

Structural funds and the fight against poverty. Beyond competitiveness, how to work towards social inclusion?

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Often presented as the EU's main success story and solidarity instrument, structural funds have been at the heart of the EU's 50th anniversary in 2007. Yet as the 2007-2013 programming period is entering its operational phase, time has come to go beyond self-celebration, learn lessons from the past and make them a better tool against exclusion.

This contribution will therefore look at the structural funds' contribution to the fight against poverty and social exclusion, by raising three main questions:

How can European Social Fund measures better contribute to the fight against poverty?

Why is partnership with social NGOs so important in this purpose and how to improve it?

How to make sure the fight against exclusion is taken into account in the whole scope of structural funds instruments, and not only the Social Fund?

From cohesion to competitiveness policy? An increasing subordination to "growth and jobs"

Despite the rather limited amount specifically devoted to social cohesion, structural funds have made a difference for people in poverty. But what will be the reality in the new programming period (2007-2013)? Initially meant to tackle economic and social disparities, are structural funds on the way to become a mere competitiveness tool?

78 million citizens facing poverty: which role for the EU and structural funds?

Two years before the deadline the EU set itself to "make a decisive impact on the eradication of poverty". Relative but also absolute poverty remain widespread in the EU: in 2004, 16% of EU-25 citizens lived under the risk of poverty threshold and it is commonly admitted that 78 million citizens are currently at risk of poverty in the EU-27²⁹. Perception in many Member States is that of little or no progress towards the eradication of poverty by 2010. Besides, the actual value of the poverty threshold (how much money somebody has to live on if they are on the poverty line) can vary greatly between countries, in particular between the "convergence"³⁰ and other areas.

Despite the limitation of EU competences, significant steps were made in recent years to tackle this social emergency: commitment to make a decisive impact on the eradication of poverty with the creation of the Open Method of Coordination on Social Inclusion, emergence of a

²⁹ Assessing relative poverty and defined as 60% of median income.

³⁰ Covering regions with a GDP less than 75% of the Community average.

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European debate on “active inclusion”, legislation on equality and non-discrimination. From the budgetary side, following the loss of specific Poverty Programmes in the 80s, the fight against poverty has been integrated as key priority in programmes such as PROGRESS (Community Programme for Employment and Social Inclusion). Yet PROGRESS focuses primarily on policy instruments, networking and exchange of good practices, when it comes to financial redistribution, structural funds remain the key instrument the EU has in the fight against social exclusion.

Beyond competitiveness, the need to keep social cohesion as a priority

Although structural funds are primarily known for their contribution to major infrastructure projects, they have proved to be a significant tool to tackle poverty since the early years of the EU and the creation of the European Social Fund (ESF) in 1957. Over the period 2007-2013 some €75 billion will be distributed to the EU Member States and regions through the European Social Fund, which focuses on five priority themes: (1) adaptability of workers, (2) access to employment and inclusion of job seekers and “inactive people”, (3) social inclusion of disadvantaged people, (4) enhancing human capital, and (5) promoting partnership approaches. For Member States in the “Convergence Area” (mostly those that joined in or after 2004), another priority is also devoted to capacity-building of public services, social partners, and non-governmental organizations.

On paper, social inclusion has been given a high level of priority, with approximately 12% of the total ESF funding available. Yet, concerns have emerged that the funds are used to promote a “labour market activation” at the expense of a broader approach, putting an increasing pressure on people experiencing poverty.

Promoting quality jobs and taking the root causes of poverty into account

Integration in the labour market remains the key goal of the ESF and it is thus not surprising to see it as the major objective of most programmes (through training, lifelong learning and “employability” measures). Yet EAPN is concerned that “activation of the economically inactive” has become the main strategic approach to the fight against poverty, sometimes regardless of the quality of jobs created and impact on those most remote from the labour market. While the inclusion of excluded groups into occupational activities can be seen as a positive development, it all too often appears to be driven by public finance and labour market rather than social inclusion needs. In order to have a real impact in the fight against poverty, ESF projects should support “good activation” policies, aiming to improve personal, social and vocational skills and to enable further social integration of marginalized groups. Besides, the fight against poverty cannot be limited to integration in the labour market. Using structural funds for this purpose also means supporting a wider range of measures, taking into account the root causes of poverty, through:

- measures allowing a wider integration and empowerment of excluded groups (for example, through community projects, or social services);

- social economy initiatives and inclusive entrepreneurship approaches;
- infrastructure linked to social inclusion (community, health centres, etc.);
- capacity building for social NGOs (in particular in the convergence areas).

The need for increased coordination with the EU social inclusion process

The lack of a holistic approach taking into account the root causes of poverty reflects the difficult position of the EU strategy on social inclusion. While structural funds 2007-2013 are marked by an increasing link with the Lisbon Strategy, the new framework has overlooked the contribution of the Open Method of Coordination on Social Protection and Social Inclusion (“the EU social inclusion process”), which was initially one of the key pillars of the Lisbon Strategy. It is crucial for the credibility of cohesion policy to better take into account objectives of the OMC on inclusion. In addition, after the programmes are launched, more energy needs to be invested in strengthening the coherence between the two processes, in particular regarding the monitoring and evaluation of ESF projects.

Because the “how” matters as well: improving partnership with social NGOs

Assessing structural funds’ impact on the fight against poverty also implies looking at the method of governance and delivery. While partnership with NGOs is an obligation upon Member States and has been increasingly acknowledged, more steps need to be made to ensure a consistent approach throughout the EU.

Towards a better partnership in structural funds governance

For the first time, Article 11 of the Structural Funds General Regulation explicitly recognizes the principle of partnership with civil society organizations and NGOs, which covers planning (through consultation on programming documents), monitoring (participation in monitoring committees) and evaluation. Experience has proved that partnership contributed to strengthened legitimacy of the structural funds process, improved the transparency and the quality of information towards potential beneficiaries and led to a better absorption of funds.

Yet efficient partnership also means holding consultations that really make a difference, enlarging the scope of NGOs beyond environmental and gender equality organizations to cover social inclusion NGOs, having a real mandate for the organization sitting in the committees. Despite significant progress in some Member States, the lack of level playing field across the EU and of common guidance seem to indicate that no real effort was made to ensure that the new partnership principle is translated into concrete actions.

Partnership in the implementation of the funds: acknowledging the added value of NGOs

Beyond governance, partnership in the *delivery* of the funds is essential to ensure an efficient use of EU monies by their beneficiaries. NGOs appear particularly suited to implement

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structural funds projects in the field of inclusion, given their roots in the communities and more flexible approaches. Yet they still face many obstacles to access structural funds, among which, difficulty to use the funds for micro-projects, financial requirements (co-financing), as well as lack of information and of capacity to follow-up project applications. Despite the absence of obligation upon Member States to develop targeted approaches, some mechanisms have been put in place throughout the EU, which contributed to a better and easier use of the funds by their beneficiaries.

The “global grants” mechanism was introduced in 1989 to ensure that the funds reach those most in need, especially for purposes of local development. For this reason, it is sometimes designed as a “small” or “micro” grants mechanism. In practice, this happens through the delegation of the management and implementation of an Operational Programme to one or more intermediate bodies, which might be local authorities, regional development bodies, or non-governmental organizations. Global grants systems often include facilities in terms of co and pre-financing, allowing better outreach to small and local organizations and helping them to overcome financial obstacles.

Often seen as complementary to global grants, technical assistance is designed to support the smooth running and management of structural funds’ operation, for instance by covering studies concerning the operation of the Funds, the exchange of information and experience, and reaching out to final beneficiaries. In a number of countries, it has been used to support potential beneficiaries’ access to the funds, through information and training programmes, as well as ongoing tailored support to some groups throughout different phases (e.g. applications, follow-up and reporting).

So far only a limited number of governments (including Britain, Czech Republic, Slovenia, Hungary, Malta and Ireland) have announced their willingness to make use of global grants and/or technical assistance for NGOs in 2007-2013. At this stage, it is hard to avoid the conclusion that a major opportunity is being lost to create a better environment for NGOs as beneficiaries.

Beyond the social field, the need for real inclusion proofing of structural funds

Major steps still have to be made to ensure that European Social Fund programmes deliver better on social inclusion. However, limiting the fight against poverty to the employment and social policy field would be a critical mistake and additional energy is needed for a better integration of social concerns in the *whole range* of structural funds instruments.

The need for real assessment of the social impact of EU policies and programmes

Economic, internal market, education, transport, enterprise and energy policies have a major impact on the reality of people experiencing poverty. Yet they are so far only subject to a limited social impact assessment, which was developed as part of the EU “better regu-

lation" agenda³¹. The new Horizontal Social Clause integrated in the EU Treaty³² has the potential to fill the gaps of the current social impact assessment procedure and integrate the fight against social exclusion in the whole scope of EU policies, as it provides a stronger legal basis. Yet, in order for the Clause to make a real impact, it has to be supported by new effective tools, including a real "social inclusion" proofing of policies and programmes.

For social inclusion proofing of all structural funds instruments

Aiming at economic and social cohesion, structural funds should be a key target in the development of new inclusion proofing mechanisms. If not carefully designed, structural fund measures can indeed contribute to *producing* poverty and exclusion rather than *reducing* them. Examples of structural fund measures that lead to exclusion include, for example, health services which provide high-tech equipment - when disadvantaged urban and rural communities have a poor quality local health service; entrepreneurship programmes which benefit existing businesses - but not people trying to escape poverty and unemployment; or transport measures which build motorways - but do nothing for isolated, excluded rural communities that need small bus services. While applying inclusion proofing to labour market and similar interventions is relatively straightforward, it is more challenging to apply it to areas outside those traditionally considered the social inclusion part of the structural funds, such as ICTs, transports, education, enterprise, culture, or sustainable development.

The development of common social inclusion indicators to be used in the planning, management and evaluation of all structural funds instruments would be a very first step in this direction, which will probably not be reached before the beginning of the next programming period. Yet it would show the EU's concrete commitment to translate the new "horizontal social clause" into concrete action, provided it ever enters into force.

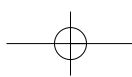
Possible social inclusion indicators, beyond the social area

EAPN is currently developing a note on social inclusion indicators. You will soon be able to find it on: www.eapn.org

<u>Theme/measure</u>	<u>Suggested indicators (with type of indicator)</u>
Broadband	% access to broadband in disadvantaged areas (location) % use of broadband by excluded groups e.g. unemployed (outcome)
Urban renewal	% projects in disadvantaged areas (location) % rating of consultation process (participation)

³¹ http://ec.europa.eu/enterprise/regulation/better_regulation/impact_assessment/docs/sec_2005_791_guidelines_annexes.pdf.

³² Formulated as follows "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health".

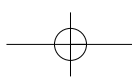


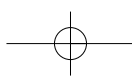
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Agricultural aid	% going to farmers of less than 150 agricultural units (targeting) % of improved farm incomes (outcome)
Enterprise grants	% in disadvantaged locations (location) % going to groups identified as at risk of poverty % for social economy organizations (participation) % improvement in incomes, employment in district (outcome)
SMEs	% in disadvantaged districts (location) % led by people in target groups identified as disadvantaged
Transport	% public transport facilities improved (services, speed) (outcomes) % disadvantaged groups now able to use transport (outcomes)
Childcare facilities	% located in disadvantaged districts (location) % used by parents from disadvantaged groups (targeting) % parents progressing to training, work, employment (outcome)
Energy	% used by people living in fuel poverty (targeting) % perceiving improvement as a result (participation) % low income homes fuel costs down, temperatures up (outcome)
Housing projects	% beneficiaries from persons living in poverty (targeting) % beneficiaries of extreme need categories (e.g. homeless) (targeting)
Culture, sports projects	% using from disadvantaged backgrounds, disability (targeting)
Health projects	% beneficiaries from groups living in poverty (targeting) % of targeted groups with improved health (outcomes)
Environment	Air quality in disadvantaged locations

What now?

Though the planning phase is coming to an end, structural funds are not fixed once and for all: many channels still exist to develop innovative governance and projects. At this stage, priority should be given to promote, use and disseminate good practices from across the EU, which should be better known and used by NGOs themselves, as well as by management and monitoring committees.





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On mid-term, the current consultation on the future of EU policies and the interim evaluation of structural funds will be important opportunities to stress that beyond economic convergence, structural funds can still be a tool for more social cohesion.

Yet this will not happen without efforts, and it is crucial for all stakeholders to keep mobilized and monitor how structural funds are used in practice, but also develop a common vision for a cohesion policy that really puts sustainable development at its heart.

