STRUCTURAL AND COHESION POLICIES AND THE FIGHT AGAINST POVERTY

NOTE
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AND THE FIGHT AGAINST POVERTY

NOTE
This document was requested by the Director of the Directorate B: Structural and Cohesion Policies of the European Parliament.

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Abstract

This note examines what role, if any, the EU's 'structural policies' play in fighting poverty and social exclusion. The latter include regional policy, the Common Agricultural Policy, the Common Fisheries Policy, the Common Transport Policy and education/culture policies.

It also analyses these policies and sectors against the background of the economic and financial crisis.
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LIST OF ABBREVIATIONS

AWU  Annual Working Unit

CAP  Common Agricultural Policy

CEDEFOP  European Centre for the Development of Vocational Training

CFP  Common Fisheries Policy

CMO  Common Market Organisation

COICOP  Classification of Individual Consumption according to Purpose

EFF  European Fisheries Fund

EU  European Union

ESF  European Social Fund

ESU  European Size Unit

ERDF  European Regional Development Fund

EU-SILC  European Union Statistics on Income and Living Conditions

FES  Future of Earnings Survey

GDP  Gross Domestic Product

GNI  Gross National Income

IPA  Instrument for Pre-Accession Assistance

LFA  Less Favoured Areas

LFS  Labour Force Survey (Eurostat)

MFF  Multiannual Financial Framework (MFF)

MS  Member States

NEET  Not in Employment, Education or Training

NUTS  Nomenclature of Territorial Units for Statistics
**OMC**  Open Method of Coordination

**PPS**  Purchasing Power Standards

**SPS**  Single Payment Scheme

**TEC**  Treaty establishing the European Community

**TEU**  Treaty on European Union

**TFEU**  Treaty on the Functioning of the European Union

**UAA**  Utilised Agricultural Area
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1. THE EUROPEAN UNION AND THE FIGHT AGAINST POVERTY

1.1. The Context and Scope of this Note

This note has been prepared as a background document for the 'Citizens' Agora' to be held by the European Parliament (EP) on 27/28 January 2011, dedicated to the theme of poverty and social exclusion in the European Union (EU) in the context of the economic and financial crisis.

The text is focused on the interaction between the EU's 'structural policies' and the fight against poverty, against the backdrop of the crisis. By 'structural policies' we mean regional and cohesion policies, the Common Agricultural Policy (CAP), the Common Fisheries Policy (CFP), transport and tourism policies and, last but not least, educational, cultural and youth policies.

One should recognise from the outset that the objectives of this group of EU policies are not primarily or exclusively to alleviate poverty. Policies should normally be analysed in relation to their own stated objectives. However, in the context of the upcoming Agora and given that these policies account for about 74% of the 2010 EU budget\(^1\), it is worth considering how they relate to the fight against poverty.

The note covers the fight against poverty and social exclusion among EU citizens; it does not therefore cover development policy. It is structured as follows. In this chapter, we begin by considering how poverty is defined and measured, particularly by the EU institutions and proceed to assess if the data available point to an increase in poverty and social exclusion since the start of the crisis in 2008. We then provide an overview of the EU's role in the fight against poverty, from a legal and historical viewpoint. The objective is to identify what instruments the EU can actually employ to fight poverty and social exclusion among its citizens, in contrast to those available to national, regional or municipal levels of government.

In the chapters that follow, we present a specific analysis for each policy domain, where we sketch the effects of the economic crisis on different sectors and consider if specific EU instruments can mitigate these.

In the last chapter, we describe the latest policy developments, including the '2020 Strategy'\(^2\) and draw up some conclusions.

1.2. Definitions of Poverty and Social Exclusion

Specialists tend to make a broad distinction between 'relative' and 'absolute' poverty. Absolute poverty, also called extreme poverty, indicates a situation where people lack basic means for survival, such as access to food, clean water and shelter. Relative poverty is


“where some people’s way of life and income is so much worse than the general standard of living in the country or region in which they live that they struggle to live a normal life and to participate in ordinary economic, social and cultural activities”.

In the prosperous European Union, the main concern is with relative poverty, although absolute poverty still exists, notably among highly marginalized groups such as the homeless. One should say a word here about the expression 'social exclusion', which is often lumped together with poverty. Social exclusion has a slightly different meaning to poverty, since it relates more to an individual's relationship with society than to his or her material situation. Social exclusion means that a person is alienated or disenfranchised in society. Therefore, it follows that a person may be defined as living in relative poverty but not as being socially excluded, if that individual has close relationships with family and friends, feels accepted by society and is active in civic life etc.

It is not our intention here to enter the debate on terminology. We merely wish to point out that poverty and social exclusion have slightly different meanings. However, in practice it is useful to place them together, as they are strongly interrelated. As we saw above in the definition of relative poverty, to be poor - in the European context - mostly means to have difficulties in leading a 'normal life', and not to lack the basic necessities for survival. A person who cannot afford to participate in any type of leisure activities with friends, for instance, will struggle to live a 'normal life'.

The EU uses a common definition of the poverty line and collects data accordingly. According to the EU’s definition - in essence a measure of relative poverty - people falling below 60% of median income of their country are said to be "at-risk-of-poverty". The figures in euro naturally vary enormously: in Romania in 2009 individuals with an annual income of less than 2,132 EUR were 'at-risk-of-poverty'; in Luxembourg the equivalent figure was 16,001 EUR. The existence of a common EU measure enables us to compare the percentage of the population which is at risk of poverty across the Member States.

Figure 1: At risk of poverty rate

![Graph showing at-risk-of-poverty rate and threshold](image)


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3 This definition and much of the material for this sub-chapter is based on Frazer, Hugh (2009), "Poverty and Inequality in the EU", European Anti Poverty Network (EAPN).

4 The median is the middle point of the income range. That income is calculated by household.
However, this monetary measure of poverty is complemented at the EU level by data on 'material deprivation'. The latter indicator expresses the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life, such as a meal involving meat, chicken or fish every second day, the adequate heating of a house or a week's annual holiday away from home.

Both of these measures are part of a series of indicators on 'income, social inclusion and living conditions' (EU-SILC), compiled by Commission's statistics office, Eurostat. For technical reasons, the current data on poverty in EU-SILC is not directly comparable to pre-2005 data. However experts consider that – for the EU as a whole – the measured at-risk-of-poverty rate has changed little in recent years, despite fluctuations at the national level.

1.3. The Effects of the Economic Crisis on Poverty

Many people believe intuitively that economic crises ‘hit the poor hardest of all’. What is the evidence that the economic downturn that begun in 2008 has increased poverty in the EU? Unfortunately, the latest EU-SILC data, notably for the at-risk-of-poverty rate and material deprivation, mostly date from 2008, and do not reflect the effects of the crisis.

As is well-known, the economic crisis has resulted in a huge and sustained increase in the EU's unemployment rate, from 7% in 2008 to 9.6% in October 2010.\(^5\) That overall figure hides enormous differences between Member States in terms of the steepness of the rise in unemployment registered during the crisis and the outlook in late 2010. According to Eurostat, unemployment in October 2010, compared to one year before, had fallen in 8 Member States but risen or stabilised in others.

Whilst one can expect that a huge increase in unemployment has led to greater poverty, one has to point out that possessing a job is not in itself a guarantee against living in poverty in the first place. In 2008, the at-risk-of-poverty rate among the EU's working population was 8.6% compared to a figure for the population as whole of 16.5%.

In a severe recession, a large number of people will face a loss of income and well-being, primarily through becoming unemployed but also by being forced to work shorter hours, receiving a salary cut or having their employment situation made more precarious (for instance being forced to work as an interim). Young people finishing their studies no doubt face greater difficulties in finding a job. However, EU countries deal with such situations very differently and it is impossible here to characterise the situation for the EU as a whole. For instance, in some countries young people who have never worked and therefore paid social security contributions are not eligible for unemployment benefits; in others they are.

The European Commission notes that in Belgium and Germany, for example, over 90% of those aged 25-59 who were unemployed for more than three months during 2006 received unemployment benefit. However, the figure was less than a third in Estonia, Lithuania, Poland, Slovakia and the United Kingdom.\(^6\) That does not mean such unemployed persons did not receive any help at all from the state - in many countries they would be eligible for social assistance. However, social assistance payments are normally lower than unemployment benefits. Moreover, the Commission points out that in Cyprus, Estonia, Greece, Italy, Lithuania and Poland only a small minority of those unemployed for more than 6 months received any state support at all.

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\(^5\) Eurostat.

Therefore, not only do the severity of the recession and the effects on unemployment vary widely across the EU but, at the same time, so do the level and type of protection offered to people who have lost their jobs.

EU citizens certainly believe that poverty has increased in recent years. According to a Eurobarometer survey published in October 2009, 84% of respondents thought that poverty had increased in their country in the previous three years. Although such surveys are not scientific - in that there is no direct correlation between the percentage of people worried about the level of poverty in a given country and poverty indicators - they do reflect a popular perception that inequality and poverty are on the increase in the EU.

To conclude, one should underline that the crisis has dealt a major blow to the financing of social security systems, with long-term consequences. Social security contributions, whether they are financed by workers' and employers' contributions or by general taxation, fell sharply. Whilst social security systems assume that periodic recessions occur, and factor these into their accounting, the severity of the current economic crisis came as a surprise.

Therefore, the crisis has led to levels of public debt that were completely unexpected. Total industrialised country public sector debt is now expected to exceed 100% of Gross Domestic Product (GDP) in 2011 – something that has never happened before in peacetime. Therefore, whatever the effects of the current crisis on the most vulnerable since 2008, its long-term effects are potentially even more unpleasant, at least in a few Member States, in which spending on social protection will be frozen or cut in the next few years.

1.4. The Competences of the European Union concerning the Fight against Poverty and Social Exclusion

The European Union is clearly light years away from any sort of uniform European welfare system with redistributive mechanisms for the direct transfer of social rights and money from the institutions to the individual citizen. Similar to taxation policy, social policy is often seen as a domaine réservé by Member States wishing to organise their social policies according to national preferences and traditions.

On the other hand the EU can intervene in different forms on the fight against poverty and social exclusion. It can do so:

a) on grounds of the (limited) competences with regard to the fight against social exclusion assigned by Treaties;

b) as a facilitator and supporter within new forms of governance;

c) by using its budgetary instruments;

d) on grounds of competences in other policy areas which have repercussions on the fight against social exclusion (see e.g. structural and cohesion policies in next chapter).

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7 European Commission (2009), "Eurobarometer Survey on Poverty and Social Exclusion".
1.4.1. Competences assigned by the Treaties for combating Social Exclusion

In 1997, the Amsterdam Treaty introduced the fight against social exclusion among the Community's objectives (ex-Article 136 Treaty establishing the European Community, TEC) and provided a legal basis for it to 'support and complement' activities of the Member States (ex-Article 137 TEC) which was further amended by the Nice Treaty in 2001.

The current legal framework is provided by the Lisbon Treaty, in force since December 2009. The fight against social exclusion is nowadays listed among the Union's general objectives (Article 3 of the Treaty on European Union (TEU)). Moreover, Article 4 of the Treaty on the Functioning of the European Union (TFEU) explicitly mentions social policy as shared competence of the Union, however "only for the aspects defined in this Treaty".

Those aspects are, to a large extent, laid out in Chapter X of the TFEU on social policy. According to Article 153 TFEU the Union shall 'support and complement' the activities of the Member States among others with regard to:

- social exclusion - by adopting 'measures designed to encourage cooperation between Member States [...] excluding any harmonisation of the laws and regulations of the Member States';
- policy fields closely related to social exclusion (e.g. integration of persons excluded from the labour market) by adopting coordination measures or directives establishing 'minimum requirements'.

Interestingly, in the context of this note, the Treaty introduces a horizontal obligation to take into account social requirements when defining and implementing other Union policies and actions (Article 9 TFEU), legalises the social provisions included into the Charter of Fundamental Rights (Article 6 TEU), as well as recognising the Open Method of Coordination (OMC). Furthermore, it reinforces the concept of cohesion as well as the standing of services of general interest.

Given the broadness of the 'social exclusion' concept, one should mention that the EU has adopted over the years a body of secondary legislation in the fight against discrimination, which in essence seeks to better protect groups that traditionally have felt marginalised, notably in the work place. At the same time, the Court of Justice of the European Union has developed a body of relevant case law in the field.

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10 Note that the term 'Community' has officially been replaced by the term 'Union' with the entry into force of the Lisbon Treaty, however is used in this section were appropriate for the description of historical developments.
11 Note, however, that Article 6 TEU also specifies that the Charter shall 'not extend in any way' the Union's competences laid out in the Treaties.
12 Crepaldi, Chiara et al. (2010), "EU Cooperation in the Field of Social Inclusion", Study for the Policy Department Economic and Scientific Policy, European Parliament, p. 31 and 51.
13 See, for example, directives concerning access to employment, equal pay, maternity protection or parental leave.
1.4.2. The Open Method of Coordination

In parallel to Treaty developments, the shift towards a more knowledge-based economic structure and monetary integration induced a need for adapting labour market and social policies. For various reasons, the traditional decision making process at EU level seemed ill-suited to deal with these challenges.  

Following the Lisbon and Nice European Councils, therefore, the 'Open Method of Coordination' (OMC) in the field of social inclusion was introduced. In brief, the current OMC architecture looks as follows:

- **Use of the OMC social protection and social inclusion:**
  - Common objectives and common indicators for the assessment of progress are agreed and translated into national plans by Member States;
  - The European Commission and the Council assess the national reports in joint reports;
  - A regular peer review process exists in order to facilitate mutual learning.

- **Complementary actions:**
  - The European Commission funds relevant studies and produces reports on the social situation with the assistance of the European Observatory on the social situation. It also engages in awareness raising activities, in particular with the 2010 'European Year for Combating Poverty and Social Exclusion'.

1.4.3. The Budgetary Instruments

The European Union's budget is small compared to those of the Member States: it currently amounts to about 139 billion EUR a year (or around 1% of the Union's gross national income), out of which an average of 10.9 billion EUR a year is spent on social policy through the European Social Fund (ESF) which is one of the Union's Structural Funds and as such one of its main budgetary instruments.

Created in 1957, the ESF accompanies adaption of European economies in the employment and social policy fields. It has a budget of 76.2 billion EUR for the 2007-2013 period for 117 operational programmes out of which almost 10 billion EUR have been allocated to the social inclusion priority (around 13% of total funding). The ESF, on the whole, does not provide income support, but supports the other two pillars of the 'active inclusion' concept, namely inclusion into the labour market and better access to services.

In line with the objectives of the OMC, the ESF also focuses on inclusion in the labour market of disadvantaged people by supporting, for example, access to vocational education and training, employability measures or the social economy. It also funds actions

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14 Trubek, David and Trubek, Louise (2003), "Hard and Soft Law in the Construction of social Europe", University of Wisconsin-Madison, Paper prepared for the presentation at SALTSA, OSE, UW workshop on "Opening the Open Method of Coordination", European University Institute, Florence, Italy, pp. 3ff.


16 European Commission, "Social Protection and Social Inclusion".


18 European Commission, "European Social Fund".
in favour of gender equality, of integration of migrants in the labour market as well as of promoting longer working lives.\(^{19}\)

In addition to the ESF, the Union disposes of a range of **other financial support instruments** out of which the following are of particular importance for the fight against poverty and social exclusion:

- **Programmes:** Covering the period 2007-2013, **Progress**, the European Union employment and social solidarity programme, finances projects in the field of social inclusion and protection; examples of eligible actions include funding of NGO networks fighting social exclusion and discrimination on grounds of racial origin, age and disability or promoting gender equality. Progress has a total budget of 743 million EUR and is run by the European Commission.\(^{20}\)

- **Funds/Facilities:** The **European Globalisation Adjustment Fund** provides funding for active labour market measures focused on helping workers made redundant as a result of globalisation (e.g. job-search assistance, tailor-made training or time-limited job-search allowances) for a maximum amount of 500 million EUR a year; respecting the Member States’ prerogatives it does however not fund passive social protection measures (e.g. unemployment benefits).\(^{21}\)

Set up with a view to address the credit shortage in the context of the financial and economic crisis, the **European Progress Microfinance Facility** provides, through intermediaries, microcredit (i.e. loans under 25,000 EUR) to 'microenterprises' employing fewer than 10 people which represent 91% of all EU businesses and unemployed or inactive people who want to become self-employed.\(^{22}\)

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\(^{20}\) European Commission, *Progress*.

\(^{21}\) European Commission, *European Globalisation Adjustment Fund*.

\(^{22}\) European Commission, *European Progress Microfinance Facility*. 
2. **STRUCTURAL AND COHESION POLICIES IN THE FIGHT AGAINST POVERTY AND SOCIAL EXCLUSION**

2.1. **Common Agricultural Policy**

2.1.1. **The Links between the Common Agricultural Policy and Poverty Reduction**

Even though the Common Agriculture Policy (CAP) does not aim directly to combat poverty, it can have a far from negligible impact on reducing the risk of social exclusion. In particular, it can have an impact on three levels:

- **a general level**, which is related to its historical mission of **ensuring fair prices of food to consumers**;
- **a territorial level**, where the CAP represents a buffer against poverty in rural areas;
- **a sectoral level**, because of the support given to marginal social groups in farming and agricultural activities.

On the **general level**, one of the CAP's main objectives is to 'ensure reasonable consumer prices'. Above all, the measures to stabilize markets allowed the Union to maintain a protected internal market in agricultural products for a long time, avoiding price volatility and its negative consequences for disadvantaged groups. However, in recent years price volatility has become an alarming phenomenon as an effect of the changes occurred in the CAP framework - intended to reduce its impact on markets - and of the peak in agricultural commodity prices in 2007-2008.

The sudden increase in production prices in 2007-2008 contributed to accelerating inflation and heightened the poverty risk, especially for lower income social groups that traditionally spend a sizeable proportion of their revenues to buy food.

The recession came after the peak in prices, breeding further uncertainty for people with lower incomes, in particular in eastern Member States (MS), where the weight of spending on food consumption is still very high. In Romania and Latvia, for instance, the share of household consumption expenditure devoted to food and beverages is above 30%. In other eastern MS it is between 20% and 27% (the EU-27 average is 15.8%).

The main CAP instrument relevant to countering such problems is the scheme aimed at distributing free food to the most deprived persons in the EU. The '**Most Deprived food aid scheme**' was launched as an emergency measure in the exceptionally cold winter of 1986/87, when surplus stocks of agricultural produce were given to Member State charities for distribution to people in need. The measure was subsequently made more official and based on intervention stocks. More recently, as agricultural surpluses have fallen, the programme has been supported by a direct financial contribution.

Over the years, the 'Most Deprived food aid scheme' has ensured that products based on beef, olive oil, butter, milk powder, rice, cereals and sugar have been distributed to people

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23 Article 33 (formerly Art. 39) of the Consolidated Versions of the Treaty on European Union.
in need. Before the first reform of the CAP (1992), stocks of these products were usually plentiful and stored in warehouses around Europe at the taxpayer's expense. As a result of the reform process that the CAP has undergone since the early 1990s, large surplus stocks have disappeared. The phasing-down of systematic intervention in the markets, together with a growth in demand for staple food products, means that only small quantities are now available for the 'Most Deprived food aid scheme'. To ensure its continuity, the scheme was amended in 1995 to allow surplus stocks to be complemented by a financial contribution, when necessary. The programme's overall budget has increased from just under 100 million EUR in 1988 to over 300 million in 2008.

In September 2008, the European Commission proposed to improve the programme by increasing its budget by two thirds to around 500 million EUR from 2009 and extending the range of products which can be provided. The Commission believes that it is necessary to increase the budget because rising food prices are adversely affecting the food security of needy people and increasing the cost of providing food aid. In 2006, more than 13 million EU citizens benefited from this aid scheme.

Despite the supportive stance of the European Parliament, the 2008 proposal was not adopted by the Council. A blocking minority (Germany, Sweden, Netherlands, Czech Republic, Denmark and UK) stalled the adoption of the legislation.

On September 17 2010, the European Commission adopted an amended proposal for a revised 'Most Deprived food aid scheme'. The proposal provides stable and more favourable rates of national co-financing (10 and 25%) and puts an annual ceiling of € 500 million on the EU's contribution. It was presented to the Council of Agriculture Ministers on September 27 2010 and, as was the case for the first proposal, some MS delegations expressed a reservation on the text.

The allocation of resources between Member States is based on population data and statistics on poverty provided by Eurostat. As mentioned above, the indicator Eurostat uses to measure income poverty is the 'at-risk-of-poverty rate'. This represents the share of people with an income below 60 % of the national 'equivalised median income'.

Very often the high risk of poverty in rural areas is related to the loss of viability of 'small' and 'subsistence' farms, which has consequences on a territorial level. As a matter of fact, many European rural areas are concerned as they have a significant incidence of subsistence and semi-subsistence farming.

The criterion adopted by EU to define this category of farms is 'market participation'. This is the approach recognised by Article 34 of Council Regulation on Support for Rural Development by the European Agricultural Fund for Rural Development (EC No. 1698/2005), where semi-subsistence farms are defined as 'agricultural holdings which produce primarily for their own consumption and also market a proportion of their output'.

As a statistical indicator Eurostat uses the European Size Unit (ESU), a measure of economic size, classifying farms smaller than 1 ESU as 'subsistence', and those of less than 8 ESU as small farms. On this basis farms between 1 and 8 ESU may be labelled as semi-subsistence. In several 'new' Member States (MS), farms below 8 ESU represent almost 100% of agricultural holdings, most notably in Romania and Bulgaria (99.4% and 97.7% respectively.

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24 European Commission, Amended Proposal for a Regulation of the European Parliament and of the Council amending Council Regulations (EC) no 1290/2005 and (EC) no 1234/2007, as regards distribution of food products to the most deprived persons in the Union.
in 2007). In the EU-15 small farms are relatively more abundant in Austria, Greece, Italy, Portugal, Spain, Sweden and the UK. The countries where subsistence and semi subsistence farming is most common are: Slovakia (81% of the total), Bulgaria (78%), Hungary (78%), Romania (71%), Latvia (65%), Poland (56%), Estonia (52%), Lithuania (49%) and the Czech Republic (37%). Considering self consumption as a unique criterion, the situation seems even more critical: in seven MS most farms produce mainly for self-consumption. These are Slovakia, where in 2007 93% of the farms produced mainly for self-consumption, Hungary (83%), Romania (81%), Latvia (72%), Bulgaria (70%) and Slovenia (61%). Despite their prevalence in terms of the total number of farms, this category of farms manages smaller shares of the utilised agricultural area (UAA). At the extreme is Slovakia where 93% of farms only manage 8% of UAA. There are only three EU-15 countries where farms producing mainly for self consumption play a significant role in farm structure, namely Italy, Greece and Portugal.

For most of these farms, the contribution of the CAP is essential to viability. It is not only a matter of direct aids, even if they represent a significant portion of revenues, but of the opportunities provided by rural development policies as well.

The rural development legal framework not only provides aids to increase farm competitiveness, but also supports the development of rural areas at every level. This type of intervention is adapted to the specific poverty and social exclusion risks found in rural contexts: for instance, difficulties in accessing infrastructure and distance from cultural and economical centers, or the scant diversification of economic activity may influence welfare and incomes of individuals and families much more than in an urban context.

The intervention is based on three axes. Under 'Axis 1', there are measures for favouring the setting up of young farmers, facilitating the process of land transfer and retirement of older farmers. There are also some transitional specific measures aimed at semi subsistence farms in the new Member States. 'Axis 2' provides contributions to disadvantaged areas, the so called Less Favoured Areas (LFA), such as mountain areas, where agricultural production faces very difficult environmental and infrastructural conditions. Last of all, 'Axis 3' aims to promote quality of life and economic diversification through measures for developing micro enterprises, encouraging tourism activities and the renewal of villages, to favour social inclusion for elderly people and stimulate new job opportunities for younger ones.

### 2.1.2. The Structural Characteristics of the European Agricultural System

The structure of agriculture varies considerably across the European Union. This is because of differences in geology, topography, climate and natural resources, as well as the diversity of regional activities and infrastructure.

In 2007, there were a total of 13.7 million agricultural holdings, of which were 7.3 million commercial agricultural holdings and 6.4 million small holdings (those below a threshold of 1 ESU), that are mainly located in Eastern Europe (48% of the small holdings in the EU are in Romania).

The current number of agricultural holdings is the result of structural changes that have seen steady decreases in the number of farmers in Europe. In recent years (2003 - 2007) the number of agricultural holdings declined by 1.3 million at European level (-7.8%), of which almost half were commercial holdings. The largest decreases affected Romania (-28.5 %), Estonia (-36.7 %), Portugal (-30.6 %) and Bulgaria (-25.1 %).
### Table 1: Agricultural holdings in Europe (2003 - 2007)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of agricultural holdings (1,000)</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-27</td>
<td></td>
<td>15021,0</td>
<td>14482,0</td>
<td>13700,4</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>54,9</td>
<td>51,5</td>
<td>48,0</td>
</tr>
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<td>Bulgaria</td>
<td></td>
<td>665,6</td>
<td>534,6</td>
<td>493,1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td></td>
<td>45,8</td>
<td>42,3</td>
<td>39,4</td>
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<tr>
<td>Denmark</td>
<td></td>
<td>48,6</td>
<td>51,7</td>
<td>44,6</td>
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<tr>
<td>Germany</td>
<td></td>
<td>412,3</td>
<td>389,9</td>
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</tr>
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<td>Ireland</td>
<td></td>
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**Source:** Eurostat (2010), "Farm structure"

In the majority of Member States agriculture is very much a family-oriented activity and about 10% of agricultural holdings conduct other gainful activities.

**Figure 2:** Agricultural holdings with another gainful activity, 2007 (%)
The total farm labour force in the EU-27 in 2007 was the equivalent of 11.7 million full-time workers or annual working unit (AWU), of which 9.0 million worked on commercial holdings. The majority of the total agricultural labour force (78 %), were farm holders or members of their family. Just over one third (34 %) of the regular agricultural labour force in the EU-27 was female and there were relatively few (6.1 %) young (under the age of 35 years) agricultural holders in the EU-27.

Table 2: Farm labour force in Europe (2007)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total farm labour force (1 000 AWU)</th>
<th>Regular farm labour force (% of total)</th>
<th>Full-time regular farm labour force (% of total)</th>
<th>Female regular farm labour force (% of total)</th>
<th>Family farm labour force (% of total)</th>
<th>Agric. holders being a natural person (1 000)</th>
<th>Agric. holders &lt;35 years old (1 000)</th>
<th>Agric. holders &gt;=65 years old (1 000)</th>
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Source: Eurostat (2010), "Farm structure"

The total utilized agricultural area (UAA) of EU-27 was around 160 million hectares, which represents over one third of the EU’s territory in 2007. Even though the situation is very heterogeneous between the Member States, in the EU-27 as a whole, the UAA has been relatively stable (-0.5% from 2003 to 2007). The highest increases are observed in some of the new Member States, like Estonia (20.6%), Latvia (18.9%), Lithuania (16.8%), Bulgaria (9%) and Poland (7.5%).
In these cases, a possible explanation can be found in the new incentives of the CAP that encourage an intensification of the use of land for agriculture. On the other hand, in other new Member States the opposite trend can be observed.

2.1.3. Objectives and Organisation of the Common Agricultural Policy

Agriculture is one of the sectors with the greatest degree of government intervention.

Fluctuations in the prices of agricultural goods, unstable incomes in the farming sector and the fear of relying too much on food imports are all reasons for governments to seek to sustain the agricultural sector.

The CAP arose from the initiative of the founding Member States (Belgium, France, Italy, Luxemburg, the Netherlands and the Federal Republic of Germany) as a response to the need to ensure food self-sufficiency within the European Community. Europe had been devastated by the Second World War and needed to increase its production potential which was, at that time, unable to satisfy its own growing food demand.

The EU citizens had to be able to feed themselves at reasonable prices, in a scenario where large parts of the population were moving out of rural areas and into towns. This was the urgency behind Article 39 (currently Article 33) of the Treaty of Rome, which set the overriding objectives of Community policy for agriculture:

- to increase farm productivity;
- to ensure a fair standard of living for farmers;
- to stabilise markets;
- to guarantee the security of food supplies in the Community;
- to ensure reasonable consumer prices.

The CAP went into effect in 1963. The principles laid down by the Treaty were translated into an operative scheme, which set out the two main intervention areas of the CAP: market policies, and policies for structures.

The former, also known as Pillar one, were designed to stabilise markets and farm incomes through a system of guaranteed prices, the application of internal market protection (the principle of 'community preference') and a system of incentives to support farm incomes and promote productivity increases.

The policies for structures, the so-called Pillar two of the CAP, were in their turn conceived to incentivise modernisation of production structures, promoting investments to pursue paths towards technical, organisational and size-based efficiency.

Over the years these two areas of intervention have been deeply modified. In the framework of pillar one market stabilizing activities have become less important and nowadays the main intervention instrument is the Single Payment Scheme (SPS), which conditions the providing of support to farmers' incomes to their respect of rules and good practices. This measure also promotes the provision of public goods (animal welfare, environmental protection, food safety and security) by farmers all over Europe. In Pillar two, besides interventions to support farm competitiveness, new measures have been
added to encourage the overall development of rural areas, in their economic and social dimensions.

2.1.4. The Impact of the Economic Crisis on European Agriculture

In terms of the effects of the crisis on the agriculture sector, one must underline that there are many social groups at risk, notably small farms that depend on agricultural activity as their sole revenue source and their employees. These are concentrated in Eastern Europe and the Mediterranean area.

In these regions, the average size of farms is small. Furthermore, even though the number of workers employed in agriculture is still high in Eastern Europe, in southern countries such as Italy, Spain or Greece, the sector employs significant quantities of immigrants, especially seasonal workers for fruit and vegetable production. For these, the poverty risk is related to the presence of 'moonlighting' and irregular job contracts, associated with low quality of life and very low salaries.

In the EU the crisis is affecting the agricultural sector, since, as shown by Eurostat's most recent data, farmers are facing a decrease in incomes. For the EU-27, factor income in 2009 fell by 11.6% in real terms compared to 2008, while agricultural labour input was down by 2.3%.

Income per AWU decreased in 21 of the 27 Member States. The steepest decrease was in Hungary (−32.2%), followed by Luxembourg (−25.2%), Ireland (−23.6), Germany (−21.0%), Italy (−20.6%), Austria (−19.4%) and France (−19.0%).

Furthermore, according to Eurostat, between 2000 and 2009 employment in the agricultural sector in the EU-27 decreased by 25%, with the loss of the equivalent of 3.7 million full-time jobs. It fell by 17% in the EU-15 and by 31% in the 12 MS that joined the EU in 2004 and 2007. In 2009, employment in the agricultural sector was equivalent to 11.2 million full-time jobs in the EU-27, of which 5.4 million were in the EU-15 and 5.8 million in the EU-12.

Margins of the agricultural sector are compressed by the imbalance within the food chain. There are only a few large distributors serving as commercial partners to over 13 million farmers. The spike in prices registered at the beginning of 2008, followed by their decline through 2009, have put these issues at the forefront of the political agenda of the European Union, as shown by the many documents produced by the Commission, the Parliament, and various panels of experts within the European institutions.

The recession certainly emphasises the stabilising role of CAP aid, particularly within a context of a lack of liquidity and credit restrictions. Agricultural aid, paid annually, guaranteed and free of charge, is a major financial ‘crutch’ for farmers. Consideration must likewise be taken of the fact that the national aid allocated to date in the new Member States on top of Community aid may plunge drastically as a result of the serious public finance crisis in several countries outside the euro zone.
Policy Perspectives

Agricultural interests are particularly at risk, given that in 2013 several new institutional factors will come into play: the implementation of the 'Europe 2020' Strategy\(^\text{25}\) for intelligent, sustainable and inclusive growth; the end of the transitional period of the CAP for the newest Member States; possible future accessions; a possible new agricultural agreement resulting from the WTO Doha Round; a new protocol on climate change to replace the Kyoto Protocol; and, above all, the end of the 2002 agreement to fix the CAP Pillar 1 budget and the decision on the new multiannual framework for the post-2013 period.

The Conclusions of the European Council of 17 June 2010, adopting the 'Europe 2020' Strategy suggest that "a sustainable productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition".

The result of the debate in the Informal meeting of Agriculture Ministers concluded that agriculture could play a central role in achieving the goals of the EU 2020 strategy through its current multifunctional role and by producing greater economic, environmental and social competitiveness.

In this context, the economic crisis and the measures adopted for economic recovery bring public spending to the centre of political debate, creating pressure on the traditional areas of expenditure of the EU budget. However, the effects of the global financial and economic crisis also reverberate within the agriculture sector, with farmers facing a fall in their incomes, as shown by the most recent Eurostat figures. This situation is exacerbated by increased exposure to the phenomenon of price volatility, with recent experience suggesting this may become ongoing and systematic.

Against this background, a reflection process was launched by the Agriculture Council on the new CAP. A public debate on the future of the CAP was also launched by the European Commission in April 2010. With the aim of bringing together the various contributions submitted during the debate and continuing the thinking on the objectives and principles of the new policy, a conference on the CAP post-2013 took place on 19-20 July 2010 in Brussels. On the basis of the conference, the Commission presented a Communication entitled "The CAP towards 2020: meeting the food, natural resource and territorial challenges of the future" (COM (2010) 672, 18 November 2010).

The debates on the future of the CAP post-2013 began in the European Parliament even before the Commission had presented its Communication. On the basis of an own-initiative report, the European Parliament adopted a resolution in July 2010\(^\text{26}\).

In this resolution, the EP called for "appropriate measures to be taken to explain what the CAP consists of, not only to farmers but to all Europe's citizens, while providing transparently clear information about the objectives being pursued, the means available and the anticipated beneficial effects of implementing the CAP".

Furthermore, the preparations of the future CAP should be seen in the broader context of the Budget Review. On 19 October 2010, the Commission presented a Communication on


\(^{26}\) European Parliament (2010), "Resolution on the Future of the Common Agricultural Policy after 2013".
this subject (COM (2010) 700). As with the Commission’s CAP options paper, the text of this Budget Review Communication was very vague, leaving the impact on the new CAP uncertain.

2.2. **Common Fisheries Policy**

2.2.1. **Poverty, Fisheries and Common Fisheries Policy**

Alleviation of poverty is not an objective of the Common Fisheries Policy (CFP). The statistics on labour and wages are not homogeneous among Member States. Therefore, statistics on the industry's income are not available. In addition, inside each industry there are huge differences between regions in the same country or even in the same region by company or individual. It is not therefore possible to assess the impact of poverty on a single industry and even less for the different regions.

Nevertheless, one can make the following observations on the relationship between the CFP and poverty:

- Different crises have had an impact on fisheries long time before the start of the current economic and financial crisis.
- Some winding up schemes in the fishing industry weaken a labour force already affected by the crisis.
- Some of the CFP objectives should deal with some of the effects of poverty.
- Some aspects of the CFP do have repercussions for development and alleviation of poverty in some third countries.

2.2.2. **The Crisis in Fisheries**

The crisis the sector is experiencing is due to a combination of several factors. Fishing activities are suffering from reduced catches as a result of the poor situation of fish stocks and restricted access to certain stocks. The combined effects of overcapacity and depleted stocks translate into poor economic returns in the catching sector and low profitability in many fleets.

Rising costs due to increasing fuel prices and market trends are also affecting the sector’s economic results. The market is suffering the impact of, among other things, imports from third countries, concentrated distribution, and the reduced purchasing power of consumers. The rate at which the crisis in the fisheries sector is developing, and its extent, are striking. Between 2005 and 2007 the value of the fresh products covered by the Common Market Organisation (CMO) fell by 50% and the quantities marketed by 60%.

The financial and economic crises which began in 2007 have spread and intensified the impact of the industry-specific crises described above. The markets-related problems have been aggravated and businesses have to face problems related to the economic crisis as in any other industry. In some cases, such as the access to loans, the position of some segments of the fisheries industry could be worse than in other sectors.
There is an impact on the business units but it is not homogeneous among the different fisheries segments of each Member State or regions. In addition, The Structure of Earnings Survey (SES) does not include fisheries.

It is well known that a number of regions show a greater dependence on fisheries activity. Nevertheless, currently there is no available information to analyse the impact of the crisis in the different fisheries segments or regions. In addition, the available structural tools in the European Fisheries Fund (EFF) are not efficient to alleviate the impact of crisis on the fisheries industry. Even the application of measures for scrapping vessels is hindered by lack of co-financing by Member States. De minimis aids are authorised, but the constraints imposed by public deficits and debt do not allow the use of this possibility.

Nevertheless, the greatest impact is on the crews wound up under the share fishing scheme. In these cases the operational costs are deduced from the value of catches. The resulting amount is shared: the greater part goes to the ship owner and the remainder is distributed amongst the crew. In a context of decreasing catches and prices and increasing costs, the crew income is strongly reduced. Equally in this case, it is not possible to specify whether fishermen's income is under the poverty threshold or to what degree precariousness has increased.

The small-scale coastal fishery is another segment with high sensitivity for the risk of poverty. Nevertheless there is no single definition for small-scale coastal fishery. In addition, the situation is very different among EU regions. In some regions the small-scale coastal fishery might enjoy good economic health, whilst in others it may be a typical part-time activity or, lastly, a subsistence activity in the absence of other sources of income.

2.2.3. Effects of Poverty and the CFP Objectives

Poverty is the lack of basic human needs, such as an adequate diet. Two industries work to provide for that diet: agriculture and fisheries. The CFP was initially closely linked to agricultural policy, and this is still the case in the Treaties. However, the specific content that it has acquired in the course of successive reforms has differentiated it from the Common Agriculture Policy.

Even after the differentiation of both policies, Article 33 of the Treaty establishing the European Community defines amongst their objectives the need to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons employed in the industry, to stabilise markets, to assure the availability of supplies and to ensure that supplies reach consumers at reasonable prices.

The main driver in the fisheries markets are imports. In fact, imports represent 70% of the EU consumption of fishery products. Import prices are decreasing. They create enough pressure to reduce fishermen's earnings, but import prices are not low enough to make fisheries products affordable for persons under the poverty thresholds. The progressive concentration of the distribution of fishery products does not allow the transfer of price reductions at the producer level to the consumer.

The Treaties establish a common objective for the CAP and CFP: to ensure that supplies reach consumers at reasonable prices. Nevertheless, unlike the CAP, the CFP does not contain a 'most deprived food aid scheme'. Furthermore, fishery products are not eligible for the CAP 'most deprived food aid scheme'.
Increasing earnings of persons employed in the industry and the provision of supplies at reasonable prices are linked to the stabilisation of markets and are important issues for persons close to or under the poverty threshold. For these purposes, the main instrument of the Common Fisheries Policy is the Common Market Organisation (CMO) of fishery products. Nevertheless, its scope for action in the face of the crisis in the fisheries sector is limited given the nature of its intervention mechanisms and the scant funding allocated to them.

First at all, the CMO contains dispositions for the regulation of imports of fishery products. These dispositions have evolved to ease such imports. Nevertheless, the other CMO dispositions have not kept pace in order to mitigate the impact of imports on producers' income.

On the other hand, 60% of the CMO's expenditure was devoted to support measures for the outermost regions and the remaining 40% to market interventions. The CMO does not make a significant contribution to increasing fishermen's individual earnings because all of the intervention mechanisms are focused on producers' organisations (POs) and 50% of POs are based in just 25 regions. In addition, expenditure on interventions is gradually falling, largely due to the decreases in spending on compensation for operational programmes and on Community withdrawals. Although Community withdrawals have been one of the most frequently used intervention mechanisms since the last reform of the CMO, they have lost first place in recent years to carry-over operations. Additionally, the state of resources and the increase in the price of fuel may limit the use of CMO interventions.

The European Fisheries Fund (EFF) does not include social dispositions for alleviating poverty.

Therefore, an overall conclusion is that the Common Fisheries Policy does not contribute to the alleviation of poverty inside the European Union.

2.2.4. The CFP and the Alleviation of Poverty in Third Countries

Since the last reform of the CFP in 2002 the fisheries agreements with lesser developed countries take the form of partnership agreements. A part of the EU financial contribution in these agreements is devoted to the development of a fisheries policy in these countries and to supporting the development of the local fishing industry and coastal communities in general.

The contribution of these agreements to development and, thus, to the alleviation of the poverty in third countries is variable. It depends on the dependence of the economy with regard to the fisheries industry, but also on the efficiency of the third country's fisheries policy.
2.3. Culture, Education and Youth

2.3.1. General Objectives and Instruments

In the specific objectives laid down in the Treaty for education, culture and youth policies there is no mention of poverty, social exclusion or similar concepts. The EU role in these policy domains is generally to "support, coordinate or supplement" the actions of Member States, in the words of Article 6 TFEU. Not only are the Union's powers mainly of the 'soft law' type, they are also explicitly limited in certain cases. In education policy, for instance, 165 TFEU stipulates that the EU should carry out its activities "while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems".

In practice, EU initiatives mainly seek to promote exchanges and cooperation between national systems and define common principles. In terms of instruments, the EU employs the Open Method of Coordination in education, culture and youth, although in a looser way than for social inclusion. It also adopts non-binding 'recommendations', using the traditional 'Community method', involving the European Parliament, the Council and the Commission.

Last of all, the EU also wields some budgetary power, and this allows it to implement some of its soft law ideas on the ground, through funding programmes such as Lifelong Learning, Culture and Youth in Action. Sub-programmes such as Leonardo da Vinci and Erasmus have had considerable effects on the EU's vocational training and higher education landscape.

2.3.2. The Relationship between Education and Poverty

As one might expect, there is a direct correlation between educational attainment and poverty. Data from EU-SILC show that in 2008 6.6% of households headed by individuals with completed tertiary education in the EU-27 were at risk of poverty; the same figure for households headed by people finishing lower secondary education was 23.5%. The at-risk-of-poverty rate for the middle group - households headed by persons having finished secondary education and having done some further non-tertiary studies - was 13%.

Poverty is therefore to some extent inherited. Equally, it is well-known that young people growing up in poverty have less opportunities to benefit from education, since they have less access to quality education in early childhood, are more often referred to special education or selected into lower quality vocational tracks and drop out of school more easily. There are two broad sets of factors that explain why people growing up in poverty are at a disadvantage. The first group covers 'unequal opportunities', which are not primarily rooted in the education system. Poorer students simply do not have the same learning conditions, for instance a quiet room in which to study or parents that are supportive of their school career. A second group of factors are related to unequal treatment or discriminations in the school system itself. For instance, in selective schools applicants from minority groups may fail more often in admission tests because these do not correctly measure their abilities (e.g. because of language barriers).

During adulthood, socio-economic disadvantage continues to affect participation in further learning: individuals with low levels of initial education, who are unemployed or who are from ethnic minorities participate less than average in adult education. It is therefore widely agreed that the poverty-education relationship operates in two directions: poor people can face difficulties in obtaining a good education, and without a good education people face a much higher risk of poverty.

### 2.3.3. The Effects of the Economic Crisis

The forces that shape the education sector are mostly long-term in nature; therefore an event like the economic crisis cannot be said to have a decisive impact. However, the severity of the crisis has brought into relief some long-term trends which have implications for education systems.

As in previous economic downturns, low-skilled workers have been hit hard. According to Eurostat's Labour Force Survey (LFS), unemployment rates of workers with only completed lower secondary education in the EU-27 jumped by 3.6% between 2007 and 2009; whilst those of medium and high-skilled workers only increased by 1.1% and 0.9% respectively. In other words, the crisis intensified the long-term trend of a drop in the need for unskilled workers in the EU.

It has also resulted in a steep rise in the unemployment rate for the under 25s, which was 20.4% in the EU-27 in October 2010. In proportional terms, very little has changed with the crisis, since in recent years the unemployment rate for the under-25s has been about double that of older workers. However, there is little doubt that improving the situation of young low-skilled people is as important as ever in the wake of the economic crisis.

At the same time, the need to tackle budget deficits in some countries has and will continue to lead to spending cuts that affect the education/training sector. In a country strongly affected by the crisis such as Lithuania, for instance, the state’s education budget was expected to be cut by 8% in 2009. In some EU Member States, teacher’s salaries are being cut and teachers are losing their jobs, as part of cost-saving measures.

Previous economic crises have led to an increase in demand for higher education, simply because young people tend to pursue their studies whilst waiting for their labour market prospects to improve. We have not found relevant data confirming that this trend has reasserted itself during the current downturn.

Turning to the cultural sector, as one might expect, the state of public finances has led governments to make cuts in cultural budgets. For instance, in Belgium the Flemish Minister of Culture has frozen 4.4 million EUR within the cultural budget until further notice. Experts in cultural policy seem to expect important cuts in state subsidies to the arts and culture, and these have been confirmed by a few Member States, but little data on the pan-EU situation seems to be available.

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Similarly, hard data seems to be missing on the impact of the crisis on the 'cultural and creative sector' in terms of revenue. An isolated piece of evidence comes from a German Federal Ministry of Economics and Technology report\(^{33}\), which found that in 2009 in Germany the turnover loss of the culture and creative industries was 3.5% compared to 2008, against a backdrop of an 8% fall of turnover in the economy as a whole. In other words, the culture and creative sector continued to gain in importance vis-à-vis other economic sectors, even if all have suffered from the downturn. That confirms the trend identified by the 2006 study on the 'Economy of Culture in Europe'\(^{34}\), which found that the growth of the cultural & creative sector in Europe from 1999 to 2003 was 12.3% higher than the growth of the general economy.

### 2.3.3.1. The EU 2020 Strategy and Other 'Soft Law'

The 'EU 2020 Strategy' - which we can regard as the Union's attempt to define a policy response to the crisis - places strong emphasis on education. That is no novelty - the 'Lisbon Strategy' already stressed the need to improve education and training in order to increase economic competitiveness and foster social cohesion.

That emphasis is reiterated in the 2020 Strategy, namely in its two educational targets:

- reducing the proportion of early school leavers in the EU to 10% (from over 14% at present);
- increasing the share of the population completing tertiary education from 31% to 40%.

The first target symbolizes a trend, visible in the last few years, of the EU devoting more attention to questions of equity in education and to the relationship between education and social inclusion. The economic crisis has perhaps reinforced that trend. Examples of this focus include the Council conclusions of May 2010 on the social dimension of education and training\(^{35}\); its conclusions on the education of migrants' children\(^{36}\) and the Commission's work on early childhood education\(^{37}\). The Commission also plans to propose a Recommendation on non-formal and informal learning in 2011 - because it believes that more has to be done to recognise learning outside the classroom.

Through these initiatives, the EU is increasingly recognizing that it is important to improve educational opportunities for disadvantaged individuals and groups for reasons that are both ethical and economic.

Indeed, economists increasingly attempt to calculate the considerable costs of educational underperformance. In simple terms, people with low skills earn less over their lifetime and represent more 'costs' for society (for instance in health care). A 2010 study by the Organisation for Economic Cooperation and Development (OECD) argues that in many countries the economic losses of educational underperformance are higher than the costs of the financial crises\(^{38}\).

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34 Kern European Affairs (KEA) (2006), "The Economy of Culture in Europe".
37 See, for instance, European Commission, "Early childhood education and care".
38 OECD (2010), "The High Cost of Low Educational Performance".
In the field of **youth policy**, the EU also underlines the themes of social inclusion and equity. The main document setting out the framework for youth policy cooperation - adopted in late 2009 and thus during the crisis - sets out two main priorities:

- to create more and equal opportunities for all young people in education and in the labour market;
- to promote the active citizenship, social inclusion and solidarity of all young people.

Whilst the EU has redefined policy priorities for education/training\(^{39}\) and youth since the start of the crisis, its programmes in these areas run until the end of 2012. The successor programmes will only be debated and approved over the course of 2011 and 2012. However, the Commission is already intensifying practical efforts to boost youth mobility, for learning or finding a job, within the EU. That is the overall objective of the recent 'Youth on the Move' initiative\(^{40}\).

It is worth saying something about the role of **cultural policies** in fighting poverty and exclusion, an issue which - in contrast to education - is only now entering the EU's policy discourse. Access to cultural activities is often mistakenly seen as a luxury to be enjoyed by the privileged, unconnected to fighting exclusion. The Belgian EU Presidency took up this issue and in November 2010 promoted the approval of Council conclusions\(^{41}\) which underline that participation in cultural activities can play an important role in fighting poverty in the following ways:

- contributing to personal fulfilment, encouraging people to be active in social life;
- developing skills that may be useful in professional and civic life;
- encouraging the social integration of marginalised groups and combating stereotypes;
- promoting respect for cultural differences between individuals and groups.

Public policies providing access to culture, especially during childhood, reduce differences in 'human capital' background between students that have an impact on education as a whole (as we saw above). Encouraging excluded persons to learn artistic skills or to appreciate culture is important for their integration in society. More importantly, acquiring skills in the arts can boost self-confidence and provide a constructive outlet for the expression of anger and frustration. These observations are based on the experiences of people who participate in grassroots artistic projects with disadvantaged groups, rather than academic literature\(^{42}\).

**2.3.4. Evaluation**

As pointed out by Professor Nicaise, one of the weaknesses of the Lisbon Strategy was to assume a causal link between creating a "dynamic and competitive knowledge-based economy" and "greater social cohesion". By implication, one could say the same of the 2020 Strategy.


\(^{40}\) See: European Commission, "Youth on the Move".

\(^{41}\) European Council (18-19 November 2010), Conclusions on the [Role of Culture in combating Poverty and Social Exclusion](http://europa.eu.int/comm/regional_policy/index_en.htm).

\(^{42}\) ATD Quart Monde Belgique (2009), "L'art, le droit à l'épanouissement".
Nicaise argues that there is a degree of scientific certainty about the positive impacts of investments in knowledge on economic growth. Knowledge is generated through research and development and - later - disseminated via the education system, the Internet and the media. All of this boosts demand for better-skilled jobs, whilst low-skilled jobs either tend to disappear or become increasingly badly paid. This increases inequality in the labour market. It therefore also increases relative poverty, which as we saw above is essentially a measure of income distribution in society, notably under the EU's definition.

It is important to underline that Nicaise does not conclude that the knowledge-intensive society is - in itself - harmful for social inclusion. Everything depends on how well the knowledge generated by society is distributed to the population, especially those at the 'bottom of the ladder', via the education system. In short, this means, that "education and training are becoming a cornerstone of social policy in the knowledge-based society".

Nicaise stresses that if we are to combat poverty, we need to mitigate the polarizing effects of the knowledge society on wages by improving people's educational chances. To simplify, in today's world, differences in educational achievement will have greater impact on earning power than a generation ago, a trend which will continue in the foreseeable future, according to forecasts made by Cedefop, the European Centre for the Development of Vocational Training43.

The broad implications of these observations for the EU's role in the fight against poverty seem clear enough. They suggest that the EU 2020 Strategy's emphasis on reducing early school leaving is extremely relevant; the same is true for other initiatives aimed at improving early education and education for minorities. The EU must strive to reduce the number of low-skilled young people entering the labour market. At the same time, it should place more emphasis on the need to provide more and better 'lifelong learning' - the possibility of learning at different stages of life and in a variety of contexts - to people who have left school with low qualifications or only possess obsolete ones. These groups are precisely the ones with a smaller likelihood of taking up adult education, as we saw above.

On the other hand, the 2020 Strategy's selection of expanding higher education as one of its two major targets appears misplaced. Expanding higher education is of course desirable, but the need to improve the situation of low-skilled adults is probably more urgent. This seems to be especially true for the young people increasingly mentioned in policy literature known as 'NEET' - people currently 'Not in Education, Employment or Training'.

One should recognise in this context that European educational traditions are diverse and deal with disadvantaged or less able students differently. For example, some countries separate students according to ability, in some cases in order to positively discriminate those that are lagging behind in their studies. Others consider that streaming students, especially at an early age, is in itself discriminatory and has a negative impact on weaker students. Education policymakers may agree on the need for providing better educational opportunities for disadvantaged students, but not on how to achieve it.

43 European Centre for the Development of Vocational Training (Cedefop) (2010), "Skill mismatch in Europe".
2.3.5. **What more can the EU do in the Future?**

The Union has done a lot of work to popularize ideas on the need to provide more Lifelong Learning and to break down barriers between education and training systems. However, if it wishes to pursue a more active anti-poverty strategy, Nicaise suggests, then it must strengthen the education and training Open Method of Coordination (OMC). This involves giving it a stronger focus on equity and social inclusion in the themes that it covers and substituting the current 'benchmarks' with genuine targets. It has made a start by focusing in the last decade on the issue of early school leaving. This implies a need to reinforce cooperation between the OMC in education and training and its counterpart for social inclusion. Another suggestion is to reinforce 'peer learning' activities to assist Member States in making their education systems more equitable.

In terms of 'hard' law, Nicaise argues that granting a right to education and training for all EU citizens in the Treaty would allow the EU to use anti-discrimination legislation - already successfully employed in other fields - to discourage educational practices which directly or indirectly reduce the opportunities of disadvantaged groups or individuals.

In terms of budgetary power, the EU does have an opportunity over the next two years to integrate the fight against poverty and social exclusion in its educational, youth and culture programmes. From a historical perspective, EU programmes have, above all, tried to stimulate mobility between countries and have not addressed issues of equity.

The Structural Funds, for instance the ESF, are financially more significant than the youth, culture and education programmes. Nicaise argues that whilst in the past specific quotas were allocated to measures aimed at disadvantaged groups, the equity principle should be applied to all actions co-financed by the funds. Another approach would be to subordinate the use of the Structural Funds to the 2020 Strategy objectives, in which poverty reduction and reducing early school leaving are prominent, as we saw. This implies that Structural Funds should also target primary and pre-primary education, and not just older learners.

All of these suggestions are sensible. But in a context of budgetary austerity, one cannot expect the EU budget to grow very much after 2013. As we have seen, in practice, the EU has traditionally not made fighting poverty and exclusion one of its priorities and its competences for doing so are not particularly robust. At least on the level of political commitment, that would have to change significantly if the EU is to make a greater budgetary effort in this field, given that its overall responsibilities are greater than ever but that its budget has actually fallen as a percentage of gross national income (GNI) in recent years.

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44 The combined budget of the programmes for these 3 policy fields for the 2007-13 period is 8.255 billion EUR, not including Erasmus Mundus or the citizens' programme. That amounts to about 1.17 billion EUR a year, compared to 10.9 billion EUR a year for the ESF, for instance.
2.4. Regional Policy

2.4.1. Introduction

In addition to social policies, other European Union policies such as the structural and cohesion policies also impact on the fight against poverty and social exclusion. They can contribute to this objective by creating favourable structural features (e.g. infrastructure or market conditions) for competitiveness and cohesion. Since changing those features takes time, these policies in principle have a medium to long-term focus.

One of them is regional policy - often also referred to as 'cohesion policy' - which has its own particularities and aspects, one of the most remarkable being its budgetary nature. With an average annual budget of around 38.3 billion EUR (European Regional Development Fund (ERDF) and Cohesion Fund) - representing some 27.5% of the average annual EU budget over 2007-2013 - regional policy is one of the EU's main instruments to support socio-economic transformations with a view to reduce disparities between the levels of development of the regions.

In doing so, the policy's main focus has been to foster the economic dimension of regions (i.e. defined territories) centred on measures such as direct aid to company investments, infrastructure investments and technical assistance which as such were not designed to directly and specifically combat poverty and social exclusion of specific groups or individuals.

It is clear, however, that by changing the economic fabric of a region, its social and territorial context and therefore its development are also influenced. This is even more the case when taking into consideration that regional policy supports a broad range of different issues such as innovation, entrepreneurship, environment, transport, energy or health. Moreover, certain current projects clearly deal with the fight against poverty and social exclusion.

Overall, therefore, though not a direct instrument for the fight against poverty and social exclusion, regional policy - both when considering its objectives (development of regions as territorial entities) and its implementation (variety of projects and their results) - at least indirectly influences it.

2.4.2. Overview of the current Cohesion and Regional Policies

In a nutshell the current cohesion policy for 2007-2013 allocates some 347 billion EUR to the following three objectives (Map 1)

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45 In the interest of clarity the term 'cohesion policy' as applied in this section comprises both the social (ESF for 2007-2013) and the regional (ERDF and Cohesion Fund for 2007-2013) dimension. Whenever only the regional dimension is referred to, the term 'regional policy' will be applied.


47 Author's calculations based on information on commitment appropriations in European Commission, "A Financial Framework for the enlarged Union (2007-2013)".
Structural and Cohesion Policies and the Fight against Poverty

- **Convergence:** This objective aims at fostering conditions for economic growth for least developed regions and Member States. With regard to regions it concentrates 199 billion EUR on 84 'convergence regions' with a GDP/capita less than 75% of the EU average, while 14 billion EUR go to 16 'phasing-out regions' whose GDP/capita is only slightly above that level. The 70 billion EUR of the Cohesion Fund are allocated to 15 Member States. With 81.5% of the total cohesion policy budget the convergence objective takes its lion's share.

- **Regional Competitiveness and Employment:** This objective aims at increasing the competitiveness and employment of non-convergence/phasing-out regions. It allocates 55 billion EUR (16% of the total cohesion policy budget) to 168 regions out of which 11 billion EUR are for over ten 'phasing-in regions'.

- **European Territorial Cooperation:** This objective (2.5% of the total cohesion policy budget) allocates 6 billion EUR to cross-border, 2 billion EUR to transnational and 0.4 billion EUR to inter-regional cooperation.

Those three objectives are covered by the ESF, the ERDF and the Cohesion Fund in an asymmetric way: whereas the ERDF provides funding for all three objectives, the ESF covers the first two and the Cohesion Fund only the convergence objective.49

**Map 1:** Division of European regions according to coverage by European cohesion policy objectives

Out of the total cohesion policy budget some **42.3 billion EUR** (or 12.3%) are allocated to employment and social inclusion; there are, however, differences in the importance countries attribute to these issues (Figure 3). Moreover, most of the spending categories summarised under these figures do not specifically address marginalised groups, but deal with rather general measures (e.g. labour market institutions) and have a strong

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48 For the definition of 'phasing out' and 'phasing in' see European Commission, "Which regions are affected?".
employment focus. Apart from those categories, also others can have an impact on the fight against poverty and social exclusion.

**Figure 3: Employment and social inclusion allocation per country**

![](chart)


From a more thematic perspective, 2.9% of the cohesion policy resources is allocated to 'improving the social inclusion of less favoured persons' (mostly in the field of employment) and 4.9% to 'social infrastructures' (mainly on education and health, but also on child care and housing), while other relevant infrastructures are also dealt with (e.g. 6.3% is allocated to management, distribution and treatment of water).

In this regard it has to be noted, that, while supporting the social dimension, the ESF and the ERDF concentrate funding on a limited number of fields and do not deal with the full range of Europe's common social inclusion and social protection objectives. Also, they are complemented by non-EU funding and interact with those (sub-)national activities against poverty and social exclusion that are not subject to co-financing.

Against this background, and keeping in mind that the ESF is the EU's main financial instrument in the field of employment and social policy, regional policy as such deals with the following instruments:

- **European Regional Development Fund:** With some 200 billion EUR over 2007-2013, the ERDF is the key funding instrument covering all three cohesion policy objectives. It typically supports direct aid to company investment and infrastructure investments in areas like innovation and environment, but can also provide resources for technical assistance or financial engineering. It pays attention to the needs of SMEs as well as to urban development and to naturally or geographically disadvantaged areas (e.g. outermost regions).


53 European Commission, "European regional development fund (ERDF)".

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With regard to poverty and social exclusion the ERDF acts on two complementary levels: on the general level it focuses on the promotion of public and private investment to enhance growth and jobs and reduce regional disparities, while in practice it co-finances specific measures.

The latter is also reflected by its budget: 16.8 billion EUR for social infrastructure (education, health, childcare, housing and other social infrastructure), nearly 0.2 billion EUR for improving the social inclusion of the disadvantaged, over 1 billion EUR for enhancing access to employment and sustainability, over 1 billion EUR for improving human capital, nearly 0.4 billion EUR for supporting reforms in the fields of employment and inclusion and nearly 1 billion EUR for increasing the adaptability of workers, firms and entrepreneurs.  

While there are differences in the way ERDF programmes deal with inclusion, a recent evaluation found a general good awareness regarding the newly introduced requirement of respecting gender equality, non-discrimination and accessibility for disabled persons throughout implementation (i.e. Article 16 of Regulation EC 1083/2006); only a minority of programmes analysed (8%), however, provide a clear framework (e.g. identification of problems, quantified targets). Also, out of the three issues, accessibility for disabled receives the weakest attention, being mostly concentrated on gender equality followed by non discrimination, whose target groups vary across Member States (focus on minority groups in EU12, but more on women, migrants and elderly in EU15).

- **Cohesion Fund**: It supports Member States with a Gross National Income/capita less than 90% of the EU average within the convergence objective (notably trans-European transport networks or activities relevant for the environment). For 2007-2013 it has a budget of some 70 billion EUR and covers all new Member States as well as Greece and Portugal and - on the basis of a phasing-out arrangement - also Spain.

- Moreover, regional policy can also rely on the European Union Solidarity Fund, the Instrument for Pre-Accession Assistance (IPA) and the newly created legal instrument, the so-called European Grouping for Territorial Cooperation.

### 2.4.3. Regional Policy and the Fight against Poverty and Social Inclusion

Assessing the link of regional policy and fight against poverty and social exclusion is not an easy task and has to be handled with care due to a series of considerations around the concept of poverty and social exclusion (e.g. restrictiveness of definition) and the way in which the influence on regional policy on poverty and social exclusion is assessed. Though a


56 See European Commission, *Promotion of gender equality, non-discrimination and accessibility for disabled persons*.

57 European Commission, *Cohesion Fund*.

detailed examination of these considerations is beyond the scope of this section, some are worth mentioning.

These include, for instance, the fact that the Treaty objectives have often been interpreted as promoting the economic convergence between regions intended as a reduction of disparities of the regions' average GDP/capita level compared to the EU average. While there are clear advantages in using this indicator, it has to be kept in mind that in doing so, non-economic aspects of poverty and social exclusion are ignored, as is the real distributive situation within regions (i.e. spatial concentration of inequality).

Moreover, there is the risk that evidence on regional performance in terms of GDP/capita is used to infer conclusions about the result and impact of cohesion and regional policy, thereby using the former as a measure for the effectiveness of the latter. Regional performance in terms of GDP/capita or other indicators, however, is not only influenced by cohesion and regional policy, so that no direct or exclusive causal link can be established.

With these reservations in mind a more direct view can be taken on the link between regional policy and the fight against poverty and social exclusion. For this aim - and on the basis of different available indicators - the next sections are structured around two basic questions:

1. How do EU regions perform with regard to poverty and social exclusion?

Starting with recent evidence on the regions' economic development, in 2007 out of the 271 EU regions, 67 regions had a GDP/capita below 75% of the EU27 average (i.e. 24 900 Purchasing Power Standards (PPS)/capita), 28 regions below 50% and 41 regions above 125%. Thus, before the set-in of the financial and economic crisis, regional disparities were still present, particularly between old and new Member States.

On the other hand, Map 3 shows that between 2000 and 2007 - that is before the financial and economic crisis - many regions of the new Member States and in the more peripheral areas showed a strongly positive dynamic in their GDP/capita expressed in terms of the EU27 average. In addition, in the new Member States, the catch-up process was even faster than in the 1990s. As a result their GDP/capita (in PPS) increased from 45% of the EU27 average in 2000 to 56% in 2007.

As for the EU15, Spain, Ireland and some regions of Greece, the UK, Finland and Sweden experienced positive growth, whereas in Italy, Belgium and Austria not a single region reached the average EU27 growth, thereby confirming observed difficulties of some EU15 countries to generate growth.

60 Monfort, Philippe (2009), "Regional Convergence, Growth and Interpersonal Inequalities across EU", p. 3.
Between 2000 and 2007 - and not taking into consideration for methodological issues — a very timely selection of recent evidence reveals a convergence in EU27 as a whole and in most EU15 countries, whereas certain new Member States show increased regional disparities despite a generally favourable catching-up process (Figure 4).

Comparing figures for 1998-2000 and 2005-2007 shows a similar convergence between regions: the proportion of the EU27 population living in regions with a GDP/capita less than 75% of the EU27 average decreased from 27.2% to 24.5%, whereas the proportion living in regions with a GDP/capita above 125% of the EU27 average was 20.4%, down from 24.5%.

As a result, the population living in regions with a GDP/capita between 75% and 125% of the EU27 average rose from 48.2% to 55.1%. Overall the net increase in population living in regions with a GDP/capita over 75% of the EU 27 average was around 9 million.65

**Figure 4: Dispersion of regional GDP/inhabitant, in PPS, NUTS level 2, 2000 and 2007 (%)**

![Dispersion of regional GDP/inhabitant](image)


In addition to GDP/capita, the regional development can also be expressed in other terms, both economic and non-economic, each of which is linked to poverty and social exclusion, particularly if the two concepts are interpreted in a broad sense. It is worth noting that this is also in line with the increasing awareness that cohesion goes beyond economic and social considerations and needs to address relevant aspects that matter for the development of a given territory in an integrated way; hence the recent inclusion of 'territorial cohesion' among the Treaty objectives.66

Such other indicators can range from regional differences in unemployment and employment, housing costs or health and transport conditions to more classical measures of poverty, in particular the 'at-risk-of-poverty rate' or material deprivation.

The recently released Fifth report on economic, social and territorial cohesion sheds light on regional performance with regard to several of those indicators. With regard to population **at-risk-of-poverty** (Map 4), for instance, the range goes from over 35% in certain regions of Spain and Italy to below 6% in Trento in Italy. Strongly affected regions are often found in Southern or Eastern Europe or in certain parts of Germany or the United Kingdom, whereas regions with low rates can be found in Austria, Southern Germany, Northern Italy, the Czech Republic or Slovakia.

The report also deals with indexes which combine a series of aspects such as 'severe material deprivation' (i.e. being unable to afford four or more out of nine specified items) or the EU Human Development Index (taking life expectancy into account, among others). In both cases, regions in the EU12 countries and regions in certain peripheral parts of Europe, such as the Mediterranean areas of Italy and Greece, lag particularly behind.67

Somehow surprisingly the financial and economic crisis hardly altered the overall picture of regional disparities; "it was no worse, on average, in the less developed regions than in the highly developed ones."68

Taken individually, however, the crisis has had a very strong impact in certain regions. Within the convergence regions, for instance, most Polish regions, the Eastern German Länder, the EU12 capital city regions and Greek regions specialised in tourism have been hit relatively little, while the economy strongly contracted in the three Baltic states, Western Hungarian regions, the Italian Mezzogiorno and the South of Spain. Better performing regions can also be found in Austria, Germany and the Netherlands, whereas the impact of the crisis was strong in some formerly buoyant regions in Ireland, the South of Finland and the North and Centre of Italy.69

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67 European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", pp. 107ff. There is also an important ongoing debate as to the suitability of GDP/capita as a development indicator and possible alternative indicators; this is of particular importance to cohesion/regional policy, as GDP/capita does not only measure development, but is also the key to fund allocations. See in particular Opinion of the European Parliament's Committee on regional development on "GDP and beyond - Measuring progress in a changing world", 2010/2088(INI) or European Commission (et al.), "Beyond GDP".

68 European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", p. 3.

69 European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", p. 3.
2. What role do cohesion and regional policies play in this context?

Having briefly observed the performance of regions with regard to relevant indicators, it has to be specified that this does not per se provide evidence as to the role of cohesion and regional policy in the fight against poverty and social inclusion. Indeed, as explained above, there is no unique causal link between regional performance and cohesion and regional policy.

This is further complicated by the fact that policy effects might only happen over the long run and that various methodologies exist, each having their own strengths and shortcomings, for trying to shed light on the policy-performance link. While the so-called 'counterfactuals' seem to be best suited for assessing the policy impact, their implementation is demanding. Alternatively, therefore, the results of different methodologies - including monitoring and evaluation of programme implementation, macro-economic modelling or case studies - can be combined for different programming periods.

The recent 2000-2006 ex-post assessment, for instance, combined macroeconomic modelling with evaluation and case studies. With regard to the first, though dependant on the model used (Hermin or Quest) as well as on the country in question, a generally positive effect of cohesion policy on GDP is reported in both the short (Figure 5) and long term; a similar pattern is expected for the 2007-2013 funding (Figure 6), even if for the EU12 generally a higher effect is expected compared to 2000-2006 due to higher funding.

Figure 5: Estimated impact of cohesion policy expenditure on GDP, average 2000-2009


70 Barca, Fabrizio (2009), "An Agenda for a reformed Cohesion Policy, A place-based approach to meeting European Union challenges and expectations", p. XXII.
In relying on these results, however, it is necessary to be aware of the wider context. Indeed, macroeconomic analysis (based on simulation models or econometric analysis) has in general led to contrasting results unable to create consensus around the effectiveness of cohesion policy.\(^{73}\)

Turning to the \textbf{2000-2006 evaluations} - and keeping in mind possible shortcomings of the methodology involved\(^{74}\) - it is reported that enterprise support created 1 million gross jobs, granted direct financial support to 230,000 enterprises (mainly SMEs), while 1.7 million enterprises (mainly SMEs) received advice, expertise and support for networking.\(^{75}\)

With regard to non-economic aspects, the ERDF co-financed the provision of care facilities for elderly in some regions including Castilla y León (Spain), where it supported “the construction of 47 health centres and the enlargement and refurbishment of 91 others, 24-hour medical attention centres and hospitals providing care at local level for elderly people with disabilities and other vulnerable groups.”\(^{76}\) Evaluations also indicate that through ERDF support 14 million people were connected to modern water facilities and around 20 million people to waste water collection and treatment.\(^{77}\)

In addition, the community initiative \textbf{URBAN II} provided 754 million EUR to projects in deprived urban neighbourhoods with a view to foster physical and environmental regeneration, transport infrastructure, community facilities, the local economy and social inclusion. Evaluation reported 3.2 million square meters of green spaces created, 6,000 businesses supported, 2,000 jobs created and 108,000 people trained, out of which more than 50% were part of vulnerable groups.

This urban focus was carried over to the \textbf{2007-2013} programming period, but was included in the mainstream of the ERDF with a total estimated budget of 30 billion EUR. An urban dimension can be identified within more than half of the fund’s programmes, while many

\(^{73}\) Barca, Fabrizio (2009), "An Agenda for a reformed Cohesion Policy, A place-based approach to meeting European Union challenges and expectations", p. 86.

\(^{74}\) See Barca, Fabrizio (2009), "An Agenda for a reformed Cohesion Policy, A place-based approach to meeting European Union challenges and expectations", pp. 89ff.

\(^{75}\) European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", pp. 207ff. Note that these figures are “estimated”.


\(^{77}\) European Commission, "Work package 5b: Environment and Climate Change".
cohesion programmes include provisions for JESSICA, the financial engineering instrument for sustainable urban development.\textsuperscript{78} More generally, however, as of March 2010 progress on delivering on social inclusion was "relatively slow and not spread evenly across the funds and programmes"\textsuperscript{79} raising voices in favour of a "thorough analysis of the causes of these delays"\textsuperscript{80} within the European Parliament.

In response to the \textbf{financial and economic crisis} in 2008, the European Council endorsed the European Economic Recovery Plan consisting of measures to strengthen the EU competitiveness and financial injections in the form of 170 billion EUR from the national level and 30 billion EUR from the EU, stemming to a large extent from accelerated cohesion policy payments.\textsuperscript{81} Indeed, its framework was quickly adapted to the new situation also thanks to corresponding efforts by the European Parliament.\textsuperscript{82}

Finally, when talking about the impact of the cohesion and regional policy, the \textbf{project level} cannot be ignored; indeed, aggregate (economic) figures tend to overlook the real effect different projects\textsuperscript{83} can create in local communities and to beneficiaries, thereby ignoring the very territorial dimension of cohesion and regional policy.

\section*{2.4.4. Conclusions}

The overall aim of cohesion and regional policy is to foster "harmonious development" of the European Union. As seen above, this has traditionally been interpreted mainly as reducing economic disparities between regions in Europe in the form of fostering economic convergence.

In this regard there is good news: European regions show overall a convergence process relative to the average EU27 GDP/capita. Moreover, there are estimates of a positive and often also considerable effect of cohesion policy on countries' GDP. So far, so good.

Though having its advantages, expressing economic development in GDP per capita levels, however, does not capture spatial distribution of wealth (nor access to other resources, commodities or services) and does therefore not truly reflect inequalities. Indeed, within certain countries, often new Member States, regional imbalances are on the rise.

In addition, while no evidence for the sub-regional level is provided, the same logic can \textit{ceteris paribus} be applied to inequalities within regions which are not reflected by their average GDP/capita level. Likewise, the financial and economic crisis, while overall barely altering regional disparities, has hit some regions particularly hard.

\begin{itemize}
  \item European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", pp. 235ff.
  \item European Commission (2010), "Investing in Europe's Future, Fifth report on economic, social and territorial cohesion", pp. 169ff.
  \item See database of the European Commission, "Social inclusion, equal opportunities" or "Social infrastructure".
\end{itemize}
Moreover - in line with the debate around 'sustainability' - it has been recognised that
development and cohesion go beyond purely economic aspects and that there is the need to
take into account non-economic aspects such as social aspects and even territorial ones.

Looking at the complete performance of regions with regard to these aspects goes beyond
the scope of the present chapter; the same holds for the assessment of the role of cohesion
and regional policy.

What can be said on the grounds of this very limited selection is that not in all regions are
people exposed to the same risk of poverty and that evidence shows numbers and
examples of cohesion and regional policy having supported structures and measures that in
principle aim at fighting social exclusion; indeed, focusing only on aggregate or average
numbers hides realities on the project level which directly influences the well-being and
inclusion of groups and individual, i.e. they are not 'place based'.

Overall, therefore, the fight against poverty and social exclusion has arrived within the field
of application of cohesion and regional policy, but there is considerable potential to
strengthen it throughout its implementation phases. In this regard, the monitoring and
reporting on cohesion and regional policy could be better tailored to the fight against
poverty and social exclusion by, for instance, consistently applying adequate indicators.

While the efforts of the European Parliament in these directions continue84, the recently
kicked-off debate on the post-2014 cohesion and regional policy and on its strategic
integration with other EU policies will need to find a solution for these and other practical
improvements - a task that is even more challenging considered that "cohesion policy
should become a standard bearer for the objectives of smart, inclusive and sustainable
growth of the Europe 2020 strategy in all regions."85

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84 See for example Draft Opinion of the European Parliament's Committee on regional development on "the EU
strategy on Roma inclusion", 2010/2276(INI) or Draft opinion of the European Parliament's Committee on
regional development on "the proposal for a decision of the European Parliament and of the Council on the
European Year for Active Ageing (2012)", 2010/0242(COD).

2.5. **Transport Policy**

2.5.1. **The Link between Common Transport Policy and the Fight against Poverty and Social Exclusion**

Just like the other structural and cohesion policies the common transport policy is in essence orientated at creating the necessary framework conditions for an overall European development as laid out in the Treaties in the medium to long run.

It is one of the oldest common policies since the Treaties of Rome of 1957 already laid out the basis for its creation.\[^86\] Though it initially focused on establishing a common market, i.e. on economic concerns, it has evolved in parallel to the concept of sustainable development enlarging its scope to other dimensions (Figure 7). As with the sector itself, therefore, today’s transport policy is expected to deal with economic, environmental and social aspects affecting the overall well-being of European citizens.

![Figure 7: Transport and the concept of sustainable development](source)

This evolution carries two important implications for the fight against poverty and social exclusion:

Firstly, assessing the link between transport policy and the fight against poverty and social exclusion does require to go beyond the traditional view on creation and redistribution of economic wealth on the grounds of established concepts such as economic growth, competitiveness or productivity and needs also to take into account for others.

In this regard the following two concepts are of particular relevance:

- **Accessibility of specific groups or individuals** to basic or "normal" activities including employment, education, shopping, health care or recreational activities in terms of physical, financial, spatial, temporal or psychological barriers or

opportunities created by features of the transport system\textsuperscript{87} (e.g. availability of local connections, price of transport tickets and availability of adequate information\textsuperscript{88}); accessibility, however, depends not only on the transport system, but also on the availability of substitutes (e.g. ICT) and on the general land-use policy.\textsuperscript{89}

- **External costs and benefits** (e.g. noise or pollution) generated by features of the transport system that affect specific groups or individuals particularly or, on the contrary, not at all, leading in each case to their unbalanced distribution within society.\textsuperscript{90}

Secondly, in line with the general nature of structural and cohesion policies the common transport policy has per se not been created to directly address poverty and social exclusion, however, it still indirectly affects these issues. In order to do so it can rely on strategic and planning instruments (White Papers, Green Papers), funding instruments (for infrastructure projects or technical and non-technical research into transport) or legislative instruments\textsuperscript{91}; as indicated below, some of its instruments even directly deal with aspects of social inclusion.

### 2.5.2. Performance of the Transport Sector with regard to the Fight against Poverty and Social Exclusion

The extent to which a proper assessment of the performance of the transport sector with regard to poverty and social exclusion is possible depends on a series of factors. These are to be kept in mind when looking at existing evidence, including the existence of adequate indicators and the availability of corresponding data.

While the effect of transport on European citizens in terms of safety (accidents and fatalities) is rather well documented, an overall robust and accountable framework for assessing the effect of transport on poverty and social exclusion of selected groups seems still to be missing. Where data are available, indicators such as car ownership, transport expenditure, travel time, speed, distance and costs\textsuperscript{92} might be a good proxy, but, particularly if expressed with regard to general society or if taken individually, not necessarily reflect the full effect of the transport system on particular groups or individuals.

A certain figure regarding ticket costs, for instance, even if expressed for specific groups or individuals, does not automatically entail that those people have easy access to services or activities; in practise they might face additional constraints in terms of absence of local transport services or of poor quality of service.


\textsuperscript{88} See Transport & Travel Research Ltd et al. (2003), "Transport strategies to combat social exclusion\textsuperscript{,}" Matisse Project, Final Report (Part 1) to the European Commission, p. 14.

\textsuperscript{89} Stantchev, Damian and Merat, Natasha (2010), "Equity and accessibility, Thematic research summary\textsuperscript{,}" Transport Research Knowledge Centre, p. 12.


\textsuperscript{91} Note that strictly speaking at the European level not all of those instruments are dealt with by the transport policy falling also within the scope of others such as research policy or regional policy.

\textsuperscript{92} For further discussion see for example Stantchev, Damian and Merat, Natasha (2010), "Equity and accessibility, Thematic research summary\textsuperscript{,}" Transport Research Knowledge Centre, p. 21.
Likewise, and again provided evidence is available, when looking at the link between transport and poverty and social exclusion in terms of total or average external costs or benefits (e.g. safety), their real distribution within society is not properly assessed; the same holds when looking at the general importance of the transport sector for the economy (e.g. in % of persons employed).

With these precautions in mind, what can be said is that transport is an important part of the European economy contributing to its value-added and employment: In 2005, 1.1 million enterprises in EU27 with transport services as main activity accounted for 8.7 million persons employed and for 380.1 billion EUR in terms of value added; the EU27 manufacture of transport equipment respectively for 3.2 million persons employed and a value added of 182 billion EUR. Its share in the number of persons employed in EU27 non-financial business economy was 2.5%, while that of transport services was 6.9%. With regard to value added, the manufacture of transport equipment contributed 3.4% and the transport services 7.1% to the non-financial business economy.93

In addition, transport also plays an important enabling role for other sectors: "Of course, one could cast the net wider to include, for example, construction with its involvement in the building of transport infrastructure and the providers of building materials (e.g. iron, steel, concrete and tar-MacAdam™) and of the energy that powers transport vehicles. One can also look at the more catalytic effects in terms of trade and repair, as well as tourism and international trade. Altogether, the jobs and the wealth stemming directly or indirectly from transport services thus would appear to run into much higher sums."94

Moreover, differences in the household consumption expenditure on transport between different income classes suggest that the opportunity to take advantage of transport facilities (in terms of financial accessibility) increases with the level of income (Figure 8). Whereas in 2005 households with a progressively lower income level allocated an increasingly higher part of their consumption expenditure to 'basics' (housing, utilities, food and non-alcoholic beverages), amounting to 55% of the household consumption expenditure of the lowest income quintile (i.e. the 20% of the EU27 population with the least income), the top income quintile devoted 37% of its expenditure to it. In contrast, the share of expenditure on transport, a 'non-essential', was nearly twice as high for the highest quintile as for the lowest.

Figure 8: Breakdown of household consumption expenditure by income quintile and classification of individual consumption according to purpose (COICOP level 2), EU27, 2005 (%)
With regard to material deprivation - defined as an enforced and combined lack of certain durables and/or certain economic opportunities - in 2007 around 22% of those at-risk-of-poverty in the EU27 was without a car, while far fewer lacked a washing machine (7%), a telephone (6%) or a colour television (2%). In Latvia, Slovakia, Bulgaria and Romania the lack of a personal car among those at-risk-of-poverty was the highest (Figure 9). Also, a closer look at the household composition reveals that single parents with dependent children were most affected by the lack of a personal car (Figure 10).

**Figure 9: Lack of durables among those at-risk-of-poverty, 2007 (% of population)**

|          | EU-27 | BE | BG | CZ | DK | DE | EE | IE | EL | ES | FR | IT | CY | LV | LT | LU | HU | MT | NL | AT | PL | PT | RO | SI | SK | FI | SE | UK |
|----------|-------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Telephone| 6     | 1  | 39 | 6  | 0  | 1  | 2  | 2  | 3  | 1  | 3  | 3  | 1  | 10 | 11 | 11 | 10 | 10 | 0  | 1  | 43 | 39 | 12 | 43 | 0  | 0  | 2  | 1  | 1  |
| Colour T.V.| 2     | 0  | 20 | 3  | 2  | 1  | 1  | 0  | 3  | 0  | 1  | 1  | 1  | 5  | 5  | 5  | 5  | 10 | 0  | 2  | 39 | 20 | 4  | 12 | 0  | 0  | 2  | 0  | 1  |
| Wash. mach.| 7     | 1  | 55 | 2  | 6  | 0  | 0  | 0  | 0  | 0  | 2  | 2  | 2  | 19 | 15 | 15 | 19 | 3  | 0  | 2  | 55 | 55 | 7  | 2  | 0  | 0  | 0  | 0  | 0  |
| Personal car| 22    | 33 | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  |
From the point of view of citizen satisfaction concerning **accessibility of public transport** in 2007, 5.4% of the EU27 population is reported to be "very dissatisfied", 14% "some what dissatisfied", 45.4% "satisfied" and 35.2% "very satisfied".95

In principle this is in line with similar findings of a 2006 special Eurobarometer edition (sample of 24 815 people, EU25) that "80% of the questioned persons state to have an easy (physical) access to the local transport networks (bus, tram, underground, etc.) and 13% consider that such access is difficult."96 These figures, however, do not differentiate between general accessibility and accessibility by vulnerable groups, including elderly, unemployed, low income wage earners or people with reduced mobility.

### 2.5.3. Role of the Common Transport Policy for the Fight against Poverty and Social Exclusion

In line with the evolution around the concept of sustainable development, the common transport policy has increasingly put the user perspective at the centre of its attention like in the 2001 White Paper97 and its Mid-term review in 200698.

Concerning the accessibility of transport systems the "Green paper - The citizens' network" underlined the importance of access to passenger transport systems, while the Community Action Programme for Accessible Transport of 1993 laid out a series of measures (e.g. in relation to technical standards) with a view to increasing the transport-friendliness for people with reduced mobility.99

From today's perspective - and without claiming exhaustiveness - the following instruments of the common transport policy are of specific relevance to the fight against poverty and social exclusion:

- **Passenger rights:** While before the 2001 White Paper, European legislation in the field of passenger rights was rather limited, this has since changed with the introduction of different measures both for general passengers and passengers with specific needs.100 In particular Regulation (EC) 1107/2006 strengthens the rights of disabled persons and persons with reduced mobility when travelling by air e.g. by protecting them from being refused reservation or boarding by the operators because of their disability or reduced mobility.101 Also, Regulation (EU) 1177/2010, provides for comparable rights with regard to sea and inland waterway transport102, while negotiations for passengers travelling by bus and coach, including disabled

99 Stantchev, Damian and Merat, Natasha (2010), "Equity and accessibility, Thematic research summary", Transport Research Knowledge Centre, p. 14
101 European Commission, "Rights of people with reduced mobility", Summaries of EU legislation
persons and persons with reduced mobility, have just reached a compromise agreement between the European Parliament and the Council.\textsuperscript{103}

- **Urban mobility:** On the basis of the 2007 Green Paper on urban mobility the European Commission was to introduce an Action Plan in 2008.\textsuperscript{104} After this expectation was not fulfilled, the European Parliament took the initiative by issuing an official request for the Action Plan and its vision on what it should entail.\textsuperscript{105} Finally issued in 2009 the Action Plan on Urban Mobility suggests twenty measures with a view to support local, regional and national authorities in rendering urban mobility more sustainable.\textsuperscript{106}

With regard to people with reduced mobility, it states among others that the European Commission "will moderate a dialogue with stakeholders, including organisations representing operators, authorities, employees and user groups, in order to identify EU-wide best practices and conditions for strengthening passenger rights in urban public transport. Building on sectoral initiatives and complementing the Commission's regulatory approach, the aim is to put a set of ambitious voluntary commitments in place, including quality indicators, commitments to protect the rights of travellers and of persons with reduced mobility as well as commonly agreed complaint procedures, and reporting mechanisms."\textsuperscript{107} For 2012, a review of the implementation of the Action Plan is expected.

- **Intelligent Transport Systems (ITS)** link information and communication technologies to transport across all modes, covering passenger and freight transport. They have different benefits including those relevant for social inclusion such as the potential to tailor the provision of transport information to the needs of vulnerable persons. The recently adopted Directive 2010/40/EU, for instance, requires the adoption of specifications, the issuing of mandates for standards and the selection and deployment of ITS applications and services to take into account among others of the principle of promoting equality of access (i.e. not impeding or discriminating against access to ITS applications and services by vulnerable road users, including persons with disabilities or reduced mobility).\textsuperscript{108}

It is worth noting that, where taking the form of legislative acts, the European Parliament has acted as co-legislator in the above mentioned cases, while also being a major driving force in the case of urban mobility. At the same time it also contributes to many other transport provisions influencing general wealth creation or distribution, accessibility (mobility) or external costs, all of relevance with a view to fight against poverty and social exclusion.

**2.5.4. Conclusions**

Although the common transport policy has not been created as a direct instrument to fight against poverty and social exclusion, it affects general well-being via different channels

\textsuperscript{103} Europoltics (2010), "Europolitics Transport", 38/222, p. 11.
\textsuperscript{106} European Commission (2009), "Action Plan on Urban Mobility".
\textsuperscript{107} Directive 2010/40/EU of the European Parliament and of the Council of 7 July 2010 on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport.
\textsuperscript{108}
(creation of wealth, accessibility, external costs and benefits) and *ceteris paribus* also poverty and social exclusion. It must be noted, however, that given the general development level in Europe, the debate on poverty and social exclusion focuses to a large extent on specific parts rather than the society as a whole; i.e. on redistributive aspects.

In this regard, the increased awareness of the environmental and social effects of the transport system in line with the evolution of the concept of sustainable development is surely a major step forward. It will, however, benefit the fight against poverty and social exclusion only insofar as those effects are assessed specifically in relation to the most vulnerable groups and individuals of society (depending on the definition adopted).

Accordingly, though already providing important instruments for the creation of a favourable economic framework and addressing needs of specific groups through clear-cut legislation, there is potential for the common transport policy to strengthen its relevance to the fight against poverty and social exclusion.

This could be done, for instance, by mainstreaming the awareness on redistributive effects in its instruments, providing for a better framework for evaluating its impact on them, addressing the needs of disadvantaged groups other than those with reduced mobility or making use of relevant findings of other policies (e.g. research) for a truly integrated approach. In this regard, the newly established European platform against poverty and social exclusion as well as the new White Paper on transport policy, to be published soon\(^\text{109}\), offer a convenient framework for discussion.

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3. CONCLUSIONS: THE ‘EUROPE 2020 STRATEGY’ AND THE NEED FOR AN INTEGRATED APPROACH

In March 2010, the European Commission proposed the ‘Europe 2020’ Strategy\textsuperscript{110} as the successor to the Lisbon Strategy. Since then, both the EP and the European Council have endorsed it, although the latter underlined the need for agricultural policy to be explicitly included, as it was not mentioned in the original document.

The 2020 Strategy proposes only 5 major “headline targets”, less than its predecessor. It is therefore undoubtedly significant that the 2020 Strategy includes among its targets a commitment to reduce the number of EU citizens at risk of poverty by 20 million by 2020, from a total of about 80 million before the crisis.

The 2020 Strategy’s 5 headline targets are:

- 75 % of the population aged 20-64 should be employed.
- 3% of the EU's GDP should be invested in R&D.
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
- 20 million less people should be at risk of poverty.

Given that in the past the idea of setting poverty reduction targets at EU level was opposed by some Member States, the \textit{2020 Strategy’s inclusion of a concrete figure for poverty reduction is a significant development.}

However, the responsibility for achieving the 2020 Strategy's targets is diffuse and unclear, as was previously the case with the Lisbon Strategy. It is difficult to chart where the EU's responsibilities end. On the one hand, it has defined a common 'vision' and targets. On the other hand, the Union can also contribute - sometimes significantly - towards implementation through the instruments it has at its disposal. However, its potential contribution towards implementation varies considerably according to the policy area.

For instance, if we look at the above targets, it is apparent that the EU has more instruments at its disposal to meet the '20/20/20' climate/energy targets - and that these are more binding - than for reducing early school leaving. However, the important point is not that the EU's powers - and thus responsibility for success or failure - vary according to the field of action, but that the Union should identify the instruments it will use to work towards the 2020 objectives.

The policies covered in this note represent the lion's share of the EU budget. Against that background, it is worth mentioning that in August 2010, the four European Commissioners respectively responsible for regional policy, fisheries, employment and agriculture wrote to Commission President Barroso arguing that a common EU-level "strategic framework" should be applied to the funds managed by their departments\textsuperscript{111}. The EU would define

\textsuperscript{110} European Commission, Communication COM(2010) 2020 final, \textit{‘A strategy for smart, sustainable and inclusive growth Europe 2020’}.

\textsuperscript{111} The European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).
common objectives for all funds, presumably based on the 2020 Strategy, rather than doing so separately as has been the case up to the present.

Matching the use of EU funds to the specific objectives of the 2020 Strategy seems to make sense, and would constitute a broader signal that structural policies as a whole should be better adapted to alleviating poverty, whilst still of course fulfilling their primary objectives as laid down by the Treaty. This might involve, for instance, adapting CAP and CFP market mechanisms or intensifying the EU-level debate on the role of education in fighting poverty. In due course, such an evolution of priorities might require changes to wording of the specific Treaty articles dealing with these policies. But that day is still a long way off.
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