

# Fund for European Aid to the Most Deprived (FEAD) 2014-2020

2012/0295(COD) - 24/10/2012 - Legislative proposal

PURPOSE: the creation of a European Fund for the most deprived.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: in 2010, nearly one quarter of Europeans (116 million) were at risk of poverty or social exclusion. This is about 2 million more than in the previous year and the first figures available for 2011 confirm this trend. About **40 million of European citizens suffer from severe material deprivation**. The main features of material deprivation are the inability to access appropriate quantities and quality of food and homelessness (4.1 million were homeless in Europe in 2009/2010, according to estimates). There are 25.4 million children at risk of poverty or social exclusion in the Union. Children suffering from these forms of material deprivation are less likely than their better-off peers to do well at school, enjoy good health and realise their full potential as adults.

While the needs of those who are at the margins of the society keep growing, the **ability of Member States to support them has in many cases diminished**. In many Member States it is felt that policies decided at European level are in some ways responsible for these developments.

**The Union's response to poverty and material deprivation:** the main Union's instrument for supporting employability, fighting poverty and promoting social inclusion is and will remain the European Social Fund (ESF). Next to that, the [EU's Food Distribution programme](#) for the Most Deprived People (MDP) has for more than two decades provided food aid for those persons. It was created in 1987 to make meaningful use of agricultural surpluses, which might otherwise have been destroyed, by making them available to Member States wishing to use them. Over the years, the scheme became an **important source of provisions for organisations working in direct contact with the least fortunate members of society**, providing them with food. The expected depletion and high unpredictability of intervention stocks over the period 2011-2020, as a consequence of successive reforms of the Common Agricultural Policy, has deprived the MDP of the original rationale underpinning it and it will be **discontinued at the end of 2013**.

The potential significant cut in the support provided under the MDP scheme in 2012 was heavily criticized by civil society organisations, with regional and local authorities' representatives stressing the importance of this support and **pleading for its continuation at a time when needs are increasing**.

Discussions in the Council and the European Parliament and with civil society and local authorities on the current forms of aid for the most deprived under the MDP programme have provided meaningful insights and ideas for the future.

On the other hand, Member States' views about such an instrument are divided: **seven Member States have expressed their opposition to continuation of the MDP beyond 2013**. Other Member States have argued strongly in support of the scheme.

The European Parliament has repeatedly expressed strong support for the continuation of the food aid programme in the interest of better social cohesion in Europe. It called for a strategy to be drawn up on the subject – firstly, in a written declaration (2010) and then in a [resolution](#) (2011).

Given persistent material deprivation, **EU assistance to the most deprived in society remains necessary**. In its proposal for the next multiannual financial framework the Commission has reflected this and reserved a budget of EUR 2.5 billion for a new instrument designed to fight extreme forms of poverty and exclusion.

Against this background, the proposed Regulation establishes for the period 2014-2020 a new instrument that will complement the existing cohesion instruments and notably the European Social Fund, by addressing the worst and most socially corrosive forms of poverty, food deprivation as well as homelessness and material deprivation of children while supporting accompanying measures aiming at the social reintegration of the most deprived persons of the Union.

**IMPACT ASSESSMENT:** the core issue examined by the impact assessment concerned the scope of the new instrument.

The options considered were:

- *Option 0:* no funding;
- *Option 1:* a successor instrument to the current MDP limited to dispensing food aid;
- *Option 2:* an instrument which would complement the distribution of food aid with support for accompanying measures aiming at the social inclusion of the food aid recipients, and
- *Option 3:* a comprehensive instrument supporting material relief in terms of food, goods for homeless people and goods for materially deprived children, combined with accompanying measures aiming at the social reintegration of the most deprived persons.

The net impact of Option 0 depends on how the funds made available are reallocated. But it would certainly be seen as attesting to an erosion of solidarity in Europe at a time when poverty is increasing. Compared to Option 1, Option 2 and even more so Option 3 entail a reduction of the food aid distributed as some resources are allocated to other types of actions. However, the accompanying measures should also ensure greater sustainability of the results achieved. **Option 3 is preferred** because it best allows tailoring the supported interventions to local needs.

**LEGAL BASIS:** Article 175(3) of the Treaty on the Functioning of the European Union (TFEU).

**CONTENT:** this Commission proposal related to the creation of a European Fund for the most deprived for the period 2014-2020. The proposed Regulation defines the objectives and scope, sets down the available financial resources and the various eligibility criteria, and lays down the rules to ensure the Fund's effectiveness.

**General and specific objectives:** the general objective of the Fund for European Aid to the Most Deprived (the Fund) is to promote social cohesion in the Union by contributing to the achievement of the Europe 2020 strategy's objective of reducing by at least 20 million of the number of people in or at risk of poverty and social exclusion. This translates into the specific objective of supporting national schemes which provide non-financial assistance to the most deprived persons through partner organisations.

**Scope:** the Fund addresses **food deprivation, homelessness and material deprivation of children**. Each Member State may choose to address one or more of these forms of deprivation. It may also support accompanying measures, complementing material support, to contribute to the social reintegration of the most deprived persons.

**Eligible population and targeting:** the population eligible to receive material assistance comprises the most deprived persons of the Union. Definition of the criteria for identifying the most deprived persons to be assisted will be the **responsibility of the Member States or the partner organisations** since they are best placed to target the assistance taking local needs into account.

By defining the type of goods that will be distributed, namely food or basic consumer goods for personal use of homeless persons or of children, the Regulation also contains an **indirect targeting** mechanism.

N.B. the Fund may only be used to support distribution of food or goods that are in conformity with the Union legislation on consumer product safety.

**Partner organisations:** the partner organisations are the ones that deliver directly or indirectly the food or goods to the most deprived persons. In order to ensure that the Fund will contribute to sustainable reduction of poverty and to improvement of social cohesion, the partner organisations that deliver directly the food or goods will themselves have to undertake activities complementing the provision of material assistance, aiming at the social integration of the most deprived persons. The Fund itself may support such accompanying measures.

The national authorities may either purchase the food or goods or make them available to partner organisations or provide the partner organisation with funding for the purchase of the food or goods. If the purchase of food or goods is undertaken by a partner organisation, it can either distribute the items itself or entrust the distribution to other partner organisations.

**Implementing provisions:** the Fund will be implemented following the **model of cohesion policy**, i.e. **through shared management on the basis of one 7-year operational programme** per Member State covering the period 2014 to 2020.

**Implementation arrangements:** the proposal follows the approach of the structural funds in terms of implementation arrangements, allowing notably the Member States to use, if they so wish, the structures, designated authorities and procedures set up for the European Social Fund, in order to minimize the administrative burden related to the transition from the current scheme for distribution of food to the most deprived persons to the new Fund for European Aid to the Most Deprived. The provisions relating to programming, monitoring, evaluation and information and communication are, however, streamlined and simplified in order to be commensurate to the specificity of the objectives and target populations of the Fund.

**Eligibility rules:** the eligibility rules are also designed to take into account the nature of the Fund and of the various actors that will be involved in its implementation. In particular, the Regulation provides for simplified cost methods for the majority of categories of expenditure and opens options for the others categories.

**Financial management of the Fund:** the financial management and control system also derives from the structural funds logic. Also, some provisions have been adapted and simplified to be fully adequate to the types of operations that will be supported by the Fund, notably in terms of **pre-financing**, content of the payments applications to the Commission as well as proportional control. The partner organisations have a limited capacity to advance the funds necessary. Likewise, the Member States may have difficulties to mobilise the resources necessary to pre-finance the operations. In addition, the Member States facing the greatest fiscal constraints are likely to be those with the highest number of most deprived people. In order to address this situation, that could put at risk the achievement of the Fund's objective, **the level of pre-financing is set at 11% of the total allocation to a Member State**. This will allow covering up to 90% of the costs of the first year's aid campaign not counting technical assistance, transport, administrative costs and the accompanying measures.

**BUDGETARY IMPLICATION:** the global resources available for budgetary commitment from the Fund for the period 2014-2020 shall be EUR 2.5 billion at 2011 prices, in accordance with the annual breakdown set out in an annex to the proposal. For the purpose of programming and subsequent inclusion in the general budget of the Union, the amount of resources shall be indexed at 2% per year. Criteria will be laid down by the Commission, by means of implementing acts, setting out the annual breakdown of the global resources by Member State, taking into account the following indicators established by Eurostat:

- the population suffering from severe material deprivation;
- the population living in households with very low work intensity.

0.35% of the global resources shall be allocated to technical assistance at the initiative of the Commission.

Appropriations of around EUR 7.112 million between 2012 and 2020 are also provided for the management of the Fund (Heading 5 of the multiannual framework – human and administrative resources).

**DELEGATED ACTS:** the power to adopt delegated acts in accordance with Article 290 of the Treaty shall be devolved to the Commission in respect of the responsibilities of Member States concerning:

- the procedure for reporting irregularities and recovery of sums unduly paid,
- the modalities of exchange of information of operations,
- the arrangements for the adequate audit trail,
- the conditions of national audits,
- the designation criteria for managing authorities and certifying authorities,
- the identification of commonly accepted data carriers, and
- the criteria for establishing the level of financial correction to be applied.