



EUROPEAN
COURT
OF AUDITORS

Background paper



Fund for European Aid to the Most Deprived

August 2018

The European Union has 123 million people living in or at risk of poverty or social exclusion. Introduced in 2014, the Fund for European Aid to the Most Deprived (FEAD) seeks to bring the most deprived out of poverty and foster their social integration through combining material and food aid with advice and social inclusion measures. It also aims to contribute to the EU's target to reduce poverty by 20 million people by 2020. Indeed, combating poverty is a priority area which the Council has asked the Commission to keep high on the agenda.

With an EU contribution of €3.4 billion for the 2014-2020 period, the FEAD's funding is relatively limited. It is, therefore, all the more crucial that the legislation in force and associated programmes are designed to effectively channel aid to the targeted populations. A mid-term evaluation of the FEAD is due by the end of 2018 and the Commission is currently reflecting on the future of this fund for the next programming period.

In view of this, the European Court of Auditors is currently assessing whether the initial set-up of the FEAD and the Member States' operational programmes effectively target the most deprived. We will consider to what extent the EU is able to determine the Fund's effectiveness in contributing to the poverty reduction target.

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THE FUND FOR EUROPEAN AID TO THE MOST DEPRIVED

Background

Poverty and social exclusion are important issues in the European Union, with 123 million citizens facing such hardship. The Europe 2020 strategy aims to bring this number down by 20 million by 2020.

In 1987, the Council set up a food distribution programme for the most deprived (the “MDP scheme”), which released public intervention stocks of agricultural products to Member States for use as food aid for this target group. Managed by the Directorate-General for Agriculture and Rural Development, the MDP scheme provided food support to over 18 million people in need in 2010.

In 2014 the Commission established the Fund for European Aid to the Most Deprived (FEAD) as a successor to the MDP scheme. It was set up to bring a renewed approach to aid to deprived persons, moving beyond the mere provision of food aid to offer material assistance, advice and social inclusion activities that would better address their needs.

Objectives

The Fund’s objectives are laid down in Article 3 of Regulation EU 223/2014 (the “FEAD Basic Act”); see **Box 1**.

Box 1 - The FEAD’s objectives

The Fund shall promote social cohesion, enhance social inclusion and therefore ultimately contribute to the objective of eradicating poverty in the Union by contributing to achieving the poverty reduction target of at least 20 million of the number of persons at risk of poverty and social exclusion in accordance with the Europe 2020 strategy, whilst complementing the Structural Funds.

The Fund shall contribute to achieving the specific objective of alleviating the worst forms of poverty, ***by providing non-financial assistance to the most deprived persons by food and/or basic material assistance, and social inclusion activities aiming at the social integration of the most deprived persons.*** [...]

The Fund shall complement sustainable national poverty eradication and social inclusion.

The Fund is thus clearly anchored in the Europe 2020 goal to reduce poverty in the EU by 20 million people by 2020. As it seeks to alleviate poverty, the Fund is expected to operate in complementarity with other EU funds, in particular the European Social Fund (ESF) and other national schemes.

The principal activities under the FEAD include the provision of:

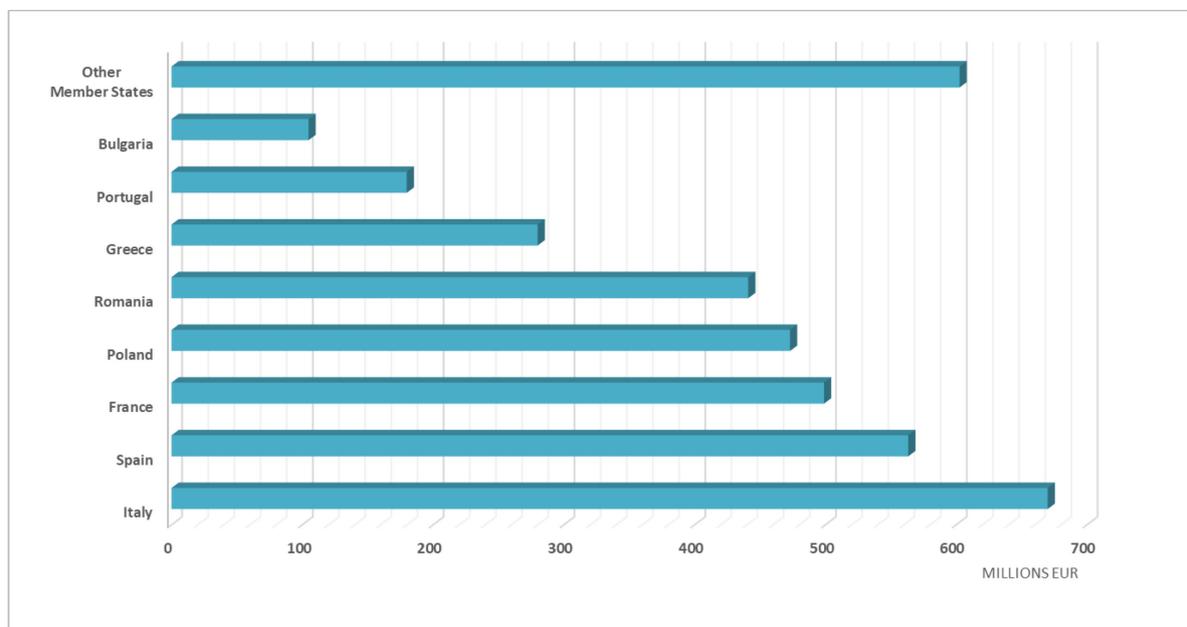
- food support, through, for example, the distribution of food packages and meals to people in seriously deprived circumstances or school lunches to children in danger of poverty and social exclusion;
- material support, such as hygienic items for adults and children, selected types of clothing and basic household items, sleeping bags for homeless people;
- information to alleviate hardship, concerning, for example, basic rights, personal hygiene, nutrition and support available from national social institutions;
- support for the social inclusion of the most deprived by improving their access to existing material support and social services and activities offered under the ESF.

FUNDING

The Fund supports the Europe 2020 strategy's poverty eradication goal. The fight against poverty and social exclusion remains one of the EU's political priority areas: in 2016, the Council invited the Commission to keep the topic "high on the agenda".

The EU contribution to the FEAD budget is €3.4 billion for the 2014-2020 period. Some €500 million of national funding complements the EU funding. Budgeting differs significantly between Member States. While eight Member States have budgeted more than €100 million, six have only budgeted the minimum required by the Regulation, which is €3.5 million, for the 2014-2020 period (see [***Chart 1***](#)).

Chart 1: FEAD Budgeting – the total allocation to the biggest operational programmes in eight Member States.



Source: European Court of Auditors on the basis of information obtained from the Commission.

When proposing the new FEAD, it was decided that its budget would be financed from the national ESF financial envelopes that had already been negotiated for the 2014-2020 multiannual financial framework (MFF). Therefore, more money in the FEAD means less for the ESF.

This fact, plus the limited funding available generally, makes it all the more crucial that funds are effectively directed at the target population. There is some ambiguity, however, surrounding the definition of “being poor”, which poses a challenge for targeting (see **Box 2**).

Box 2 - Various definitions of “poverty” indicators used in the EU to define people at risk of poverty or social exclusion

The **at-risk of poverty or social exclusion** (AROPE) indicator corresponds to the number of people who are in at least one of the following situations: at risk of poverty or severely materially deprived or living in households with very low work intensity.

People at risk of poverty (AROP) have a disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median disposable income (after social transfers).

Severely materially deprived (SMD) people have living conditions severely constrained by a lack of resources, i.e. they cannot afford at least four of the following:

- to pay rent or utility bills;
- to keep their home sufficiently warm;
- to face unexpected expenses;
- to eat meat, fish or a protein equivalent every second day;
- a week’s holiday away from home;
- a car;
- a washing machine;
- a colour TV;
- a telephone.

People living in households with very low work intensity (VLWI) are those aged 0-59 living in households where the adults (aged 18-59, excluding students aged 18-24) have worked less than 20 % of their total work potential over the past year.

FUTURE DEVELOPMENTS

The Commission is to submit a mid-term evaluation report on the FEAD to the European Parliament and the Council by the end of 2018.

For the 2021-2027 period, the Commission proposes merging, inter alia, the existing ESF with the FEAD to create the European Social Fund+ (ESF+), which would be the main EU financial instrument to invest in people. It is proposed to allocate €101.2 billion in current prices to the ESF+. At least 4 % of this amount would be allocated to fighting material deprivation in pursuit of the priorities and activities of the current FEAD¹.

ROLES AND RESPONSIBILITIES

Managed under shared management, FEAD's implementation is supervised by the Directorate-General for Employment, Social Affairs and Inclusion. Each Member State was obliged to adopt at least one national operational programme (OP), with a minimum budget of €3.5 million, of which two possible types are defined in the FEAD Basic Act²:

- Type I operational programmes offer food aid and material support. Further to basic material assistance, the OP must set out accompanying measures aimed at alleviating the social exclusion of the most deprived.
- Type II operational programmes do not provide any material assistance per se. They provide a set of activities aimed at the social inclusion of the most deprived, and should clearly be linked to national social inclusion and labour market measures.

The set-up of the FEAD mirrors that of the European Structural and Investment Funds, entailing a multitude of responsibilities for the Commission and the Member States.

Commission

The Commission, together with the Member States, reviews the implementation of the OPs each year. To this end, it consults the partner organisations annually on progress. It also facilitates exchanges of good practice.

Member States

The Member States designate a national managing authority to implement the programme(s) at the administrative level, from the selection of operations, to monitoring and reporting to the Commission.

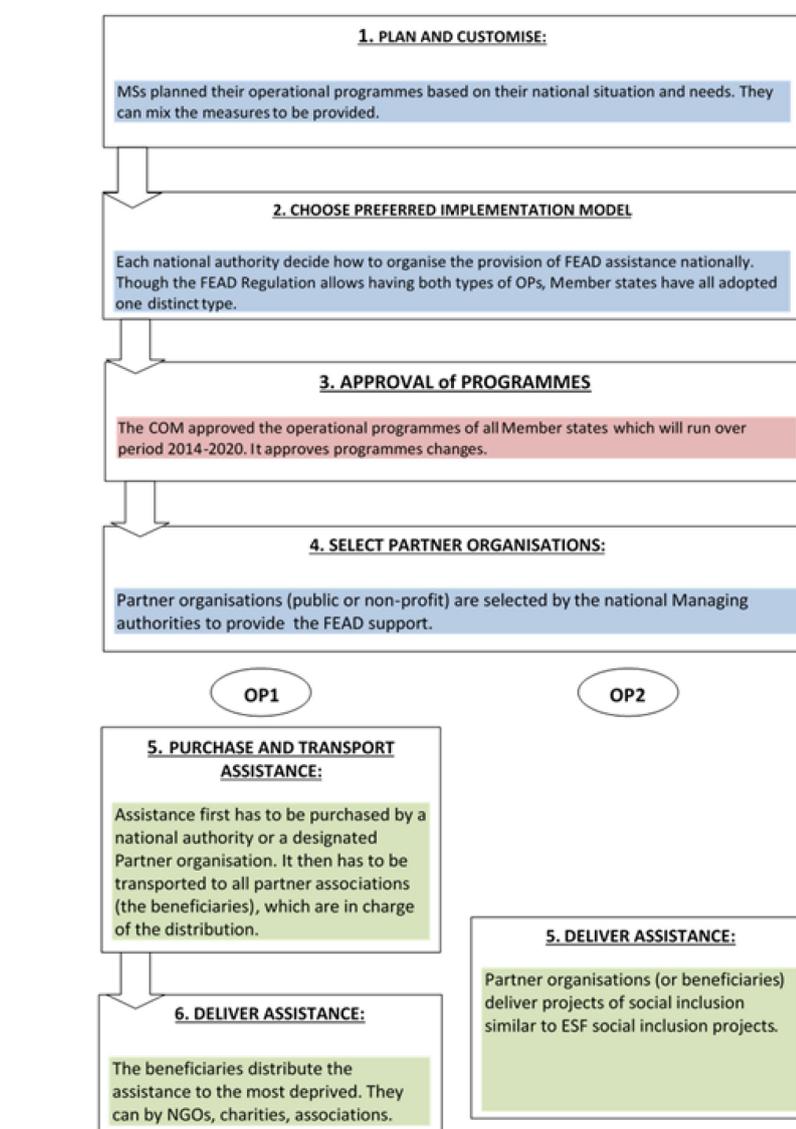
Partner organisations

Partner organisations and beneficiaries are then responsible for implementing the programme on the ground, that is delivering the food, material assistance and accompanying measures (OP type I) or providing the social inclusion activities (OP type II). The partner

organisations, which are public or non-profit organisations appointed by the managing authority, may purchase material supplies themselves, or this may be done by a public body which subsequently provides them free of charge to the partner organisations and beneficiaries.

The Funds programming model is presented in **Figure 1** below.

Figure 1: FEAD programming procedures



Source: European Court of Auditors.

MAIN ISSUES IDENTIFIED WHEN PREPARING THE AUDIT

When preparing our audits, we carry out an issue analysis of the policy areas or programmes that we intend to examine. Since these issues are identified before the audit work commences, they should not be regarded as audit observations, conclusions or recommendations.

In the course of the audit on the FEAD, we will look at the following areas in relation to the issues identified:

- whether the FEAD Basic Act is designed to effectively alleviate the worst forms of poverty by targeting the most deprived persons;
- whether Member States effectively target populations and end recipients through their national operational programmes to alleviate the worst forms of poverty;
- how the Commission measures the FEAD's contribution to the Europe 2020 target to reduce poverty by 20 million by 2020.

ABOUT ECA SPECIAL REPORTS AND BACKGROUND PAPERS

Our special reports set out the results of audits of EU policies and programmes or management topics related to specific budgetary areas.

Background papers provide information based on preparatory work undertaken before the start of an ongoing audit task. They are intended as a source of information for those interested in the audited policy and/or programme.

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¹ European Commission - Fact Sheet, Questions and Answers on the new Social Fund and Globalisation Adjustment Fund for the period 2021-2027, Brussels, 30 May 2018.

² Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived.