Investing in children through the post-2020 European Multiannual Financial Framework

POSITION PAPER

Eurochild
Putting children at the heart of Europe

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About Eurochild

Eurochild advocates for children's rights and well-being to be at the heart of policymaking. We are a network of organisations working with and for children throughout Europe, striving for a society that respects the rights of children. We influence policies, build internal capacities, facilitate mutual learning and exchange practice and research. The United Nations Convention on the Rights of the Child is the foundation of all our work.

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Eurochild working papers are exploratory texts that allow for discussions on emerging policy areas and their implications on children's rights.

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Executive summary

Children make up one fifth of the population in Europe and have the greatest stake in its future. Yet, there is no explicit focus on them in the EU's spending plans, and funding programmes that impact children are not designed with their needs in mind.

Some progress has been made under the 2014-2020 Multiannual Financial Framework (MFF). For example, the European Structural and Investment (ESI) Funds offered more opportunities to invest in social inclusion and poverty reduction. In some countries, these funds have helped catalyse reforms of child protection and welfare systems, contributing to end institutional care and to strengthen family-support and community-based services. However, mistakes have been made and opportunities lost. It is important that the lessons learnt are integrated into the design of the next MFF.

The 2013 European Commission Recommendation on Investing in Children advocates a child-rights approach to tackling child poverty, prioritising early intervention and prevention. However, throughout Europe austerity measures and public spending cuts have squeezed financial benefits and services available for children and their families in vulnerable situations. Despite the rhetoric a paradigm shift towards public investment in more inclusive and equal societies is far from becoming a reality. The EU can and should be an important catalyst for national systems reform. It can do so by directing the various financial instruments in the next MFF towards priorities that are in line with its policy guidance on social Europe. Within this guidance there is a clear understanding that breaking the cycle of disadvantage starts in childhood.

Eurochild's recommendations offer suggestions on how EU spending can have maximum impact on Member States' efforts to reduce child poverty, to break the cycle of disadvantage and ultimately to build more inclusive and prosperous societies.

Introduction

Article 3 TEU states that the EU "*shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States*." Since the Treaty of Lisbon, the EU has made progress both in terms of policy guidance and financial support to implement this article.

In 2013 the European Commission published its *Recommendation on Investing in Children: Breaking the Cycle of Disadvantage* with a clear guidance for national policy reforms to prevent and tackle child poverty and promote children's well-being in Europe. It is intended to inform national and European decision-makers to design and finance the most effective policies from the perspective of the best interests of the child and children's development. One of its most important recommendations is that investing in children is central to multiple policy agendas. Education, employment, welfare, health, social, family and parenting support, and housing policies all impact children's outcomes, which in their turn impact the future resilience of our economies and democracies. Tackling child poverty needs to be achieved through integrated policy measures. The Recommendation also urges Member States to "*make appropriate use of the opportunities provided by EU financial instruments to support the policy priorities*" for investing in children. It goes on to list a number of financial instruments falling currently under Heading 1 of the 2014-2020 MFF.

The *European Pillar of Social Rights*, an agenda-setting exercise of the European Commission promotes 20 principles to guide future social, employment and economic policy at an EU and national level. Child poverty is one of them; so is education, work-life balance, housing, and many more areas where the EU has considerable 'soft' power but where its impact to date has been quite weak.

The 2014-2020 European Structural and Investment Funds were designed to support the priorities of the Europe 2020 strategy. The EU target of reducing the number of people living at risk of poverty and social exclusion by 20 million by 2020 was the political trigger to put more emphasis on social inclusion through cohesion policy. As a result, a minimum share of the overall portfolio of cohesion policy was earmarked for the European Social Fund (ESF); and within ESF a minimum ring-fenced allocation of 20% is channelled to the fight against poverty and social exclusion. Although tackling child poverty is not an explicit investment priority in the European Social Fund 2014-2020, these benchmarks have helped increase the number of projects promoting inclusion outside the labour market.

A more concrete example is the process of deinstitutionalisation (DI), which has already secured a place on the EU political agenda. By ensuring there is both a positive incentive (promotion of transition from institutional to community-based care in the ex-ante conditionalities); and a disincentive (obligation not to invest ESI funds in the refurbishment or building of new institutional settings) the EU has paved the way for structural reform within Member States, offering vital additional resources to support the transition. This is a clear example of EU 'added-value'.

However, in many cases, progress at national level has stalled as a result of competing priorities or a lack of know-how, political will or resources. Fiscal consolidation and the overall European economic outlook have resulted in scaled-back investment in children and vulnerable families. Decisions to make short-term savings in welfare and social care budgets have resulted in increasing the numbers of children at risk, increasing the burden (financial and human resource pressure) on child protection systems in the short, medium and long term. As a response to recent migration flows into Europe, several entry, transit and destination countries are resorting to detention or institutionalisation of migrant, unaccompanied and separated children, disregarding evidence about how such negative treatment will impact outcomes for children, families and society as a whole.

There is an urgent need to prioritise public investment in the quality of universal services for example in the areas of early years, public health, education and social welfare to facilitate social integration of children and families in vulnerable situations. This must be complemented by accessible and affordable targeted and specialised services to support and empower those most in need.[1] Whilst this necessarily remains the responsibility of Member States, the impact of the EU is critical, both in terms of agenda-setting and steering long-term public investments at local, regional and national levels. The next MFF will inevitably reflect the EU's main policy priorities.

The EU has committed, with the Treaties and the Charter of Fundamental Rights to guarantee children's rights – a commitment based on the United Nations Convention on the Rights of the Child, which all of its Member States have ratified. Recently discussions about child budgeting have taken to the international arena, which hence deserve to be echoed by the EU and its Member States. The United Nations Committee on the Rights of the Child issued a guidance document in 2016 specifically on the topic. Its *General Comment on public budgeting for the realization of children's rights* elaborates on the state obligation to undertake all appropriate measures for the implementation children's rights "*to the maximum extent of their available resources*"[2]; and proposes governments a framework to do so. A year earlier, the UN Human Rights Council adopted a resolution aiming

[1] Eurochild is leading efforts to build an evidence base around the link between the social and economic impact of early investment in high quality, inclusive, mainstream child protection systems. Results to date emphasise the need to better identify and measure qualitative outcomes for different services and interventions as well as the importance of quantitative data sets.
http://www.eurochild.org/projects/childonomics/

[2] UN Committee on the Rights of the Child General Comment No. 19 on Public Budgeting for the Realization of Children's Rights

towards better investment in the rights of the child, addressing "*the role of national policies, resource mobilization, transparency, accountability, participation, allocation and spending, child protection systems, international cooperation and follow-up in relation to investment in children*"[3].

[3] Idem.

Making the post 2020 MFF work for children – Eurochild's recommendations

1. Clearly communicate the added value of EU funding and how it contributes to social inclusion

The EU budget will only fund investments of EU 'added value'. That can be narrowly interpreted as delivering what individual Members States cannot address by themselves. However, 'added value' should also be understood as helping Member States deliver on common EU values and objectives such as respect for human rights and promoting social inclusion. Growing social inequalities within and between countries have cross-border consequences and negatively impact the prosperity of the EU as a whole. EU added-value is provided through sharing knowledge and coordination of policy and practice; by linking spending to common goals; and by ensuring that spending catalyses national reforms and sustained public investment from national budgets.

From a children's perspective, effective targeting of EU funds can be transformative if they manage to trigger reforms at local, regional and national level that put children first. Child welfare and protection systems need to reinforce existing resources within families and communities to care for children, whilst also building a professional infrastructure that can respond to children's individual needs.

2. Track what is spent on children under the next MFF

The European Commission's Reflection Paper on the Future of EU Finances[4] acknowledges that **"investing in people is the overarching priority**, from education and training to health equality and social inclusion." This is an important commitment which needs to be realised through concrete investment priorities, programmes and projects. To evidence how the EU is translating this priority into practice, the design of the next MFF should allow for effective tracking of EU resources spent on specific investment priorities. Given the importance of investing in children for the future of Europe, the EU should take steps to track expenditures specifically targeted at children, young people and families – a practice some countries have started.

3. Keep cohesion policy and funding at the heart of the EU's vision, and ensure it delivers on the Pillar of Social Rights

In the current MFF the ESI funds have been key levers of economic growth and social cohesion across the Member States. They are closely tied to delivery of the Europe 2020 strategy, and therefore helped shape national policies towards

[4] https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en

common goals. It is therefore essential that the overall budget envelope for cohesion policy is retained or increased.

Especially the political commitment to social inclusion represented by the recent Proclamation of the European Pillar of Social Rights needs to be backed up by sufficient EU resources in the next programming period. In particular, spending under the successor of the European Social Fund must be able to demonstrate how it is contributing to delivery on the 20 principles.

4. Distribute ESI funds according to identified social challenges, not only economic indicators

To date ESI funds are distributed in Member States according to their levels of GDP per capita. However, the next funding period needs to take on board other indicators to ensure all regions can avail of EU resources to address specific social challenges. The Social Scoreboard could for example provide a useful reference, if the indicators are revised and expanded to better reflect the 20 principles of the European Pillar of Social Rights.

5. Increase earmarked resources for poverty reduction and social inclusion and ensure they reach beyond the labour market

The current minimum benchmark (20% of the total ESF resources in each Member State to the thematic objective "promoting social inclusion, combating poverty and any discrimination") has been exceeded by most Member States. Its successor programme should **raise the benchmark to 30%**.

However, when actual expenditure is examined more closely, most of the spending allocated to social inclusion and poverty reduction focuses on tackling unemployment and promoting active inclusion of people in the labour market. Notwithstanding the importance of employment to tackling poverty and social exclusion, this investment priority should rather focus on social inclusion of those furthest from the labour market or not of working age. Investing in children – ensuring adequate resources for families and providing accessible, affordable and quality services – is recognised as essential for breaking the cycle of poverty. There needs to be better monitoring of how earmarked funds are actually reaching the most vulnerable in society.

6. Make child poverty an explicit investment priority, and more visible in national poverty reduction and social inclusion strategies

Unfortunately, the 2013 European Commission Recommendation on Investing in Children remains largely a commitment only on paper. The current budgetary cycle has shown that, unless tackling child poverty is explicitly mentioned as an investment priority of the ESI funds' thematic objectives, results will be weak. The majority of the projects under the current social inclusion investment priority focus on active inclusion with the aim of employment. They do not target groups outside the labour market, such as children.

The existing ex-ante conditionality which requires Member States to have national strategic policy frameworks under the thematic objective promoting social inclusion, combating poverty and discrimination is welcome, but in the future it needs to make explicit reference to measures preventing and tackling child poverty and social exclusion, in line with the European Commission Recommendation on Investing in Children.

7. Build on progress made in using EU funds to transition from institutional to community-based services

The current Common Provisions Regulation explicitly mention that Member States 'with an identified need' have to include measures that "*shift from institutional to community and family-based services*" in their poverty reduction strategies (ex-ante conditionality 9.1). This is a welcome addition to the scope of ESF and ERDF, which has resulted in millions of euros allocated to deinstitutionalisation reforms, and contributing to progressing child welfare and protection reforms in several countries[5].

In the next funding round, progress will be accelerated and more widespread if deinstitutionalisation is made an explicit priority under the thematic objective on social inclusion, combating poverty and discrimination. It would also be important that all EU Member States could access funds for this purpose, not only those with an 'identified need', because all EU Member States face some kind of issue regarding institutional care settings for children.

Furthermore, the rules applied to ESI funds need to be extended to other funding programmes. For example, funds used in the context of migration, neighbourhood and accession countries or energy efficiency and infrastructure should also prohibit their use for the construction, refurbishment and renovation of institutional care settings for children, in line with human rights obligations.

8. Private financing must not undermine standards or public accountability

There need to be safeguards in place prior to involving private funding in traditionally state-financed social infrastructure projects. As a matter of principle all co-financing promoted by the European Union – whether it is brokering public-private partnerships or directly investing EU resources – need to comply with the same conditions as investment under cohesion policy. Private financing risks introducing a market logic that is inconsistent with social objectives. The key principles of promoting the general interest of the public and long-term

[5] See: www.Openingdoors.eu

sustainability must be respected, and ultimate responsibility has to remain with the State. Ex-ante conditionalities in the ESI funds require policy coherence and administrative capacity to ensure that money is spent in line with the values of the EU. They must be equally applicable to the successor of the European Fund of Strategic Investment.

9. Ensure effective governance and accountability mechanisms on the use of EU funds in Member States'

The EU's oversight and coordination mechanisms – such as the European Semester cycle – need to take better account of implementation of EU funding in Member States. For example, it would be important that compliance with ex-ante conditionalities is monitored both during programming and implementation period. High-level events with policy makers and stakeholders can also be used to present the results of the monitoring procedure, e.g. the Annual Convention on Inclusive Growth for the successor of the European Social Fund.
During this funding period low levels of funding absorption have been a challenge in some cases. These should be addressed through an improved and simplified regulatory framework as well as through targeted administrative and technical support from the European Commission to Member States.

10. Strengthen stakeholder involvement, particularly civil society's capacity to engage

The European Code of Conduct on Partnership (ECCP) was established as a delegated act under 2014-2020 programming period to guide Member States in their use of ESI funds with stakeholders. It has been helpful but not strong enough to ensure effective engagement of relevant stakeholders in the monitoring of ESI funds. The post-2020 ESIF Regulations should introduce the ECCP as an ex-ante conditionality, to ensure its implementation.

Stakeholder dialogues, citizens' engagement and ownership of the EU project are facilitated by an active civil society which has the potential to mobilise its grassroots members and pool experiences and knowledge from the ground. Civil society in the social sector are often also delivering services to the most vulnerable in society.

The next MFF should ensure that civil society is supported in its capacity to

- monitor delivery of the ex-ante conditionalities;
- monitor the use of ESI funds in the relevant committees;
- be involved in the preparation of the Partnership Agreements;
- be involved in the programming, implementation, monitoring and evaluation of the Operational Programmes.