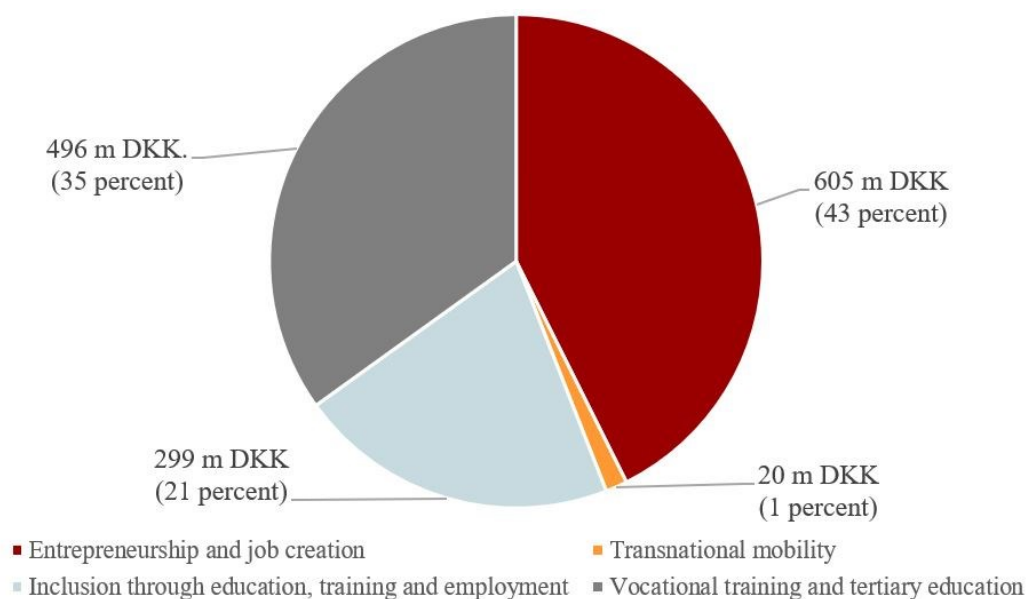
The ESF Programme, "Growth via Education, Training and Entrepreneurship", aims at improving the competences of the work force. The programme focuses on four investment priorities and goals:

- Increase the number of self-employed, their survival rate and the employment in ESF-supported companies.
- Increase transitional labour mobility
- Increase the employment rate for individuals on the margin of the labour market
- Increase the number of individuals with vocational training or tertiary education

Through these investment priorities, the ESF initiatives contribute to fulfilling the Danish Europe 2020 targets relating to employment, education and social inclusion.

Figure 2 shows the allocation of the ESF means on the four priorities. Approximately 40 percent of the ESF means is granted to projects aiming at improving entrepreneurship in Denmark, offering counselling to entrepreneurs, or contribute to company growth through competency boosts. 35 percent of the means is granted to initiatives contributing to increasing the level of education through vocational education and training and or higher education. Finally, a good 20 percent of the ESF means is reserved for inclusion projects which contribute to helping people on the margin of the labour market in getting a job. Labour mobility is supported by the so-called EURES network which is administered by the Danish Agency for Labour Market and Recruitment.

Figure 2. Allocation of the ESF means during the period 2014-2020 (million DKK.)



Project example 3: The ESF priority: Social inclusion

Ungeguide:

Youth Guide:

This project on Bornholm receives 8 Mill. DKK from the Social Fund as part of the priority “*qualified labor*”. The project aims at securing that Bornholm has the right labour force in the future. This includes helping and preparing young people for education, so they can complete an upper secondary education. The target group is vulnerable young people on Bornholm, who are either experiencing barriers related to school, education and/or work, or young people already enrolled in education on the verge of dropping out. The goal is to have young people meet partly with the initiative 'Young people on the road', which focuses on young people's acquisition of social and professional skills, and partly with the initiative 'Youth guide', which is an available and cost free offer for young people, who seek educational guidance, support and an overview of possibilities. The project is implemented by the region Bornholm from August 2015 to July

Status of the ESF programme by the end of 2018

Since the start of the ESF programme and until the end of 2018, 107 projects have been co-financed by the Social Fund, see Table 2. A total of 968 Mill. DKK has been invested, which is approximately 68 percent of the ESF means.

Most project fall under the priority axis *innovation and job creation*, and approximately half of the ESF means is granted to those projects, while the allocation of means to projects concerning vocational training and tertiary education is going slower than the other priorities. The regional growth fora, which were responsible for the allocation of means until December 2018, have explained that the general interest in initiatives aiming at increasing the number of people with vocational training or tertiary education has been modest. On these grounds, a more active and outreaching effort is launched in order to draw in the relevant operators.

The initiative to reduce the number of individuals in the margin of the labour market through means of education and job creation has been a challenge in the beginning of the programme period. However, the demand appears to be increasing, and therefore two third of the ESF means has been granted to various initiatives in 2018.

By the end of 2018, 23 percent of the total EU means, or 324 mill. DKK, had been paid out. 180 Mill. DKK of these are paid out to projects within the initiative on entrepreneurship and job creation.

Generally, the allocation of ESF means has been slower than expected at the beginning of the programme period. The allocation of the ESF means has previously been lower compared to that of the ERDF. This changed in 2018, where the allocation of ESF means was much higher than that of the ERDF, approximately 68 percent of all means granted by the Structural Fund. The amount of means granted to ESF projects and ERDF projects is close to the same (23 percent for the ESF and 21 percent for the ERDF).

Table 2 Social fund projects of each priority axis, 2014-2018

| Priority axis | Number of projects | Grants (Mill. DKK) | Percentage of EU means | Paid out (Mill. DKK) | Percentage of EU means |
|--|--------------------|--------------------|------------------------|----------------------|------------------------|
| <i>Total</i> | 107 | 968 | 68 | 324 | 23 |
| Entrepreneurship and job creation | 52 | 461 | 76 | 180 | 30 |
| Transnational mobility ¹ | 4 | 20 | 100 | 6 | 29 |
| Inclusion through education, training and employment | 24 | 202 | 68 | 61 | 20 |
| Vocational training and tertiary education | 27 | 285 | 57 | 77 | 16 |

On the website of the Danish Business Authority, The Department for Regional Development, you can find [graphics showing the current status of the progress in the ESF programme](#).

Output and effects

In all social fund projects – as well as in regional fund projects – the progress is continuously measured through output and results. Contrary to the company-oriented efforts in the ERDF programme, where the effects are often not measurable within the project period, it is possible to some extent to measure the short-term results of the ESF measures, while the project is still running. Output are measured by the number of participants and is calculated, when the participants start in the project, while the results are calculated, when they end their participation. The direct results of the efforts can therefore be calculated by comparing the educational level, job situation etc. of the participants when the start and stop in the project. At present, relatively few information on results have been reported compared to information on output, which might be connected with the fact that many projects are still running. By the end of 2018, 87 projects have reported output, and 73 projects have – apart from the information on output – also reported the temporary results, which they have contributed.

By the end of 2018 more than 20,500 individuals have participated in measures concerning entrepreneurship and job creation. Approximately 1,200 participants have established their own business in connection with participating in the project, and around 2,600 participants have improved their skills.

On the priority axis of transitional labour mobility, approx. 8,700 individuals have been registered in the EURES CV bank, and 15,600 job seeking candidates have been matched with job vacancies in Danish companies.

Approx. 2,800 people have participated in activities for social inclusion, and so far, around 350 participants report to have started an education, when they finished their project participation. In addition to this, 300 people are employed as a result of this initiative.

Finally, a total of 6,600 initiatives have been started for the purpose of increasing the number of young people in vocational education. Those initiatives have already helped 3,788 people start a vocational education. Under the same axis for vocational training and tertiary education, almost 4,000 people have participated with the purpose of increasing their educational level. Approx. 300 of those

¹ The priority concerning labour mobility (EURES) is significantly different from the other initiatives, as this is an authorisation to act as operator given to the Danish Agency for Labour Market and Recruitment. The funding is allocated twice, each for a three-year period, and the first grant covers the period 2014 to 2017.

participants have already increased their educational level, while another 370 participants are taking an education now as a result of this initiative.

Project example 4: The ESF priority: Entrepreneurship

Growth-enhancing incubation process for SMEs

Potential entrepreneurs and entrepreneurial companies on the island of Zealand in Denmark have been boosted through an intensive incubation process. Entrepreneurs and entrepreneurial companies received a total of 9,2 Mill. DKK from the ESF from September 2014 to December 2016. Throughout the project, companies were assisted with strategic planning and competency boost, with a special focus on increased innovation, mentoring programmes and workshops, job creation and turnover. The participants were entrepreneurs and entrepreneurial companies with typically one or two employees, and 96 percent of the participating companies stated after the course that they also expected to be self-employed one year later. The project was carried out in collaboration between the Business Development Centre Zealand, municipalities, educational and knowledge institutions, and private operators on Zealand.

4. The Performance Reserve

On EU level, as part of the result orientation, 6 percent of the EU means has been reserved for a so-called Performance Reserve. In Denmark this is 95.2 Mill DKK for the Social Fund and 92,4 Mill. DKK for the Regional Development Fund. The Performance Reserve is activated, if a number of fixed milestones have been fulfilled by the end of 2018.

Milestones have been established for each priority axis as well as for the region of Zealand and for the remaining regions in total.² The milestones consist of one financial goal and one output goal. Both milestones must be reached for at least one priority axis in Zealand as well as the other regions respectively, before the Performance Reserve is activated.

By the end of 2018, Denmark had reached the milestones for priority axes in both regional categories within both the ESF and the ERSF programmes, and therefore, we expect the Performance Reserve to be activated so that the means can be spent in 2020.

For the ESF programme, the milestones have been reached on the priority *Entrepreneurship and job creation* in the region of Zealand and in the other regions, while the milestones for *Inclusion* have been reached in the region of Zealand. Therefore, a total of 83.3 Mill. DKK is added to the means for *Entrepreneurship and job creation*, while 4.2 Mill DKK is added to the inclusion means for the region of Zealand. The remaining 7.7 Mill. DKK can be divided between the two priorities in the region of Zealand, where the milestones for 2018 have been reached.

² Special 2018 milestones have been established for the region Zealand, as the region is categorised in EU terms as a “transition region”. The explanation for this is, that the GDP per citizen of Zealand is below 90 percent of the EU27 average. The other regions of Denmark are categorised as “more developed regions”.

By the end of 2018, the milestones for the ERDF priority *Increase the number of high-growth enterprises* had been fulfilled for both regional categories, while the milestones for *Innovative SMEs* had been reached for the more developed regions. Therefore, the ERDF means were extended by 73.6 Mill. DKK in the more developed regions. The means consist of 31.9 Mill. DKK for the innovation priority and 25.4 Mill. DKK for the *High-growth enterprises*. The remaining 16.2 Mill. DKK can be divided between the two priority axes. In the region of Zealand, the milestones for 2018 have only been reached on the priority for *High-growth enterprises*, and therefore, all of the Performance Reserve of 18.8 Mill. DKK is given to this priority.