



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

Summary for Citizens – 2020

1. Introduction

The EU Regional Development Fund and the Social Fund (the EU Structural Funds) invest a total of approximately DKK 3 billion in strengthening economic growth and job creation throughout Denmark, particularly through initiatives for small and medium-sized enterprises and by improving the skills of the workforce.

The Structural Funds are divided equally between the two funds and are co-financed by the state, regions, municipalities, private enterprises, foundations, etc.

In March 2020, the consequences of the COVID-19 pandemic seriously affected the entire Danish society, and this has also been felt by the Danish Structural Funds projects. Decommissioning and stand-off requirements have prevented several projects from carrying out physical activities in 2020. For this reason, the management authority received the approval of the European Commission to carry out several adjustments to the Structural Fund programmes and accepted several project extensions and advance payments during the year. Under the Social Fund, the target group for inclusion measures has, among other things, been expanded so that the projects can also work to keep citizens in current jobs. Under the Regional Development Fund, an adjustment has been made, among other things, that the projects' previous growth plans can be supplemented by conversion plans to help businesses out of the crisis. At the same time, the possibility of financing machinery and equipment has been added to the programme.

The Danish Board of Business Development has worked to help the Danish companies out of the crisis in the best possible way. Among other things, the Board has prioritised additional appropriations for projects that have proven that they can quickly help companies to adjust and get out on the other side of the pandemic.

A progress report on the implementation of the two programmes at the end of 2020 is given below.

Since 2014, the Structural Funds have co-financed 307 projects across the country with more than DKK 2.9 billion.

The content of the projects ranges widely and includes innovation cooperation between private companies

and knowledge institutions, guidance of entrepreneurs on how to strengthen their growth opportunities, green transition of SMEs, competency boosts and formal training of the workforce, and inclusion of vulnerable citizens.

The overall framework for the investments of the funds are defined in the Regional Development Fund (ERDF) programme and the Social Fund (ESF) programme for 2014-2020.

In the following section, the Regional Development Fund initiatives are summarised, and a progress report is given for the implementation of the programme at the end of 2020, including the current results achieved.

Section 3 describes correspondingly the Social Fund programme. Two examples of projects have also been included under each fund.



2. The Regional Development Fund programme (ERDF)

The Regional Development Fund programme *Innovative and sustainable business growth* focuses on four priorities and goals:

1. Increase the number of innovative SMEs
2. Increase the number of growth companies
3. Improving energy and resource efficiency
4. Reduce energy consumption and increase the number of innovative SMEs in cities with more than 30,000 inhabitants

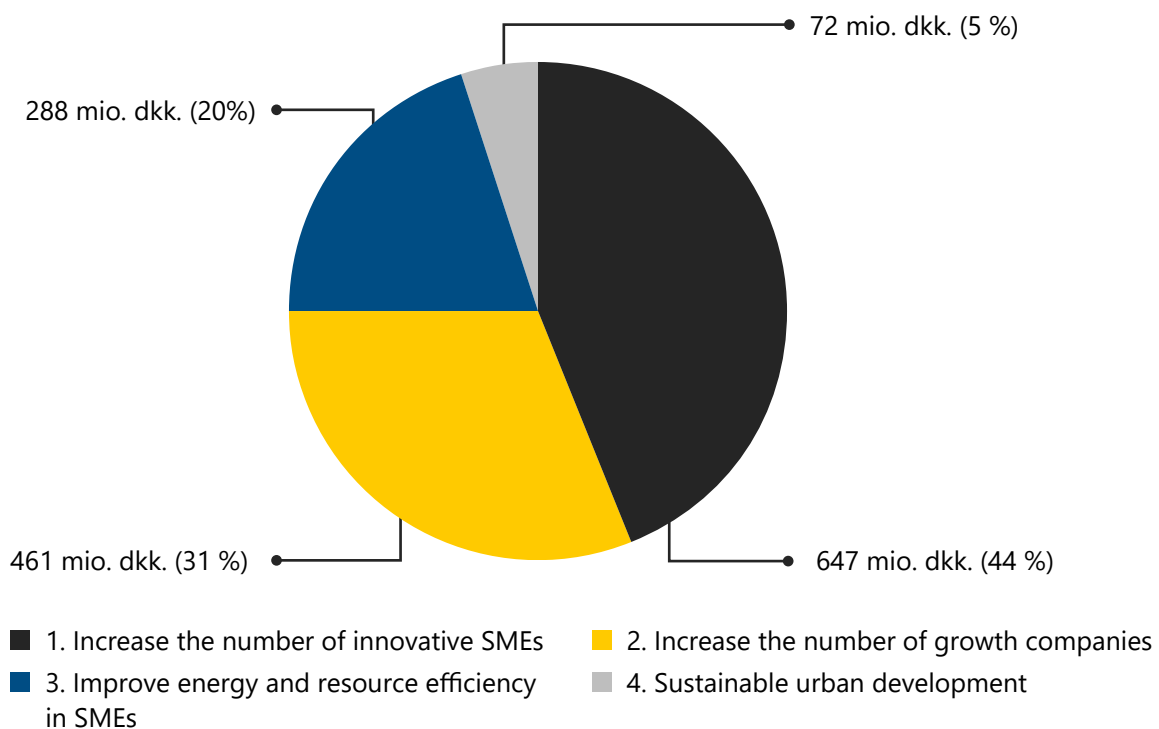
The initiatives from The Regional Development Fund

contribute to the achievement of the Danish EU 2020 targets, in particular the targets relating to research and development, climate, energy, and employment.

Figure 1 shows the allocation of the ERDF means on the four priorities.

44 per cent are given to projects that help to increase the number of innovative SMEs, while projects aiming at increasing the number of growth companies receive almost a third of the means. Finally, more than 20 per cent of the funds are allocated to "green" projects, of which four fifths go to improve the energy and resource efficiency of SMEs, while the last quarter is used for sustainable, green urban development.

Figure 1. Allocation of the ERDF funds 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 innovation cooperation

Technology Cooperation Project in Region Zealand

Technological knowledge collaboration is the heart of the project, which is run by DTU Link. The project started up in January 2018 and connects 57 companies in Region Zealand with research competences from DTU and other knowledge institutions.

The goal is 21 consortia that develop new technological products, solutions, or concepts. The long-term effect is increased market shares and over 250 new jobs in the companies involved. The project will run until August 2022. The EU Regional Development Fund has co-financed the project with a total of DKK 17.6 million.

Status of the ERDF programme by the end of 2020

Since the beginning of the ERDF programme period in 2014, 149 projects have been co-financed by the Regional Development Fund, see Table 1. In total, DKK 1,411 million has been invested in the 149 projects, which corresponds to 96 per cent of the ERDF funds. The EU financial contribution is paid on an ongoing basis to the recipients as the project activities are carried out. By the end of 2020, a total of approximately DKK 583 million had been disbursed, which corresponds to 40 per cent of the funds.

Just over half of the 149 projects aim to increase the number of innovative SMEs in Denmark. In total, nearly DKK 644 million has been invested in boosting innovation. This means that the funds for both this area and the focus area to create more growth companies have been committed to almost 100 per

cent of the funds for the area. The two green focus areas for creating energy- and resource-efficient SMEs and strengthening sustainable green urban development are not quite that far in the allocation of funds. However, the number of projects in sustainable green urban development increased somewhat in 2020. By the end of 2020, 83 per cent of the resources had been committed for this priority, an increase of more than ten percentage points from the 72 per cent in 2019.

In general, the allocation of regional funds over the period 2014 to 2020 has been slower than expected. This is probably to some extent due to the boom in Denmark until the outbreak of COVID-19.

Overall, by the end of 2020, 96 per cent of the ERDF resources were used, and 40 per cent of the funds have been disbursed, see table 1.

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

Priority axis	Number of projects	Grants (mio. dkk.)	Pct. of EU means	Disbursed (mio. dkk.)	Pct. of EU means
Total	149	1,411	96	583	40
Increase the number of innovative SMEs	72	644	99	310	48
Increase the number of growth companies	38	461	100	193	42
Improve energy and resource efficiency in SMEs	23	248	86	55	19
Sustainable urban development	16	60	83	25	35

On the Danish Business Authority's website, there are [graphics showing the status of the progress in the Regional Development Fund programme](#).

Green Circular Transition

Green Circular Transition is a nationwide programme that aims to help over 450 small and medium-sized Danish enterprises across all industries to develop their business in a more sustainable and circular direction. Companies get an overview of their current resource consumption and climate footprint, explore circular business opportunities, and make a plan for how they can become greener and more circular in the future. The EU Regional Development Fund co-finance the project with DKK 80.7 million.

The project will run from February 2019 to December 2022. The comprehensive partnership behind the initiative is driven by the two business clusters CLEAN and Lifestyle & Design Cluster.

Output and effects

Result orientation is a key word for the Structural Fund actions in Denmark. All projects must be based on a solid chain of effects which describes how the projects funded will contribute to one or more of the goals set out in the Structural Funds programmes.

E.g., this could be increasing the number of innovative SMEs or reducing CO₂ emissions. It is often very difficult to measure the effects at the end of a project, and therefore, output is typically measured in terms of the number of participating companies and associated deliveries in the form of prototypes, growth plans and green business models. The effects are measured – whenever possible – in cooperation with Statistics Denmark (DTS) using register data and by comparing the development of the companies that have participated in the activities with the development of control groups of companies that have not participated in Structural Fund projects. Register-based impact measurements are complemented by qualitative evaluations of individual projects to learn more about how the projects work.

By the end of 2020, 125 of the 149 ERDF projects reported data on outputs and effects. Some of the main outputs and effects are that 1,480 private companies have participated in 63 innovation projects, and approximately 150 new innovative companies have been created.

Under the focus area, which focuses on creating more growth companies, approximately 1,900 private companies had participated in 31 projects. Based on the growth and conversion plans drawn up in the projects, project owners expect to contribute to the creation

of just under 600 new growth companies and about 12,000 new, private, full-time jobs.

In the area of energy and resource efficiency, 691 private companies had participated in 18 projects which together expect to reduce greenhouse gas emissions by approximately 56,800 tonnes (CO₂ equivalents).

Finally, by the end of 2020, nine urban projects had developed a new approach or technology to promote sustainable urban development.

By the end of 2020, only 35 Regional Development Fund projects had been completed, and many of the ongoing projects continue to launch new activities. Therefore, the results measures are only preliminary, and it is still too early to measure the long-term effects on the companies using register data.

3. The European Social Fund programme (ESF)

The Social Fund programme **Growth via Education, Training and Entrepreneurship** is primarily targeted at improving the skills of the workforce. The programme focuses on four investment priorities and targets:

1. Increase the number of self-employed, survival rates and employment in ESF-funded companies
2. Increase labour mobility across national borders
3. Increase employment for people on the edge of the labour market
4. Increase the number of people in vocational training or further education

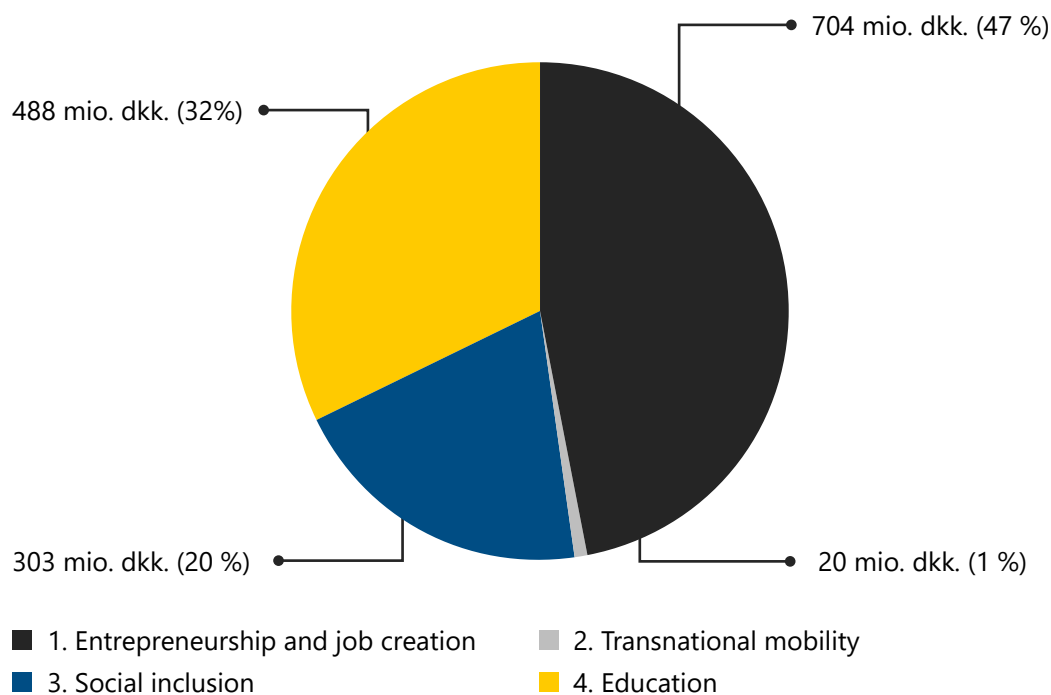
Through these focus areas, the Social Fund initiatives also contribute to meeting the Danish EU 2020 objectives regarding inclusion, education, and employment.

Figure 2 shows the allocation of the Social Fund resources between the four priorities.

Just under half of the funds are given to projects that improve entrepreneurship in Denmark, offer advice to entrepreneurs, or contribute to corporate growth through competency boosts. An additional 32 per cent

are allocated to initiatives that contribute to raising the level of education in the form of vocational and further education. Finally, more than 20 per cent of the Social Fund means are allocated to inclusion projects that help people on the edge of the labour market in getting and holding on to a job. The cross-border mobility of the workforce is supported by the so-called EURES network, which is managed by the Danish Agency for Labour Market and Recruitment. This measure is allocated DKK 20 million, corresponding to one per cent of the Social Fund resources.

Figure 2. Allocation of the Social Fund resources by investment priority for the period 2014-2020 (Million DKK.)



Project example 3: The ESF priority on counselling to entrepreneurs

Entrepreneurship in education

For four years – from 2016 to January 2021 – 6,100 students received training in entrepreneurship in a cross-disciplinary programme at several Eastern and Central Jutland educational institutions. The project created over 400 entrepreneurial enterprises, and about 700 students have embarked on the entrepreneurial road. The EU Social Fund has co-financed the project with DKK 20.6 million.

The project was carried out by the professional college VIA University College in partnership with Aarhus University, Aarhus School of Maritime and Technical Engineering and the business academies Dania, Midwest, and Aarhus.

Status of the ESF programme at the end of 2020

Since the beginning of the programme period and up to the end of 2020, a commitment has been made to 158 projects, cf. Table 2. A total of DKK 1,461 million has been granted, which corresponds to 96 per cent of the resources under the Social Fund. By the end of 2020, 45 per cent of the total EU funds has been disbursed, which corresponds to DKK 686 million, of which DKK 337 million has been disbursed to projects under the entrepreneurship and job creation initiatives.

The largest number of projects have been launched in the field of entrepreneurship and job creation, and nearly half of the total ESF commitments has been allocated to these projects.

This particular priority has also proved to be popular in 2020, when companies which, as a result of the COVID-19 pandemic, were acutely affected by a decline in production, took advantage of the opportunity to offer further training to their employees rather than to lay off.

In previous years, vocational training and further education activities have been slightly behind the other areas. However, in 2019, the number of commitments for this priority experienced a significant increase, and in 2020, 100 per cent of the funds initially set aside for

this priority were allocated to a total of 49 different projects.

The inclusion priority to reduce the number of people on the edge of the labour market through education and employment has also met with challenges of getting started at the beginning of the programme period. This is probably due to the favourable economic development which has made it easier to find employment, even for those on the edge of the labour market. Demand for funds has, however, been on the increase. By the end of 2020, just under half of the funding for this area was disbursed, and 88 per cent of the total funding for this priority was allocated to a total of 32 inclusion projects.

In general, the allocation of ESF means has been slower than planned at the beginning of the programme period. In the past, the amount of Social Fund resources which had been allocated has been slightly lower than that of the Regional Development Fund. In 2020, however, the share of committed funds is on the exact same level for both funds (96 per cent). As for the share of funds disbursed, the ESF, however, has a small lead. The proportion of total funds disbursed to the projects is 45 per cent for the Social Fund, which is a little higher than the Regional Development Fund, where 40 per cent of the funds has been disbursed.

Table 2. Allocation of the ESF projects by priority, 2014-2020

Priority axis	Number of projects	Grants (mio. dkk.)	Pct. of EU means	Disbursed (mio. dkk.)	Pct. of EU means
Total	149	1,411	96	583	40
Entrepreneurship and job creation	72	644	99	310	48
Transnational mobility ¹	38	461	100	193	42
Inclusion through education, training, and employment	23	248	86	55	19
Vocational training and further education	16	60	83	25	35

¹ The priority on labour mobility (EURES) is notably different from the other areas, since it is an operating appropriation allocated to the Danish Agency for Labour Market and Recruitment. The funding is granted in two rounds, each for a three-year period.

On the website of the Danish Business Authority, the Department for Regional Development there are [graphics showing the current state of progress in the Social Fund programme](#).

Strengthened trade at street level

Retailers – i.e. street-level companies – are at the centre of the programme, which will cover more than 250 enterprises before the end of 2021. Up to COVID-19, the programme has worked to improve the digital competences of employees and managers to prepare companies to introduce e-commerce and digital marketing. The long-term closure of the retail trade during the COVID-19 crisis has created a further need for action. The EU Social Fund has co-financed both the initial project and the additional funding. The project is run by Svendborg Municipality in partnership with the other three municipalities in Southern Funen.

Output and effects

In contrast to the enterprise-oriented funding under the Regional Development Fund, where the effects typically cannot be measured within the project period, it is possible to measure the short-term results of the Social Fund initiatives over the life of the project. Outputs are thus measured in the number of participants starting in the project, while the results can be measured when the participant completes the project participation. At present, relatively little information has been reported on results compared to outputs because some of the projects are still in progress. It is, therefore, only preliminary results, and the number of results reported is expected to grow as more participants complete their project cycle.

By the end of 2020, 137 projects reported output information, and 123 projects, in addition to output information, also reported information on immediate results to which the projects contributed.

Over 37,122 people have started in entrepreneurship and job creation initiatives. There are approximately 2,154 participants who have established their own business after they have participated, and almost 9,178 participants have improved their competences.

Under the priority aimed at increasing cross-border mobility, approximately 8,700 people have been registered in the EURES CV bank, and 8,900 job seekers have been matched with job vacancies from Danish companies.

Almost 6,500 people have participated in activities related to social inclusion, and more than 1,000 of the participants have started training after that. A further 427 people have entered employment because of their efforts.

Finally, more than 27,383 courses have been launched to get more young people into vocational training. So far, the programmes have helped some 16,671 people to start vocational training. Under the same general action in the field of vocational training and further education, almost 7,310 people took part in the process of raising their level of education. Nearly 500 participants have already increased their level of education, while some 1,290 participants are in the process of training because of this initiative. The number of people in training has almost doubled since 2019 and could, therefore, indicate that the COVID-19 pandemic has not only increased the influx of shorter courses, which strengthens the participants' competences, but has also resulted in more people taking up proper courses at vocational and higher education institutions.



Photo: Colourbox