



European Economic and Social Committee

**Follow-up to SOC/537
Tackling poverty and social exclusion**

INFORMATION REPORT

Section for Employment, Social Affairs and Citizenship

**EESC consultation of civil society organisations at European level on
Tackling poverty and social exclusion under the Multiannual Financial Framework post-2020**

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Consultation	
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Section responsible	Section for Employment, Social Affairs and Citizenship
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1. Background

- 1.1 The current report aims to provide follow-up to the SOC/537 opinion on "The effectiveness of ESF and FEAD funding as part of civil society efforts to tackle poverty and social exclusion under the Europe 2020 strategy"¹, in which the EESC declared its "readiness to set up a small ad-hoc group composed of EESC members and relevant European level civil society platforms, which (...) would contribute to better coordination of ESF and FEAD interventions and to the discussion of the basic principles of a future integrated EU fund aimed at combating poverty and social exclusion". The report has been drawn up in cooperation with a number of interested civil society organisations (CSOs) at European level², who have given their comments during three meetings of the group as well as in writing. A very valuable exchange of views with the representatives of the European Commission also took place.
- 1.2 This report presents the outcome of the EESC's consultation of civil society organisations at European level on the funding needed to combat poverty and social exclusion in the context of the preparation of the post-2020 Multiannual Financial Framework (MFF), to be proposed by the Commission in May 2018, as the last major initiative of the Commission's current term of office. The Commission's proposal will deal with the size, structure and content of the EU budget, which, according to the Commission, should correspond to the political ambitions of the EU.
- 1.3 The EU political context in which the MFF is to be revised is shaped, on the one hand, by the proclamation of the European Pillar of Social Rights (EPSR), together with the commitment of all Member States to implement it, and, on the other hand, by the EU's commitment to the Sustainable Development Goals to be reached by 2030.
- 1.4 The EPSR is a policy response to the challenges of poverty and social exclusion. It reaffirms and strengthens rights and principles in support of equal opportunities and access to the labour market, ensures fair working conditions and social protection as well as enhancing social inclusion and tackling poverty. **But this policy response will not be credible without significant financial support at EU level.** The Communication from the Commission of 26 April 2017 on "Establishing a European Pillar of Social Rights" underlined that "The Pillar will also be a reference for the design of the post-2020 EU financial programming period. The Commission will work closely with the Member States, local and regional authorities to make sure that future EU funding is targeted to the identified priorities and that Member States set up the necessary structures to ensure that these funds can be fully tapped on where they are needed the most."³

¹ SOC/537 in: [OJ C 173, 31.5.2017, p. 15.](#)

² The European Anti-Poverty Network (EAPN), CARITAS Europa, the European Federation of Food Banks (FEBA), the European Federation of National Organisations Working with the Homeless (FEANTSA), the European Expert Group on Transition from Institutional to Community Based Care (EEG), COFACE Families Europe, Eurochild, the LUMOS Foundation, Mental Health Europe (MHE).

³ [COM/2017/0250 final.](#)

- 1.5 One of the Europe 2020 Strategy targets (set for 2020) was to reduce the number of people living in poverty by 20 million. Two years before reaching that deadline, Europeans can at least expect that this figure, after having increased by six million during the crisis, be reduced to its pre-crisis level. The EU – one of the most developed and socially advanced regions in the world – cannot continue to accept (as it does today) that 118 million of its citizens (or 23.7% of the EU's total population) live at risk of poverty and social exclusion⁴.
- 1.6 An often quoted argument is that work is the best way out of poverty. However, even the European Central Bank admits that the real measure of this problem is the rate of underemployment (which is twice as high as that of unemployment). In other words, if work could get people out of poverty, there would not be 21 million working-poor in Europe. Moreover, this also means that funding must be made available to help those who cannot work. In this connection, and beyond the funding needed, the ILO's proposals on decent work (concerning both the quality of work itself and fair remuneration) should also be recalled, as decent work can lift people out of poverty and turn the economy around by fuelling demand and smoothing the transition periods needed to retrain workers.
- 1.7 While Brexit will have a number of financial implications for the European project as a whole, it is very important that the level of spending under the MFF does not decrease. Europe is facing new and multiple challenges. It is thus unrealistic to expect to be able to meet these challenges with less funding available. Much more progress needs to be made on tackling poverty and social exclusion – and this requires financial investment. It is thus absolutely necessary to maintain – and even increase – current levels of social spending.
- 1.8 Funding at both EU and national levels is needed for active inclusion, with a view to improving employability and the socio-economic integration of marginalised groups, combating all forms of discrimination, promoting equal opportunities and enhancing access to affordable, sustainable and high quality social services, as well as services for health, housing and education. This means, in more practical terms, that both funding and public policies are needed to invest in inclusive education, to fight unemployment and long-term unemployment (both still at pre-crisis levels), to address demographic challenges (the increase in women's participation in the labour market will not compensate for the workforce shortage) and manage migration flows and migrants' integration, to tackle (increased) underemployment and correct and avoid the problems created by the new (atypical) forms of work, to provide individualised family- and community-based support, to support reforms (capacity building for administrations/institutions and civil society organisations), to ensure solidarity and cohesion (to counter income inequality, which has currently stabilised at a very high level) and to ensure adequate and sustainable social protection over the life cycle for all. In short: to invest in people.
- 1.9 This EESC initiative stems from the Committee's particular wish to strengthen (both quantitatively and qualitatively) the "tackling poverty and social exclusion" strand of the MFF, in order to effectively tackle the weaknesses in the current EU funding system. These include the insufficient current methodology for calculating the allocation of the EU funds (only Member States' and their regions' GDP) and their unsatisfactory performance, the lack of

⁴ [Joint Employment Report 2017 - European Commission](#).

coordination between the funds to fight poverty and social exclusion, as well as the still unrecognised role of the civil society organisations (CSOs) working in this field.

2. The Commission's plans: An *ESF Plus* fund, which would also tackle poverty and social exclusion

- 2.1 The Commission's general orientation for the next MFF is "not a euro less for investments in human capital". For this purpose, three areas of investment have been identified: *i*) investing in people (through the establishment of dedicated thematic objectives and measures), *ii*) supporting and giving incentives to policy reforms (to help Member States implement structural changes in the employment and social fields), and *iii*) promoting social policy experimentation through "Union Actions for Social Innovation" (to adapt to adverse and unexpected situations and develop innovative responses to social changes).
- 2.2 The Commission is aware of the need to simplify the rules of the ESF and the FEAD for both managing authorities and beneficiaries. It acknowledges the need to improve these funds to make them perform better (the current allocation mechanism based on GDP does not allow a focus on "pockets of poverty" within "rich" regions). It also recognises the need to amend the current ESF indicators, not only because these are generally considered to be too numerous, but also in order to allow them to address existing gaps in social funding and ensure the allocation of the relevant resources in line with the principles enshrined in the European Pillar of Social Rights (EPSR).
- 2.3 The discussions on these issues are still ongoing within the Commission. At this stage, the Commission is considering the creation of a fund to be called *ESF Plus*, which would integrate the European Social Fund (ESF), including the Youth Employment Initiative (YEI), and the Fund for European Aid to the Most Deprived (FEAD). Moreover, the budget allocation methodology would be based on a mix of GDP and employment and social indicators, including the Social Scoreboard. Shared management should be maintained.
- 2.4 Regarding the content of such an integrated fund, the Commission would envisage enhancing the fund's "social inclusion" strand alongside the other two strands: education and employment.
- 2.5 As regards the new fund's management, the Commission is looking for ways to simplify the architecture of the current ESF, which is based on partnership agreements and operational programmes. Simplified cost options are also envisaged: standardised flat rates, unit costs and lump sums will become the preferred mode of reimbursement for the *ESF Plus*.
- 2.6 Moreover, institutional capacity has increasingly been seen as a key component of the cohesion policy. The Commission will continue to explore possibilities to better capture the results of capacity building activities by encouraging ways to measure empowerment.

3. Results of the EESC consultation of civil society organisations at European level

3.1 General considerations: Scope for action and special focus

3.1.1 The Commission's proposal for an *ESF Plus* fund and its intentions to make it work is welcomed, namely:

- its alignment with the European Pillar of Social Rights,
- its guidelines for quality outcomes through improved indicators, and
- the recognition of the need for simplification and increased flexibility.

3.1.2 Social inclusion of people in the most deprived situations should be prioritised in the new fund. Since many segments of the population are not directly affected by the problem of employability (children, elderly persons, people with disabilities, the chronically ill, etc.), their social inclusion cannot be achieved through occupational integration. A rights-based approach to give guidance to Member States is therefore needed, as well as integrated approaches between different policies and specific active inclusion measures through which the EU budget must help deliver on the EU's commitment to human rights.

3.1.3 According to the revised European Social Charter (1996), Member States have a duty to provide social assistance to every person – regardless of their residence status – on their territory. They should therefore also provide social assistance (food, clothing, shelter, access to health care and access to education for children, etc.) to people with irregular status.

3.2 Funding

3.2.1 First of all, several EU Structural Funds (mainly the ESF and the European Regional Development Fund – ERDF) should be used to improve policies and services and boost investment in social infrastructure, including housing solutions for the homeless, as well as community-based care for people who are stuck in institutional care (people with disabilities, of advanced age and children) – since, so far, only 4% of the European Fund for Strategic Investments (EFSI) has been spent on social infrastructure. Should it become impossible to upsize the new ESF for this purpose, the ERDF should definitively be allocated more funds to meet these social investment needs.

3.2.2 As the EU Structural Funds are key drivers for "Social Europe", Member States have the particular responsibility of investing in the provision of social services of general interest.

3.2.3 Then, the financial means of the current MFF earmarked for social objectives (EUR 90 billion, of which EUR 86 billion for the ESF and EUR 4 billion for the FEAD) should be significantly increased in order to produce tangible results, such as achieving the specific poverty-reduction goal (a reduction of 20 million people by 2020) of the Europe 2020 Strategy and continuing on this path to attain all the poverty-reduction goals of the 2030 Agenda.

3.2.4 As regards the *ESF Plus* more specifically, funding should be earmarked for the most deprived or those living in extreme poverty (homeless people, people facing destitution and material

deprivation) and should be substantially increased to support social inclusion measures going far beyond the provision of food and material assistance.

- 3.2.5 In this regard, a minimum of 30% or more (but not less, in absolute terms, than in the current MFF) of the *ESF Plus* fund should be earmarked to combating poverty and social exclusion, not least in order to ensure a fair distribution of allocations among the fund's three thematic objectives.
- 3.2.6 It should be noted that financial instruments such as loans, guarantees or equities do not provide adequate financing for social projects. Grants should therefore be chosen as the main implementation mechanism for assistance to people (and to assure them of the continuation of such assistance), since the area of poverty reduction lacks the revenue-generating nature of other activities more easily financed through loans. In this regard, greater use needs to be made of global grants and re-granting, as well as – where possible – treating in-kind contributions on the same footing as financial contributions⁵.
- 3.2.7 As the Commission says, a more focused basis to determine funding needs is indeed necessary. This can be achieved by supplementing the current basis (GDP only) with additional social and employment indicators, such as those of the Social Scoreboard, once duly aligned with the 20 principles of the EPSR.
- 3.2.8 It is difficult to envisage comprehensive indicators for both the ESF and the FEAD, since, up to now, the ESF has been using far more comprehensive output and result indicators than the FEAD. The new *ESF Plus* should therefore include different indicators for ESF and FEAD measures. Furthermore, specific "social inclusion" indicators would also have to be set up.
- 3.2.9 For the *ESF Plus* to be successful, it is essential to ensure that the current ESF thematic objective on institutional capacity is continued both in the *ESF Plus* and in the new Common Provisions Regulation (CPR) laying down common rules for all the European Structural and Investment Funds. This is important for two reasons: 1) the *ESF Plus* will no longer be a simple labour market instrument but also a social policy instrument, and 2) as the *ESF Plus* is expected to help implement the 20 principles of the EPSR, training for managing authorities and stakeholders on how to implement the EPSR in practice should also be organised.
- 3.2.10 Whilst a delivery and simplification of the available funding are both necessary, the Commission and managing authorities should also take specific measures to ensure that these do not lead to excluding CSOs and the most vulnerable end beneficiaries. Without such measures, an increased use of fixed cost options, "off the shelf products", flat rates, etc. could expose beneficiaries to greater financial risk, especially CSOs working with people in poverty and social exclusion.
- 3.2.11 "Transnationality" should be continued in the next programming period and its operations simplified, in order to enhance the exchange of good practices and mutual learning among Member States. As the ESF is a European fund, transnationality should become mandatory for

⁵ [OJ C 173, 31.5.2017, p. 15](#) : See SOC/537, 5.6.

all Member States. This would also contribute to fostering a European identity among citizens of different Member States and would make the financial support offered by the EU to its citizens far more visible.

3.3 Partnerships and the involvement and support of CSOs

- 3.3.1 It is important to recognise that CSOs are a crucial part of the European democratic project and a way to rebuild the trust that is currently lacking between the European citizens and their institutions, by ensuring the sustainability of funds for social inclusion CSOs and supporting transnational discussions on the fight against poverty and exclusion. There is a need to improve partnerships between a wide range of institutions/authorities and key CSOs. This requires that the territorial authorities facilitate CSOs' access to the available funding.
- 3.3.2 As partnership agreements and operational programmes are the result of negotiations between the Commission and the national authorities, the Commission could be more demanding when approving these agreements and should require that they be reviewed if they do not fully respect the partnership principle⁶.
- 3.3.3 There are many advantages in strengthening the technical and organisational capacity of European, national and sub-national networks and organisations contributing to tackling poverty and social exclusion⁷. The EU funding should therefore make full use of the experience and capacity of CSOs operating at local, national and European levels by involving them, as well as the service users, in the programming, implementation, monitoring and evaluation of the EU funding⁸. CSOs providing support in this field should develop appropriate evaluation tools and, where possible, use the expertise of direct beneficiaries⁹.
- 3.3.4 Member States should make full use of Article 17 of the European Code of Conduct on Partnership (ECCP) and of the possibility to use technical assistance to build the capacity of CSOs so that they can effectively participate in the preparation, implementation, monitoring and evaluation of the funding. This can be done through workshops, training sessions, by supporting networking structures and, most of all, by financial support to allow CSOs – which remain, according to the partnership principle, key actors delivering funds to meet their operational costs (including meetings and the use of information and communication technologies (ICTs)).
- 3.3.5 The majority of available resources should be earmarked for projects with smaller budgets. This would make it possible to support locally active organisations and self-help groups¹⁰ and also avoid or mitigate the deterrent effect of excessive co-funding burdens on CSOs.

⁶ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 5.6.

⁷ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 5.9.

⁸ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 1.2.

⁹ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 5.8.

¹⁰ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 1.6.

3.3.6 Lastly, CSOs should be given the opportunity to use EU funds for testing innovative solutions to combat poverty and social exclusion, including through transferability. The rules must allow for social (policy) experimentation and social innovation, which should be considered as an investment priority.

3.4 **Ex-ante conditionalities**

3.4.1 The principles enshrined in the ex-ante conditionalities should be applied to all EU funds, both internal and external, as well as to the loans offered by the European Investment Bank (EIB). This would ensure consistency between EU policies and instruments, while respecting the rights of citizens across the world.

3.4.2 Any simplification of the funds' rules should not amount to removing mechanisms (e.g. the ex-ante conditionalities) that are in place to ensure the compliance of projects financed by EU funds with EU values, in particular the obligation to respect human rights.

3.4.3 The ex-ante conditionality concerning active inclusion, under which Member States must have national strategies against poverty and social exclusion in order to qualify for the funding provided by the *ESF Plus* should continue to apply to *all* Member States during the next EU funding period. Moreover, ex-ante conditionalities should be monitored both at the regulatory and the programming levels.

3.4.4 Compliance with the European Code of Conduct on Partnership (ECCP) should also be introduced as an ex-ante conditionality in order to ensure its effective application.

3.5 **Monitoring**

3.5.1 Clear criteria must be developed, according to which this expenditure can be tracked and monitored. Monitoring committees should operate in a more transparent and meaningful way and also exercise specific steering functions. CSOs should be considered as equal stakeholders with voting rights within the monitoring committees and the role of the European Commission should also be much enhanced.

3.5.2 Monitoring should also ensure that all funds are used in line with the Charter of Fundamental Rights and international human rights standards, including the UN Convention on the Rights of the Child (UNCRC) and the UN Convention on the Rights of Persons with Disabilities (UNCRPD) ratified by the EU and 27 of its Member States.

3.5.3 Moreover, monitoring should also assess the progress of social inclusion measures, and not only the application of a set of quantitative indicators¹¹.

3.5.4 The Commission's idea of introducing a mid-term review for the new MFF is welcome, since it will speed up the process of monitoring the outcome of funding the fight against poverty and social exclusion.

¹¹ [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 5.2.

3.6 Sanctions

- 3.6.1 The Commission should consider providing significant clarification of the minimum requirements with which the Member States authorities will have to comply when implementing partnerships, and the provision of sanctions in the event of inadequate implementation¹².
- 3.6.2 Any failure by the Member States to comply with the European Code of Conduct on Partnership (ECCP) should be sanctioned through the suspension of payments, as provided for in the European Structural and Investment Funds.
- 3.6.3 Finally, the Commission's idea of obliging Member States to respect the rights enshrined in the EU Treaties, the EU Charter of Fundamental Rights and other relevant regulations in all their funding decisions – and of using sanctions against those who fail to do so – is particularly welcomed.

Brussels, 19 April 2018

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The president of the European Economic and Social Committee

¹² [OJ C 173, 31.5.2017, p. 15](#); see SOC/537, 1.4.