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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the Fund for European Aid to the Most Deprived

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1. INTRODUCTION AND PROCEDURAL ISSUES

In its 2020 Strategy, the European Union has set the objective to reduce by at least 20 million the number of people at risk of poverty or social exclusion. Yet poverty and social exclusion are rising in many Member States, raising concerns over the social consequences for individuals and society at large. In contrast to increasing needs, the willingness and ability of Member States to support those who are at the margins of our society have in many cases decreased. Often the European level is argued to be (co-) responsible for these developments.

The EU's Food Distribution programme for the Most Deprived people (MDP) was created in 1987 to make a meaningful use of the then agricultural surpluses. With the expected absence of intervention stocks or at least high unpredictability over the period 2011-2020, the MDP has lost the original rationale and will be discontinued at the end of 2013.

However, there continues to be a need for material assistance to the most deprived people. In its proposal for the next multiannual financial framework the Commission has reflected this and reserved a budget of 2.5 billion Euro. The main Union's instrument to support employability, fight poverty and promote inclusion is and will remain the European Social Fund (ESF). Legal analysis showed that a separate instrument is necessary as the ESF legal basis (Art 162 TFEU) requires a sufficiently close link of the supported activities with employment or mobility. This impact assessment examines the range of interventions the Fund for European Aid to the Most Deprived (FEAD) could support.

2. CONSULTATIONS

Discussions in Council, Parliament and with civil society and local authorities on the current aid for most deprived under the MDP programme provide meaningful insights and ideas for the future.

The proposed significant cut of the support provided under the MDP scheme in 2012 following the General Court ruling of 13 April 2011 led to a large number of negative reactions. Many stressed the importance of this support and pleaded for a continuation of the scheme at a time that the needs were increasing.

Large charities and civil society organisations representing food banks, as well as organisations working with children and homeless people have expressed repeatedly the need for support to be provided beyond 2013 and have contacted Member States representatives as well as the President of the European Council. Local authorities also support the continuation.

Two meetings with umbrella associations representing not only the beneficiaries but also the actual end-beneficiaries were held in order to discuss the issues. In general the possible broadening of the scope of the instrument beyond food aid, the fact of placing people at the centre of the instrument were welcomed but the associations regretted the reduced budget.

Member States views about such an instrument are divided: seven Member States argue that food support is social policy and a national competence. Others argue strongly in support of the scheme on social and political grounds. Thirteen Member States issued a statement in December 2011, in which they requested the continuation of the MDP following 2013. The European Parliament has repeatedly and across all political groups expressed strong support for the continuation of the programme.

In December 2011, 11 umbrella associations wrote to the Commissioner and the Director General for Employment, Social Affairs and Inclusion asking for progress to be made towards an EU Homelessness Strategy. In their 2012 National Reform Programmes at least half of the Member States have referred to homelessness as a priority issue of their social inclusion policies. In addition, the European Parliament called for an EU strategy on homelessness - first in a Written Declaration (2010) and then in a resolution (2011).

The Compact for Growth and Jobs adopted by the European Council on 29 June 2012 notes that "in the implementation of the country-specific recommendations, Member States will put particular emphasis on ... tackling unemployment and addressing the social consequences of the crisis effectively [...and] developing and implementing effective policies to combat poverty and support vulnerable groups".

3. PROBLEM DEFINITION

While the proposed instrument is a new one, it is relevant to look at the still existing MDP programme which is the only European Union programme currently reaching directly the most deprived persons in the EU.

The MDP has never sought to resolve food poverty. Yet, in many cases the MDP represents the main source of food aid. During the discussions with the umbrella associations, all insisted that the predictability of the European support via the MDP was an essential element for their operations. A termination of the MDP without substitution threatens this acquis and could be perceived as a demonstration of the lack of interest of the European Union in pressing social questions.

There is a considerable leverage effect as the charitable organisations involved provide the bulk of the means for running the food aid distribution and parts of the food aid itself. The ratio of total resources mobilised to MDP inputs is around 3.

There is uncertainty as to the exact reach and impact of the programme. However, the existing open approach to target group definition is found adequate with beneficiaries. In addition, detailed criteria would impose heavier administrative burdens and increase the cost of assistance as such criteria must be checked.

Eight per cent of all European citizens or about 40 million live in conditions of severe material deprivation and cannot afford a number of necessities considered essential in Europe to live a decent life. Poverty and social exclusion are not uniform across the EU. In general, problems are more acute in eastern and southern Member States.

Besides aggravating the pre-existing levels of poverty and social exclusion, the economic crisis has also reduced the ability of a number of Member States to sustain social expenditure and investment at levels sufficient to reverse this negative trend. In the period 2009-2012, social protection benefits in-kind are expected to fall relative to GDP in most Member States. Cash social protection benefits should decrease relative to GDP in nearly half of the Member States.

The inability to access appropriate **quantities and quality of food**, concerned 8.7% of the European population in 2010. The number of persons experiencing food deprivation declined steadily until 2009 when the trend inverted. Social support provided by Member States and

regional and local authorities never or rarely focuses specifically on access to food, except for subsidies for school canteens, or meals delivered at home to the elderly or disabled.

A particularly severe form of material deprivation is **homelessness**. The extent of homelessness is however difficult to quantify and data should be improved. Nevertheless estimations indicate that there lived 4.1 million people homeless in Europe in 2009/2010. Homelessness is increasing. Even more worryingly, a new profile of homeless people is emerging which consists of families with children, young people and people with a migrant background. While there are variations in the roles of NGOs and the state as providers of services for homeless persons in Europe, the predominant model is that local authorities have the main responsibility for enabling and steering such services and NGOs are the main service providers, financed to a large extent by municipalities.

Focusing on developments across Member States the risk of poverty or social exclusion for different age groups indicates that the crisis has often over proportionally hit children and young adults. 5.9 % of households in the EU cannot afford new **clothes for their children** and 4.5% not even two pairs of properly fitting shoes (including a pair of all-weather shoes). This corresponds to approximately 6 million children. Children suffering from material deprivation are less likely than their better-off peers to do well in school, enjoy good health and realise their full potential as adult.

NGOs and civil society organisations provide a variety of support to children also going beyond the provision of food adapted to children's specific needs and health awareness. The support is – for instance – related to clothing, recreational and leisure activities (which remain a challenge for many disadvantaged children and are essential to their development) or parenting support (e.g. awareness raising, advice, sometimes combined with play activities involving children).

EU action is justified on the grounds of Article 174 (TFEU) which provides for the Union to "promote its overall harmonious development" and on article 175 (TFEU) which makes provisions for specific actions outside the Structural Funds.

EU-level action is necessary given the level and nature of poverty and social exclusion in the Union, further aggravated by the economic crisis, and uncertainty about the ability of all Member States to sustain social expenditure and investment at levels sufficient to ensure that social cohesion does not deteriorate further and that the objectives and targets of the Europe 2020 strategy are achieved.

4. OBJECTIVES

The **general objective** of the Fund for European Aid to the Most Deprived (FEAD) is to contribute to the achievement of the poverty reduction target of the Europe 2020 strategy thereby increasing social cohesion in the European Union.

The **specific objectives** are: to alleviate the worst forms of poverty in the European Union and to help to coordinate efforts, to develop and introduce instruments to promote social inclusion of the most deprived persons.

Because the instrument is to be implemented in shared management the identification of operational objectives would ideally take into account the ex-ante evaluations of the individual operational programmes. These are yet to be conducted. At the European level the

operational objectives, for which the monitoring system will need to provide consistent data on the European level are to:

1. Assist needy people with basic goods;
2. To have a multiplier effect of at least 2. The multiplier effect is estimated as the ratio of total resources mobilised to the EU resources provided.

5. POLICY OPTIONS

Common to all options considered is that implementation will be under shared management through operational programmes. These are proposed by the Member States, decided on by the Commission and last for seven years. The Commission plays an information brokering and supervisory role. Actual implementation is done by Managing Authorities. Depending on the programmes, the Managing Authorities either organise a central purchase of the material assistance goods to be distributed or leave this procurement to the beneficiaries themselves. The options considered do not differ in terms of the allocation of resources to the Member States.

The main issue concerns the scope of the actions of the new instrument. The options range from essentially a successor instrument to the current MDP dispensing *Food Aid* (option 1) to a more fundamental rethink. Under the *Food Assistance* (option 2), the programme could finance a number of measures or services directly related to the delivery of food aid. With a *broad scope* (option 3), food aid would not anymore be the only element but other forms of material assistance and corresponding accompanying measures would be possible. These would be related to homelessness and child poverty, two areas which play a key role for social inclusion and show a clear worsening trend as a result of the crisis. These areas are so far not taken up by other community instruments, such as the ESF. Accompanying measures directly related to the material support provided would further strengthen integrated approaches to poverty alleviation and the fight against social exclusion in line with the European platform against poverty and social exclusion.

Making a meaningful use of agricultural surpluses was at the core of the MDP. The use of intervention stocks is discarded from further analysis on the technical grounds that (i) using intervention stocks *reduces budgetary transparency* and encourages to act upon expectations about the future development of prices for these agricultural products in a programme aiming at providing support to the most deprived people within the EU; (ii) a regulation which foresees the use of intervention stocks is necessarily more *complex*; and (iii) the forecasts are that the *opportunity will not arise* anyway due to the expected absence of intervention stocks (on balance) in the future. Nevertheless, it may be justified to foresee an optional use.

The impacts of the different options are presented and compared in the table below. Thereby the operational objective to assist needy people with basic goods is directly reflected in the number of people supported and whether the most urgent needs are actually addressed. The operational objective of a multiplier of at least 2 has been translated into the questions whether the options manage to mobilise the resources and whether overall administrative requirements are reasonable.

The effects on social inclusion and on employment and the labour market refer very much to the general objective. It is considered as too ambitious though to claim a strong direct or even measurable link between the instrument and these impacts.

Table 1. Expected impacts.

| | Option 0 – No funding | Option 1 – Food aid only (baseline) | Option 2 – Food assistance | Option 3 – Broad scope |
|--|---|---|--|---|
| Number of people supported | - No programme – no people supported | 0 Direct effect estimated at 2.1 million per year | - Direct effect estimated at 1.96 million per year. Slightly less than the baseline as some of the resources available are spent on accompanying measures | 0 Direct effect estimated at 2.13 million per year |
| Reaching the most deprived (having the highest added value) | - | 0 | 0 | + The greater flexibility offered should allow a targeting better matched to the needs in each MS/ region |
| Effect on social inclusion | - | 0 One problem of serious deprivation (lack of food) is addressed, no guarantee that this is the most urgent need | + Same target group, but more effective offer | ++ The better targeting on the most urgent needs should increase the social inclusion effects |
| Employment and labour market | ?? The employment and labour market effect of option 0 depends on the use of the money. In case the money foreseen for this scheme would go to the ESF there would possibly be a neutral or positive employment and labour market impact | 0 | + Combining food-aid with other activation measures following a chain of support might lead more efficiently to employment | + As compared to option 2 some of the participants may be even further removed from the labour market (f.i. children). However, this could be offset by the greater flexibility to address local situations. |
| Overall social impact | ? depends on how the resources would be allocated to other programmes but probably overall negative in comparison with the baseline | 0 | + | ++ |

| | Option 0 – No funding | Option 1 – Food aid only (baseline) | Option 2 – Food assistance | Option 3 – Broad scope |
|---|--|--|--|--|
| Mobilisation of resources | - With the discontinuation of the programme voluntary contributions would become more difficult | 0 | + | ++ |
| Administrative complexity and transparency | + No programme – no administration (not taking into account that without the programme these people still might need support which will be more difficult to organise | 0 | - As option 2 corresponds to a broader scope they represent increasing levels of complexity for management. Potential overlaps with other schemes notably the ESF also increase | -- Same consideration as for option 2 but with possibly greater complexity as the scope of actions is even broader, at least if a programme chooses to work on more than one domain only. |
| Overall economic impact | ? Very much depending on the question how these people will be supported otherwise. | 0 | + | ++ |
| Environmental impacts | - | 0 | + | + |

Legend: baseline 0; - worse than baseline; + better than baseline; -- worse than -; ++ better than +

On the basis of the experience with the existing support programme one can forecast that this programme would allow to help annually around 2 million people depending on the options considered. This corresponds to approximately 5% of the severely materially deprived population. However the real coverage is likely to be at least twice as big as this estimate does not take into account the mobilisation of additional resources from national and private sources. These often more than double the total resources available. Moreover, the Severely Materially Deprived Persons (SMDP) can only be seen as a very rough proxy for the target population. It is used only in the absence of any better one. Only a fraction really qualifies for assistance under any of the options considered programme.

The social impact of the FEAD can be expected to go beyond. By providing a platform around which practitioners will be able to exchange information and experiences, it will bring significant benefits for many stakeholders in terms of processes. The evidence-based and mid-to long-term oriented implementation of the FEAD by means of operational programmes will also encourage a dialogue between various stakeholder groups and support a strategic approach in the future. Improvements of the delivery mechanisms (notably simplification and reductions of the administrative burden) should ensure the continued relevance of process

effects. The FEAD will be an instrument to facilitate a practical dialogue between European priorities and social cohesion policies.

The environmental impacts of the FEAD are essentially linked to distribution of the goods and the reduction of waste. Figures on carbon saving point to an effect in the range of 0.5 to 1.0 tons CO₂ reduction per ton of food. Overall it seems possible to conclude that food aid has a positive environmental impact compared to no food aid. The options 1 (food aid only) to 3 (broad scope) correspond to decreasing volumes of food aid and therefore to decreasing levels of carbon saving (from 573 thousand to 400 thousand tons). Making actions against food waste and encouraging recycling eligible under the instrument in the options 2 and 3 may compensate in part or in total this effect. While limited, the carbon savings are not negligible.

Option 3 is the preferred option on the grounds that it will allow the Member States to better target their interventions to their needs. Also the accompanying measures should ensure a greater sustainability of the results obtained.

6. MONITORING AND EVALUATION

The programme will be implemented under shared management. Exact targeting and the link with existing social support instruments will vary strongly between Member States. Furthermore the institutions actually receiving support rely to a large extent on volunteer work and donations. Therefore putting heavy reporting obligations on such organisations should be avoided as much as possible. Still these organisations will need to inform not only the Commission about their work but also other donors and the volunteers so to keep up their motivation. While identifying a limited number of major lines of activity it should be possible to report for each of these lines by a few common input and output indicators on an annual basis.

Such a basic annual reporting will be accompanied by structured surveys at least twice during the implementation period. These surveys will aim at:

1. providing some insights on the structure of the client population;
2. Assessing the importance of the in-kind contributions other than goods;
3. Collecting data on the immediate impacts of the aid provided on the persons reached.

These surveys will form the basis for the evaluation of the effectiveness, efficiency and impact of the operational programmes.