

Special Report

**Combating child poverty  
– Better targeting  
of Commission support required**



EUROPEAN  
COURT  
OF AUDITORS

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## **Acronyms and abbreviations**

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## Executive summary

**I** The fight against poverty and social exclusion is at the heart of the Europe 2020 strategy. Identifying groups with a heightened risk of poverty or social exclusion, and determining the reasons behind this vulnerability, is the key to being successful in this context. Statistics over a period of ten years show that children are at a greater risk of poverty or social exclusion than the rest of the population in the EU.

**II** Focusing on children and tackling the existing high rate of children in poverty is vital for a sustainable, efficient and competitive knowledge economy and a society that is fair across generations. The economic benefits of investing in children significantly outweigh the financing costs of the investment.

**III** It is primarily the responsibility of Member States and national governments to take appropriate measures to reduce child poverty. However, the Commission also has a role to play. It should support and complement the activities of Member States in combating social exclusion and tackling child poverty. For this purpose, it has both legal and financial instruments at its disposal.

**IV** The area of child poverty has not been previously audited by the Court. This report has the potential to contribute to the Commission's future initiatives to support Member States' efforts in combating child poverty.

**V** The objective of this performance audit was to determine whether the Commission had made an effective contribution to Member States' efforts to reduce child poverty. To answer this main audit question, we examined whether the Commission's legal instruments, the 2013/112/EU Commission Recommendation of 20 February 2013 – Investing in children: breaking the cycle of disadvantage (the Recommendation), the European Pillar of Social Rights and the European Semester process, contributed to tackling child poverty. We also examined how Member State's use of EU funds contributed to this goal.

**VI** While the Recommendation is not a legally binding instrument, it was a positive initiative to tackle child poverty in an integrated way. Despite this, the progression of its implementation and impact on national policies is difficult to assess as measurable targets and milestones have not been set.

**VII** The European Pillar of Social Rights increased the awareness of social policies in the EU, including child poverty and has the potential to focus measures and funding on addressing child poverty for the 2021-2027 programming period. However, the completion of an action plan to fully implement its different principles is lacking. Establishing an action plan is critical for providing an overview of its progress.

**VIII** The European Semester process involves the issuing of Country Specific Recommendations to Member States in different policy areas. We found that Member States have received Country Specific Recommendations in areas concerning family and child policies, which may help in reducing child poverty. However, child poverty is rarely addressed explicitly and the specific methodology setting out when child poverty should be prioritised for considering a potential Country Specific Recommendation has not been clearly defined.

**IX** EU legislation does not target funding directly at combating child poverty. Both the Commission and the Member States visited could not quantify the amount of funds allocated to projects directly tackling child poverty and therefore could not assess their effectiveness.

**X** In our overall conclusion, we recognize that child poverty remains a serious issue in the EU with almost one out of four children still being at risk of poverty or social exclusion. Although the Commission has a limited role to play, it is difficult, if not impossible, to assess whether their initiatives to reduce child poverty, through the use of legal instruments and EU funds, were sufficiently effective.

**XI** We recommend that the Commission should:

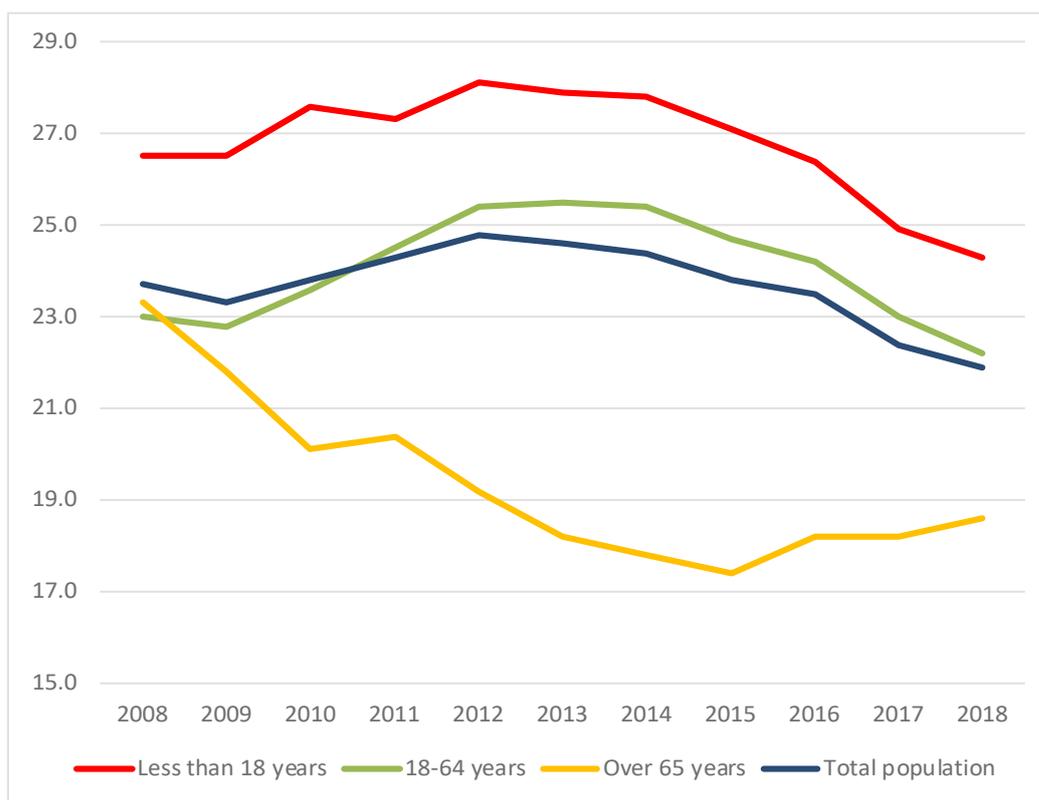
- include actions and objectives to tackle child poverty in its Action Plan for the European Pillar of Social Rights;
- have clear internal guidance for identifying situations that could lead to a potential Country Specific Recommendation directly relating to child poverty as part of their analysis within the European Semester process;
- target and monitor investments at tackling child poverty in the programme period 2021-2027; and
- ensure that necessary steps and sufficient intelligence gathering have been completed for the preparation of the upcoming European Child Guarantee policy initiative.

## Introduction

**01** The fight against poverty and social exclusion is at the heart of the Europe 2020 strategy. Identifying groups with a heightened risk of poverty or social exclusion, and determining the reasons behind this vulnerability, is the key to being successful in this fight. A person is deemed to be at risk of poverty or social exclusion if they are in at least one of the following situations; at risk of poverty, severely materially deprived or living in low work intensity (paragraph 77).

**02** Comparison by age group over a period of ten years shows that Children (0-18) are at a greater risk of poverty or social exclusion than the rest of the population in the EU (see [Figure 1](#)).

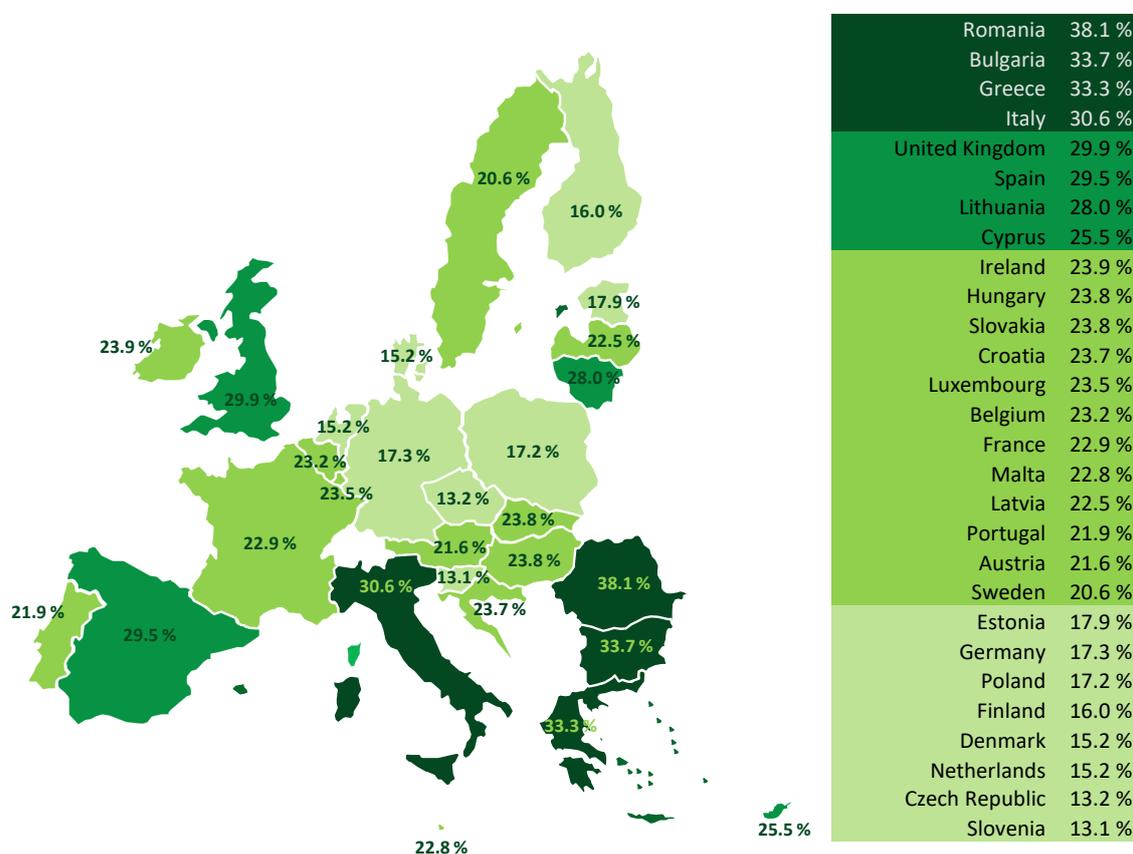
**Figure 1 – Population at risk of poverty or social exclusion in the European Union by age group, percentage (2018)**



Source: EUROSTAT, extracted on 22.11.2019.

**03** In 2018, 23 million children in the EU were at risk of poverty or social exclusion i.e. one out of four children<sup>1</sup>. However, child poverty levels vary significantly between Member States. Four Member States (Romania, Bulgaria, Greece and Italy), recorded a percentage of children at risk of poverty or social exclusion higher than 30 %, meaning that one out of three children were at risk of poverty or social exclusion. In the Member States (Denmark, the Netherlands, Czech Republic and Slovenia) that reported the lowest rates one out of six children are at risk of poverty or social exclusion (see *Figure 2*).

**Figure 2 – Percentage of Children at risk of poverty or social exclusion (AROPE) in the EU, in 2018**



Source: ECA based on Eurostat data, extracted on 20.12.2019.

**04** According to the Commission’s Economic Forecast for 2021, the COVID 19 pandemic has led to significant disruptions and has changed the prospects of European labour markets. The euro area unemployment rate is expected to increase from 7.5 % in 2019 to about 9.5 % in 2020 and 8.6 % in 2021. As a result, vulnerable society groups

<sup>1</sup> Eurostat, dataset “People at risk of poverty or social exclusion”.

are at risk of poverty or social exclusion. It is imperative that Member States coordinate their activities within their countries and across the EU to protect those most at risk.

**05** Focusing on children and tackling the existing high rate of children in poverty is vital for a sustainable, efficient and competitive knowledge economy and an intergenerational fair society<sup>2</sup>. Various studies have repeatedly highlighted that investing at a relatively low financial cost during childhood can yield a lifetime of gains, not only for individuals, but also for societies and economies<sup>3</sup>. The economic benefits of investing in children significantly outweigh the financing costs of the investment<sup>4</sup>.

**06** The fight against child poverty is primarily executed at Member State level. Governments and other actors in the Member States have a number of social policy and welfare initiatives they can employ to support disadvantaged children and families, such as routine social transfer programmes; direct provision of services and resources or targeted intervention programmes.

**07** However, the EU and in particular the Commission also has a role to play. It shall support and complement the activities of Member States in the fields of combating social exclusion. The Commission should also facilitate coordination of Member States' action in all social policy fields under Title X – Social Policy of the TFEU. For this purpose, it has both legal and financial instruments at its disposal.

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<sup>2</sup> Social Investment Package, Commission Communication “Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020”, COM(2013) 83 final, 20 February 2013, p. 13.

<sup>3</sup> UNICEF, A brief review of the social and economic returns to investing in children, June 2012, available at: [https://www.unicef.org/socialpolicy/files/Investing\\_in\\_Children\\_19June2012\\_e-version\\_FINAL.pdf](https://www.unicef.org/socialpolicy/files/Investing_in_Children_19June2012_e-version_FINAL.pdf).

<sup>4</sup> UNICEF, Right in Principle and in Practice: A Review of the Social and Economic Returns to Investing in Children, Social and Economic Working Paper, 2012, p. 33. Available at: [https://www.unicef.org/socialpolicy/files/Investing\\_in\\_Children.pdf](https://www.unicef.org/socialpolicy/files/Investing_in_Children.pdf).

## Audit scope and approach

**08** We decided to carry out this audit as children are at greater risk of poverty or social exclusion than the rest of the population. Child poverty is a challenge across many Member States and can have significant impacts on opportunities later in life, such as unemployment as an adult. The issue currently features highly on the political agenda following the European Parliament's proposal for a Child Guarantee for the 2021-2027 period (paragraphs [85](#) to [90](#)).

**09** The objective of this performance audit was to determine whether the Commission had made an effective contribution to Member States' efforts to reduce child poverty. To answer this main audit question, we examined whether the Commission's legal instruments and Member States use of EU funds effectively contributed to efforts to tackle child poverty.

**10** Our audit examined the use and implementation of:

- the 2013/112/EU Commission Recommendation of 20 February 2013 – Investing in children: breaking the cycle of disadvantage (the Recommendation), which promotes an integrated approach bringing together a wide spectrum of actions that should help reducing child poverty;
- the European Pillar of Social Rights (the EPSR), from 2017, which encompasses 20 principles, some of which directly or indirectly aim to tackle child poverty;
- the European Semester process within which the Commission analyses Member States social policies and can make Country Specific Recommendations addressing child poverty where considered necessary;
- EU financial contributions available under the European Social Funds (ESF) in the programming period 2014-2020 to address child poverty;
- Child poverty indicators across the EU.

**11** Our main auditee was the European Commission. In addition, we visited the relevant National authorities in Germany, Italy, Poland and Romania as well as international and non-governmental organisations active in the field of tackling child poverty to obtain more information and their perspective on the topic. The criteria for selecting Member States included, amongst others, child poverty rates and Member States potential ESF allocation in combating child poverty. The countries visited

represented a balanced selection to include both high and low child poverty rates and ESF allocations.

**12** The audit work included desk reviews of regulations, strategies, policy documents, guidelines, evaluations, monitoring reports and internal documents, as well as papers published by national authorities, research bodies, academics and non-governmental organisations.

**13** Our work also includes forward-looking elements, whereby we contribute to the ongoing discussion for a child guarantee. We note also that our audit work was completed prior to the outbreak of Covid-19, and therefore this report does not take into account any policy developments or other changes that occurred in response to the current pandemic.

# Observations

## The Recommendation was a positive initiative but its impact is difficult, if not impossible, to assess

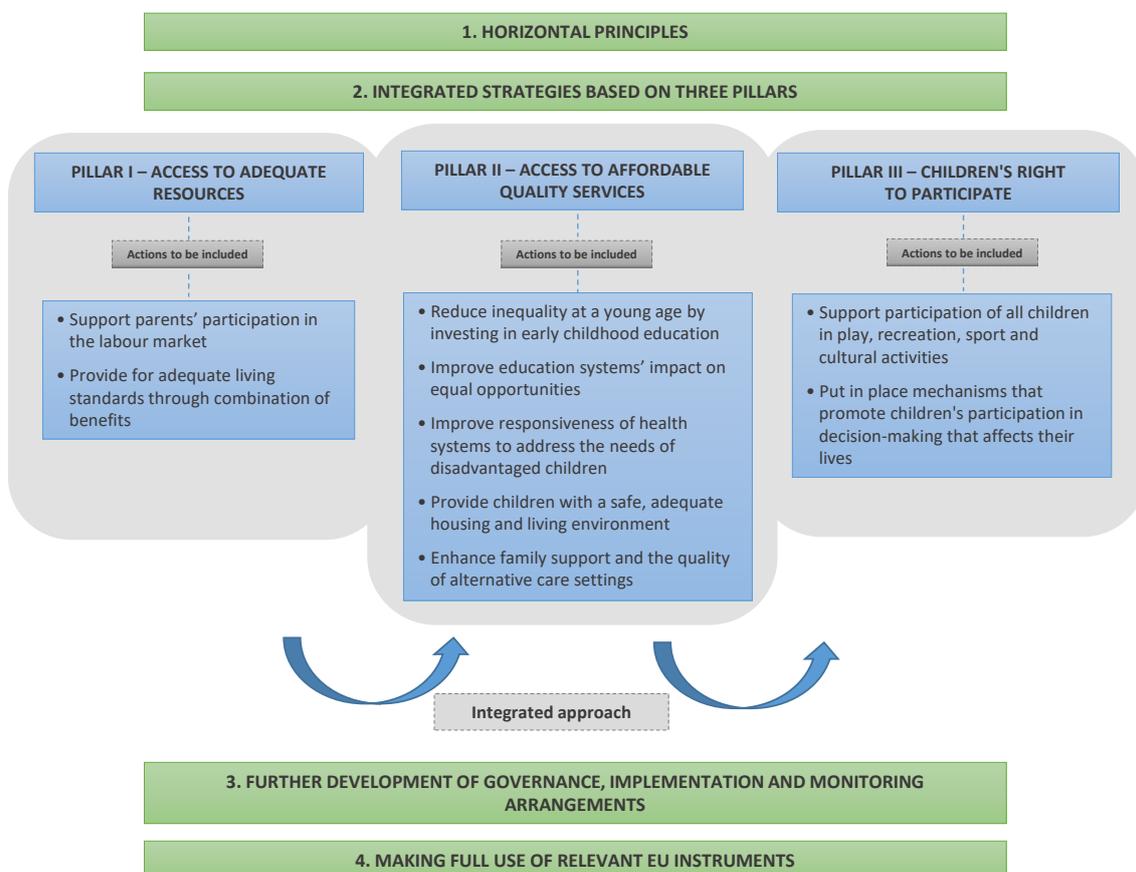
### The Recommendation was a positive attempt to holistically address child poverty

**14** The Commission adopted the Recommendation in 2013 following an initiative of the European Council and consultations with Member States' authorities and expert organisations. The document was adopted as part of the Social Investment Package (SIP)<sup>5</sup>, the Commission's response to help Member States addressing growing risk of poverty or social exclusion following the 2008 crisis. The aim of the Recommendation is to promote an integrated three-pillar approach concerning access to adequate resources, access to affordable quality services and children's right to participate, focusing on children and their families (see [Figure 3](#)).

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<sup>5</sup> Commission Communication "Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020", COM(2013) 83 final, 20 February 2013.

**Figure 3 – Structure of the Commission Recommendation “Investing in children: breaking the cycle of disadvantage”**



Source: ECA based on the Commission Recommendation on “Investing in children: breaking the cycle of disadvantage”.

**15** While the Recommendation is not legally binding, it was a positive initiative to tackle child poverty in an integrated way. It aims to encourage Member States to organise and implement policies to address child poverty and social exclusion through multi-dimensional strategies by following a list of horizontal principles. It also calls on Member States to develop necessary governance, implementation and monitoring arrangements to ensure policies effectively address child poverty and social exclusion, as well as to make full use of relevant EU instruments including EU funding.

**16** The non-binding nature of the Recommendation means that the Commission cannot enforce its implementation on Member States, but it can promote its relevance and progression by:

- o assisting Member States in its implementation through developing an action plan and the sharing of good practices in combating child poverty;

- o monitoring and reporting the resulting progress across Member States which would provide for transparency and comparison.

### **The Commission did not prepare a roadmap**

**17** The Recommendation's principles and the different measures foreseen under its three pillars are general in scope and need further guidance for an effective implementation. In this respect, the European Parliament had recommended that the Commission establish a roadmap with Member States for the implementation of the Recommendation's three-pillar approach.

**18** Relevant stakeholders, including social NGOs, public authorities and rights organisations, who participated in the "Ad hoc Group on Child Poverty and Well-being", had expressed the same need to the Commission. They had recommended putting in place an EU roadmap that establishes a visible, communicable plan, which establishes specific objectives, key milestones with timelines and concrete allocation of resources, highlighting the role of different actors and government levels<sup>6</sup>.

**19** However, the Commission did not prepare such a roadmap or equivalent and missed an opportunity to provide specific assistance to the Member States as to how and by when they should implement the Recommendation.

### **The online platform for sharing good practices is a good initiative but more efforts are needed to identify best practices**

**20** Member States' efforts to combat child poverty would benefit from sharing good practices that other Member States used and identified. The Commission set up the European Platform for Investing in Children (EPIC), which has the potential to fulfil this role.

**21** The Commission developed this online platform with the aim to share the best of policymaking for children and families and to foster cooperation and mutual learning in the field. The platform is in place since the adoption of the Recommendation. EPIC collects and disseminates innovative evidence-based practices that may have a

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<sup>6</sup> Communication to Commissioner László Andor, DG EMPL, "Common Proposals for Implementing the Recommendation on Child Poverty and Well-being through a partnership approach", 1 February 2013.

positive impact on children and families in Member States. The practices are allocated to one of the three pillars of the Recommendation and classified as “emergent practices”, “promising practices” or “best practices”.

**22** By beginning of March 2020, in total 130 evidence-based practices were available on the EPIC site. However, only three of them were classified as being “best practices”, all of which belong to the second pillar of the Recommendation (Access to affordable quality services). These “best practices” are illustrated in **Box 1**. No best practices had been uploaded and identified for the first and the third pillar of the Recommendation which related to access to adequate resources and children’s right to participate.

### Box 1

#### Practices classified as “best practices” on EPIC site, March 2020

##### **Home-Start**

*(Started in 1973 – still operating)*

Implemented in: Denmark, Hungary, Ireland, Norway, United Kingdom, Netherlands, Czech Republic, France, Malta, Greece, Romania, Poland and Latvia

The Home-Start programme is a home visiting intervention in which volunteers with childcare experience give support to struggling families with children younger than five years of age. Home-Start targets families and mothers with little experience or social support network, who may have minor but not serious physical or mental health issues. It aims to reduce the stress of parenting and encourage families, especially families at risk for child abuse and neglect, so that a nurturing environment for their children may be created.

##### **Incredible years**

*(Started in 2001 – still operating)*

Implemented in: Ireland, Denmark, United Kingdom, Sweden, Norway, Finland, Netherlands and Portugal

The Incredible Years Preschool Basic parent programme consists of eight to twelve weeks of 2-2.5 hour parenting sessions designed to teach parents how to recognise and treat their child’s emotional and behavioural problems through positive parenting. This programme can be used for parents of preschool children who already have or are at risk to develop conduct problems (including antisocial behaviour, frequent anger, and a propensity towards violence).

**Triple P – Positive Parenting Programme** *(Started in 1999 – still operating)*

Implemented in: Belgium, Switzerland, Netherlands and Germany

Positive Parenting Programme is a multilevel system of family intervention that aims to prevent severe emotional and behavioural disturbances in children by promoting positive and nurturing relationships between parent and child. According to the developers, apart from improving parenting skills, “the programme aims to increase parents’ sense of competence in their parenting abilities, improve couples’ communication about parenting, and reduce parenting stress. The acquisition of specific parenting competencies results in improved family communication and reduced conflict that in turn reduces the risk that children will develop a variety of behavioural and emotional problems” (Sanders, Turner, et al., 2002).

*Source: ECA based on EPIC, March 2020.*

**23** The small number of “best practices”, the most recent started in 2001, and the lack of such practices for the first and third pillar limits the effectiveness of the EPIC platform in assisting in the implementation of the Recommendation. Moreover, the Commission has limited information regarding the adoption and implementation of EPIC evidence based practices in Member States.

**24** Some Member States visited informed us that effective national initiatives are in the form of social transfer programmes whereby families receive a direct monetary contribution. Over time, such initiatives can be a sizeable burden on the national budget. We have illustrated one example in [Box 2](#).

**Box 2**

**Example of a measure to combat child poverty in Poland**

The Polish authorities reported that the most important measure in combating child poverty was the introduction of the Family Benefit “Family 500+ Programme” introduced on 1 April 2016.

The disproportionate decrease of children affected by relative poverty in 2017 compared to 2016 and the relatively low percentage since then is to a significant extent due to that programme, although no independent assessment has yet been performed on the programme.

From April 2016 to 30 June 2019 the family benefit was provided to the first child depending on income and to every subsequent child independently of income.

The European Council also expressed the concern that it had had a negative effect on the participation of parents in the labour market – especially women.

From 1 July 2019, a change was introduced, and this programme now provides universal/not income-dependent financial support to all 6.8 million of children in Poland.

However, this benefit is not without its drawbacks. The total annual costs of this programme equalled to some 23 billion PLN in 2017 and 2018 (roughly 1.1 % of GDP<sup>7</sup>) and is expected to increase to up 40 billion from 2020 onwards.

### Monitoring and reporting is affected by limited information

**25** Effective monitoring of the Recommendation's implementation is another tool that the Commission can use to promote its relevance for Member States. In particular, regular reporting of progress made in different Member States ensures transparency and provides a basis for comparison and encouragement. However, this requires measurable indicators and realistic targets as well as an appropriate reporting mechanism.

**26** The Recommendation in this respect called on Member States to strengthen the use of evidence-based approaches by making full use of the existing statistics, administrative data and the proposed monitoring framework, which consists of 32 indicators<sup>8</sup>.

**27** However, we found that the proposed indicators do not cover all measures proposed by the Recommendation. For the third pillar, no indicators have been set for any of the measures that fall under it.

**28** The progression of the Recommendation's implementation is difficult to assess as measurable targets and milestones in this context have not been set. The Commission

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<sup>7</sup> Eurostat GDP in 2018 was 2.120 billion zloty.

<sup>8</sup> Annex to the Commission Recommendation 112/2013 on Investing in children: breaking the cycle of disadvantage.

and Member States had explored the possibility of setting such targets, however finally Member States did not support it.

**29** Despite these limitations, there is at least some information available through the Social Protection Committee (SPC), of which the Commission is a member. The SPC is an advisory policy committee to the Ministers in the Employment and Social Affairs Council (EPSCO). Benefitting from policy expertise, analytical and secretarial support from the Commission, the SPC's tasks include monitoring the social situation and the development of social protection policies in the Member States and in the EU. It provides an annual update via the “Thematic portfolio of investing in children” for the majority of the indicators listed in the monitoring framework of the Recommendation.

### **It is difficult, if not impossible, to measure the direct, quantitative impact of the Recommendation**

**30** Effective implementation of the Recommendation should follow a national strategy/policy to combat child poverty, which identifies the areas where a Member State believes it needs primarily to engage to combat child poverty and how this should happen. The existence and the content of such strategy would also be an indication of the impact of the Recommendation.

**31** Following the Commission’s request, the European Social Policy Network (ESPN) prepared a study of national policies in order to measure the Member States progress in implementing the Recommendation<sup>9</sup>. This study provided concrete and comparable information for each Member State and as well as seven other countries.

**32** The overall finding of the ESPN analysis is that the modest progress made in the direction outlined in the Recommendation is insufficient to the scale of the problem in many countries. The experts highlighted that many of the countries with high or very high levels of child poverty or social exclusion made limited progress in most areas and some of these have actually weakened their approach in several areas. The countries that already had strong policies and programmes and low levels of child poverty or social exclusion have largely maintained these.

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<sup>9</sup> Hugh Frazer and Eric Marlier, “Progress across Europe in the implementation of the 2013 EU Recommendation on ‘Investing in children: Breaking the cycle of disadvantage’, A study of national policies”, 2017.

**33** The study further noted that it is difficult, if not impossible, to assess the extent to which individual improvements can be attributed to the Recommendation itself, but indicated little change of national policies in many countries. Whilst this is not surprising for the Member States where child poverty ratios are low or medium, they expressed a particular concern that many of the Member States with high and very high ratios did not move towards a more integrated and multi-dimensional approach. This conclusion corroborates what we had found in the four Member States visited (Germany, Italy, Poland, Romania).

**34** The study had put forward non-binding recommendations<sup>10</sup>, which aimed to bring greater urgency and effectiveness to the Recommendation's implementation. However, the Commission did not follow them up.

### **The European Pillar of Social Rights: a progressive and overarching social initiative, with principles of a general nature on children**

**35** On 17 November 2017, the European Parliament, the Council and the Commission at the Gothenburg Social Summit for Fair Jobs and Growth jointly proclaimed the European Pillar of Social Rights (the EPSR)<sup>11</sup>. The Commission and the Member States share the responsibility for its implementation. The EPSR represents another non-legally binding instrument available to combat child poverty where the Commission cannot enforce its implementation on Member States.

**36** The EPSR is designed as a framework to deliver a fairer Europe for citizens with a strong social dimension. It encompasses 20 principles formulated, for the most part, as rights that aim to trigger legislative and non-legislative activity at Member State level.

**37** The 20 principles are divided across three categories, to support inclusive and well-functioning labour markets and welfare systems, (i) Equal opportunities and access to the labour market, (ii) Fair working conditions, (iii) Social protection and inclusion.

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<sup>10</sup> Idem, pp. 33-35.

<sup>11</sup> <http://www.socialsummit17.se/>.

**38** The EPSR is accompanied by a “social scoreboard” to monitor its implementation by tracking trends and performances Member States in 12 areas and feeds into the European Semester process.

### Children’s rights are covered by a specific Principle in the EPSR

**39** Of the EPSR’s 20 principles one, *Principle 11 (Childcare and support to children)* under the Social protection and inclusion category, mentions explicitly the need to invest in children by pointing out that:

- children have the right to *affordable* early childhood education and care (ECEC) of good quality;
- children have the *right to protection from poverty*. Children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities.

**40** A number of other principles are relevant to children and could both directly and indirectly affect child poverty (e.g. principles relating to education, work-life balance, social protection and health) however, they do not specifically refer to children.

**41** The EPSR increased the awareness of social policies in the EU, including child poverty. One way in particular was through the update of the Employment Guidelines. Employment guidelines are common priorities and targets for employment policies proposed by the Commission, agreed by national governments and adopted by the EU Council. In 2018, the Employment Guidelines were updated to take into account the Pillar principles. These Guidelines frame the scope and direction of Member States’ policy coordination and contribute to the European Semester process.

**42** However, we note the EPSR only provided general principles already captured by the Recommendation in more detail in the form of specific measures.

- For the first part of Principle 11 relating to affordable ECEC, measures already existed before the adoption of the EPSR. The Recommendation calls for integrated strategies to address child poverty, which encompassed ECEC.
- The second part of Principle 11 relates to children’s right to protection from poverty. The Recommendation provides for children having access to comprehensive and integrated resources and services, which would address this right.

## The EPSR would benefit from an action plan

**43** When endorsing the EPSR, the European Council<sup>12</sup> clarified that it should be implemented at both Union and Member State level, for which the Commission and the Member States share the responsibility. While many of the tools to deliver on the Pillar are in the hands of Member States, as well as social partners and civil society, the EU institutions – and the European Commission in particular – can help by setting the strategic framework and giving direction.

**44** The Political Guidelines for the Commission 2019-2024 noted the intention to “put forward an action plan to fully implement the European Pillar of Social Rights”<sup>13</sup>. In January 2020 the Commission presented a communication<sup>14</sup> setting out the road towards such an Action Plan and launched a broad discussion with all EU countries, regions, and with all relevant partners. It is envisaged that the Action Plan will be presented early 2021, almost four years after its adoption; it will call upon action by actors at all levels: European, national, regional and local. While this envisaged action plan is a welcome development, its realisation is important for providing an overview of progress in the implementation of the different principles, including Principle 11 on children’s rights.

## The EPSR is likely to have a prominent role in the 2021-2027 programming period

**45** The proposed regulation for the European Social Fund Plus (ESF+), for the period 2021-2027, focuses on investment in people and supports the delivery of the EPSR. Moreover, a more social Europe implementing the EPSR is included in one of the five policy objectives identified by the proposed Common Provisions Regulation (CPR) for the period 2021-2027<sup>15</sup>.

**46** According to the proposal, to ensure that the social dimension of Europe as set out in the EPSR is duly put forward, Member States should allocate at least 25 % of

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<sup>12</sup> European Council meeting (14 December 2017) – Conclusions.

<sup>13</sup> See “A Union that strives for more – My Agenda for Europe” by candidate for President of the European Commission Ursula von der Leyen – Political Guidelines for the next European Commission 2019-2024.

<sup>14</sup> COM(2020) 14 final, “A Strong Social Europe for Just Transitions”, 14 January 2020.

<sup>15</sup> COM(2018) 375 final, 2018/0196 (COD), Article 4.

their national ESF+ resources under shared management to fostering social inclusion<sup>16</sup>. The social inclusion policy area includes a reference to children, however no specific targets or level of support is as of yet proposed to be allocated for this purpose.

**47** The Proposal for the ESF+ Regulation specifies that Member States should take into account principles and rights set out in the EPSR. This new proposed emphasis on the EPSR concerning the 2021-2027 programming period, has the potential to focus measures and funding on tackling child poverty.

## The European Semester CSRs rarely address child poverty explicitly

### Limited progress towards 2020 poverty reduction targets

**48** Introduced in 2010, the European Semester is an annual cycle of economic and fiscal policy coordination, designed specifically to coordinate national efforts to achieve the targets of the Europe 2020 strategy for smart, sustainable and inclusive growth. It shall therefore contribute to achieve the headline target concerning poverty and social exclusion “to lift at least 20 million people out of the risk of poverty or social exclusion by 2020, compared with 2008”.

**49** To what extent this target will be achieved largely depends on the Member States. They have set their own national poverty targets in their National Reform Programmes (NRP). We note that even if all national targets are met by 2020, the total number of people lifted out of poverty will not reach the 20 million target envisaged by the Europe 2020 Strategy (see [Annex I](#) with details per Member State).

**50** Eurostat data<sup>17</sup> indicates that in 2018 still 109.2 million people were at risk of poverty or social exclusion. The overall reduction for the EU-28 is 7.15 million people lifted out of poverty compared to 2008, which means progress has been limited to date and the 2020 targets are thus unlikely to be achieved.

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<sup>16</sup> 2018/0206 (COD), preamble 22.

<sup>17</sup> See Eurostat, extracted on 7.1.2020.

## CSRs include child poverty related issues, but the underlying process needs further clarification

**51** Child poverty falls under the poverty and social exclusion element of the Europe 2020 strategy and is therefore part of the Commission’s yearly European semester process which involves the following five main phases:

- (1) the Commission prepares Country Reports for each Member State,
- (2) Member States present their NRP (economic policies) and Stability or Convergence Programmes (on budgetary policies), and
- (3) the Commission proposes the Country Specific Recommendations (hereinafter CSR),
- (4) the Council adopts the CSRs, which are addressed to Member States and expected to be implemented through national policy-making,
- (5) the Commission monitors the subsequent implementation of the CSR.

**52** Country Reports are the starting point of the European Semester process. They contain an assessment of each Member State’s economic situation and progress towards Europe 2020 targets. CSRs generally address issues identified in the Country Reports.

**53** We have reviewed the 2019 Country Reports for six Member States, three of which had the highest at risk of poverty or social exclusion rate for children in 2018<sup>18</sup>. We found that the Commission assessed child poverty coherently in these reports and identified it as a problematic issue where appropriate.

**54** One important criterion in the subsequent step for when the Commission considers a draft CSR on child poverty, is to assess whether the EU at risk of poverty or social exclusion rate for children is “high” or “very high”. We note that the internal threshold levels used to classify the child poverty rates as “high” vary from 28 % to 31 % for the years examined (2015-2017). These are set above EU average levels of 24.3 % to 27.1 % for the corresponding period and impacts which Member States are being considered for a possible CSR directly related to child poverty.

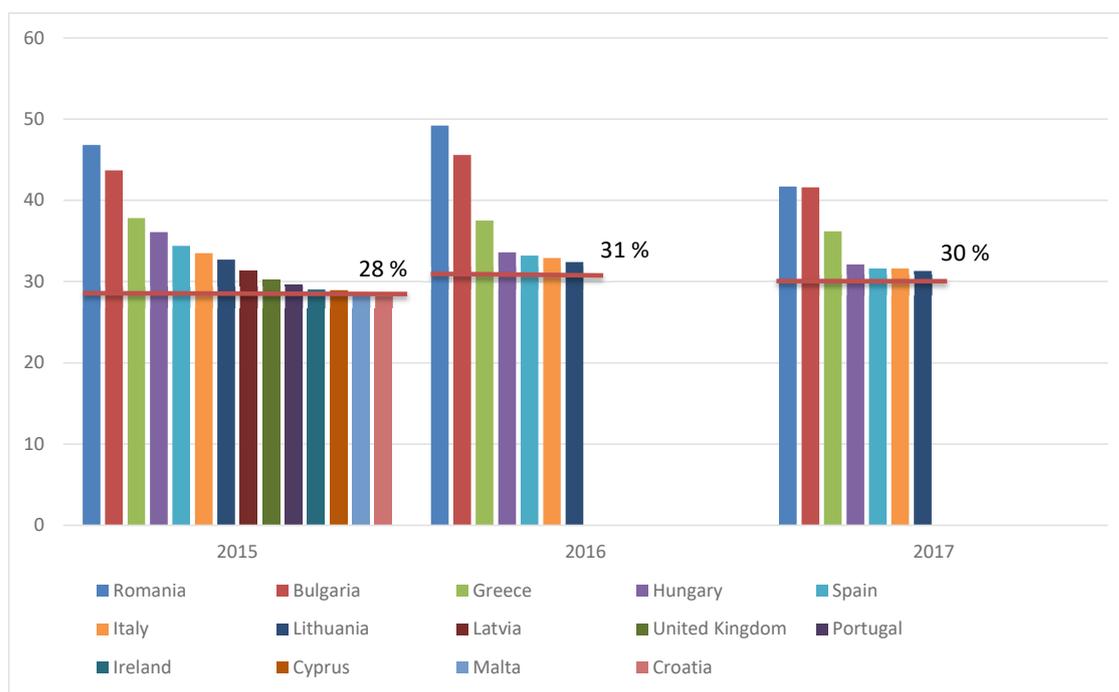
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<sup>18</sup> Three highest rates – Romania (38.1 %), Bulgaria (33.7 %) and Greece (33.3 %).

Three Member States visited, but not among the highest rates – Italy, Germany and Poland.

**55** From 2015 to 2017 we found 28 instances where Member States had an at risk of poverty or social exclusion rate that would classify them in the category of “high” or “very high” for the relevant years (see [Figure 4](#)). In addition to this, for the 14 Member States noted in 2015 this rate had deteriorated for two of them compared to 2016 (Bulgaria, Romania).

**Figure 4 – Member States with an at risk of poverty or social exclusion rate for children assessed as high or very high, year 2015-2017 (related to CSRs 2016-2019)**



Source: ECA Eurostat, Percentage of population (age 0-17) at risk of poverty or social exclusion (AROPE) in the EU (2008-2018), see [Annex III](#).

**56** We found that all of the Member States with an at risk of poverty or social exclusion rate assessed as “high” or “very high” by the Commission<sup>19</sup>, have received CSRs in other areas concerning family and child policies, e.g. in the area of “income support adequacy of social protection”. These CSRs may help in reducing child poverty. We note that one Member State, Ireland, received a CSR explicitly concerning child poverty during the period 2016 to 2019 (see [Box 3](#)).

<sup>19</sup> Except Greece, as it was not subject to European Semester processes prior to 2019.

**Box 3****Example of CSR related to child poverty for Ireland in 2016**

In 2016, the Council of the European Union made a country-specific recommendation to Ireland regarding child poverty:

*Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. Improve the provision of quality, affordable full-time childcare<sup>20</sup>.*

**57** The Commission services in this context explained that defining and proposing CSRs depends not only on the at risk of poverty or social exclusion rate for children, but also on:

- (1) whether the challenge (issue) had previously been addressed in the European Semester;
- (2) whether the implementation of the already adopted recommendations had started;
- (3) whether the circumstances in the Member State have changed and in regard the indicators indirectly related to child poverty;
- (4) other pressing challenges the Member State might be facing due to a limit to the number of CSRs that can be proposed to a Member State in one year.

**58** Although the Commission analyses child poverty when preparing Country Reports within the European Semester process, the specific methodology setting out when Child Poverty should be prioritised for considering a potential CSR has not been clearly defined.

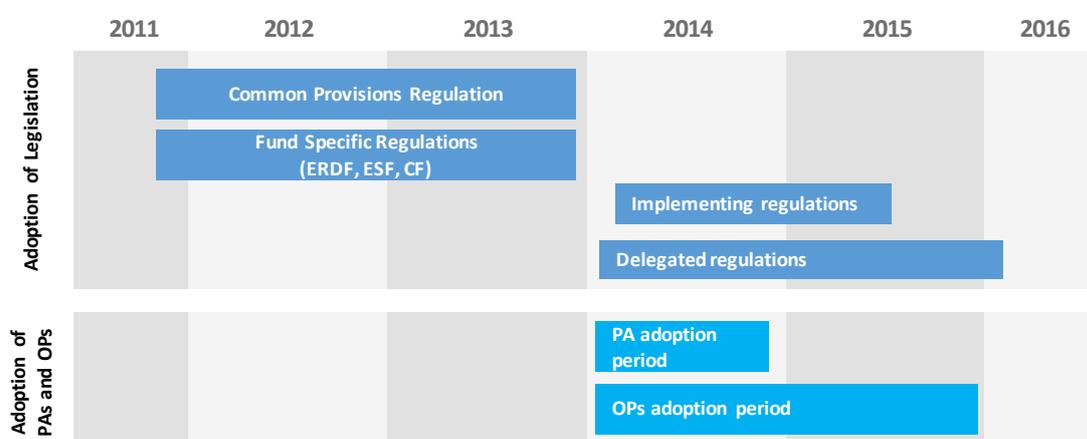
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<sup>20</sup> COM(2016) 328 final.

## The effectiveness of 2014-2020 EU funding to tackle child poverty cannot be assessed

**59** The process of setting out how Member States use and allocate EU funds is another way in which the Commission can contribute to combating child poverty. The Commission can have an impact at three steps within this process. The first step is the design of CPR, the second is through Partnership Agreements (PAs) and the third is through the Operational Programmes (OPs), the last two at Member State level. We illustrate this process for the current programme period in *Figure 5*.

**Figure 5 – Process from regulation design to OP adoption for the 2014-2020 period**



Source: ECA.

## The CPR for the ESI funds does not target child poverty directly

**60** The CPR<sup>21</sup> sets out common provisions for seven shared management funds. It sets the main rules that govern the funds for the 2014-2020 period. The CPR contains the key provisions concerning the programming of Cohesion policy objectives and corresponding spending for the 2014-2020 period.

**61** Through its role in the design of the proposal for the CPR the Commission can influence the allocation and the subsequent use of the European Structural and Investment Funds (ESI Funds) to contribute towards combating child poverty. One of

<sup>21</sup> Regulation No 1303/2013 of the European Parliament and of the Council of 17 December 2013.

the main instruments of the CPR for this purpose is the setting of relevant Thematic Objectives (TOs) and Investment Priorities (IPs).

**62** TOs are defined in the CPR and present objectives that should be supported by ESI Funds. The CPR identifies 11 Thematic Objectives (TOs), defining sectors and areas of intervention where EU support through the ESI Funds can bring the greatest added value. Thematic Objectives (TOs)<sup>22</sup> are broken down into Investment Priorities (IPs)<sup>23</sup>.

**63** The CPR is complemented by the fund specific regulations of the European Social Fund (ESF) and the European Regional and Development Fund (ERDF). In total, under the ESF and ERDF specific Regulations there are 57 IPs. None of the IPs are specifically dedicated to tackling child poverty.

**64** For 2014-2020 the CPR also introduced a new instrument aiming to increase the effectiveness of the ESIF-interventions, the “ex-ante conditionalities” (EACs). The EACs set minimum requirements at the beginning of the implementation of programmes and include strategic and regulatory requirements which Member States have to achieve prior to the receipt of EU funds. For the EAC related to poverty (see [Box 4](#)).

#### Box 4

**When preparing ERDF, CF and ESF OPs under the 2014-2020 programme period, Member States have to ensure that these conditions are fulfilled**

Thematic objective	Thematic EAC	Type
TO 9. Promoting social inclusion, combating poverty and any discrimination	EAC 9.1. The existence and the implementation of a national strategic policy framework for poverty reduction aiming at the active inclusion of people excluded from the labour market in the light of the Employment guidelines	Strategic

<sup>22</sup> Regulation (EU) 1303/2013, Article 9.

<sup>23</sup> Regulation (EU) 1304/2013, Article 3; Regulation (EU) 1301/2013, Article 5.

**65** The EAC related to the poverty TO 9 “Promoting social inclusion, combating poverty and any discrimination” is considered as fulfilled if a Member State has in place a “National strategic policy framework for poverty reduction, aiming at active inclusion”. All Member States visited adopted anti-poverty strategies in response ex-ante conditionality 9.1 and the Commission noted that for all four Member States visited the EAC 9.1 was fulfilled.

**66** However, the criteria for fulfilment of the social inclusion EAC does not require Member States to set targets for poverty reduction nor does it specify vulnerable groups to be targeted including children. EU legislation does not target funding directly at child poverty.

### **The amount of ESI funds directly addressing child poverty is unknown**

**67** PAs are strategic investment plans for EU Member States, which indicate their national spending priorities for the ESI funds over a seven year period. PAs encompass the goals and TOs to be pursued by a Member State that relate to their specific investment and development needs. These goals are further elaborated in the related individual OPs. The conditions against which the performance of these programmes can be measured should be adequate and should set relevant indicators, which allow for assessment of their effectiveness.

**68** PAs cover the entire programme period and encompass all five ESI funds. There is one PA per Member State prepared on the basis of the NRPs presenting the country’s policies and measures to sustain growth and jobs and to reach the Europe 2020 targets, the most recent relevant CSRs and relevant Council recommendations.

**69** The PA is subject to the approval of the Commission and encompasses information on the Member States development needs; selected TOs; a list of OPs for the Member State; a summary of ex-ante evaluations and a summary of assessment of the ex-ante conditionalities, amongst others.

**70** While the PAs for the four Member States visited set targets for reducing poverty in general, none had set them for reducing child poverty explicitly.

**71** We reviewed five OPs and tried to identify the funds allocated to tackle child poverty. However, children in poverty are not an explicit target group for the ESI fund interventions and there are no horizontal selection criteria/eligibility conditions targeting the financial support for children at risk of poverty or social exclusion. As

such, it is not possible to establish whether these interventions directly benefited children at risk of poverty or social exclusion<sup>24</sup>. **Figure 6** shows the maximum EU funding as indicated by national authorities potentially available to tackle, inter alia, child poverty in the sampled five OPs.

**Figure 6 – EU funding for selected operational programmes and by thematic objectives (in million euros)**



Source: ECA based on sampled OPs.

**72** However, information how much of these ESI funds was directly addressing child poverty was not available. All examined OPs include measures that should indirectly contribute positively to combating child poverty. Such measures include funds that aim at inclusion of persons at risk of poverty with the view to improve their participation at the labour market or at promoting employment.

<sup>24</sup> **IT**: National Operational Programme Inclusion – CCI 2014IT05SFOP001; **RO** OP Human Capital – CCI 2014RO05M9OP001; **PL**: OP Knowledge Education Growth – CCI 2014PL05M9OP001; Regional OP for Warmińsko-Mazurskie region 2014PL16M2OP014; **DE**: Free State Saxony OP for the ESF – CCI 2014DE05SFOP012.

**73** Additionally measures relating to healthcare and education although not specifically aimed at children at risk of poverty or social exclusion could potentially benefit them indirectly. Such mix of indirect measures is illustrated in [Box 5](#).

### Box 5

#### Example of measures that could potentially benefit children at risk of poverty or social exclusion indirectly – regional OP for Warmińsko-Mazurskie Voivodeship financed by the ERDF and ESF

Polish authorities identified a number of interventions fostered by the OP that could directly or indirectly benefit children in or at risk of poverty or social exclusion. These measures aim at:

- **Promoting inclusion of persons at risk of poverty** – Investment priority 9i, assistance and support with respect to the social, professional, educational competences and in the area of health.
- **Improving access to childcare and pre-school education** – Activities co-financed under the investment priorities 8iv (investment in childcare infrastructure and financing costs of childcare with the view to promote the employment of parents); 10i and 10a (investments in pre-school and school education facilities and financing of pre-school education).
- **Improving access to health and caring services** – the OP envisages activities under the investment priority 9iv aiming at improving access to (i) health services, in particular development and implementation of programmes early detection of development deficits and rehabilitation of disabled children or children at risk of disability; prevention of caries and prevention of cervical cancer and (ii) supporting care services, among others foster care and general caring services, e.g. school clubs.

**74** Due to the above limitations, the Commission cannot quantify the amount of funds allocated to projects directly tackling child poverty and consequently assess its effectiveness. This is further compounded by the lack of objectives and targets in the selected PAs and OPs that could indicate what is planned to be achieved in the area. Additionally, whenever result indicators are adopted they are programme specific and they do not clearly demonstrate how the financed investments benefit children at risk of poverty or social exclusion.

## Indicators reflect the situation of child poverty differently

**75** Meaningful indicators provide relevant information to policy makers and the people implementing them. They inform them how effective a policy is in practice and allows them to take corrective actions where necessary.

### AROPE allows for comparison of risk of poverty or social exclusion across Member States

**76** The indicator that measures poverty in the EU and is the headline indicator to monitor the EU 2020 Strategy poverty target is AROPE – which is an abbreviation of “at risk of poverty or social exclusion”.

**77** AROPE is a multidimensional indicator composed of three sub-indicators. The three sub-indicators are given the same importance and can partly overlap. AROPE shows the sum of persons who are in at least one of the following situations (persons in more than one of the situations are only counted once):

- **At risk of poverty** – The share of people with a disposable income (after social transfer) below the at risk of poverty threshold, which is set at 60 % of a Member State median disposable income after social transfers.
- **Severely materially deprived** – The inability to afford some items considered desirable or necessary to lead an adequate life indicates the material deprivation rate. The indicator measures the percentage of the population that cannot afford at least four of nine items on a list of certain household goods or services. Severe material deprivation rate is defined as the enforced inability to pay for at least four items on the list.
- **Living in households with very low work intensity** – This is defined as the number of persons living in a household where the members of working age worked less than 20 % of their total potential during the previous 12 months. Households composed only of children, of students aged less than 25 and/or people aged 60 or more are completely excluded from the indicator calculation.

## The Child Deprivation Indicator focuses specifically on children's situation

**78** As part of the EU initiative to tackle child poverty, in 2013 the Commission announced the start of preparatory work for a child specific material deprivation indicator. Similar to a material deprivation indicator (like the sub-indicator of AROPE) the child deprivation indicator represents the proportion of children from 1 to 15 years lacking for affordability reasons, everyday items. The list of 17 items contains child specific items while maintaining some household items from the material deprivation indicator for the whole population. Children will be classed as deprived if they lack at least three items from this 17 item list (see [Annex II](#)).

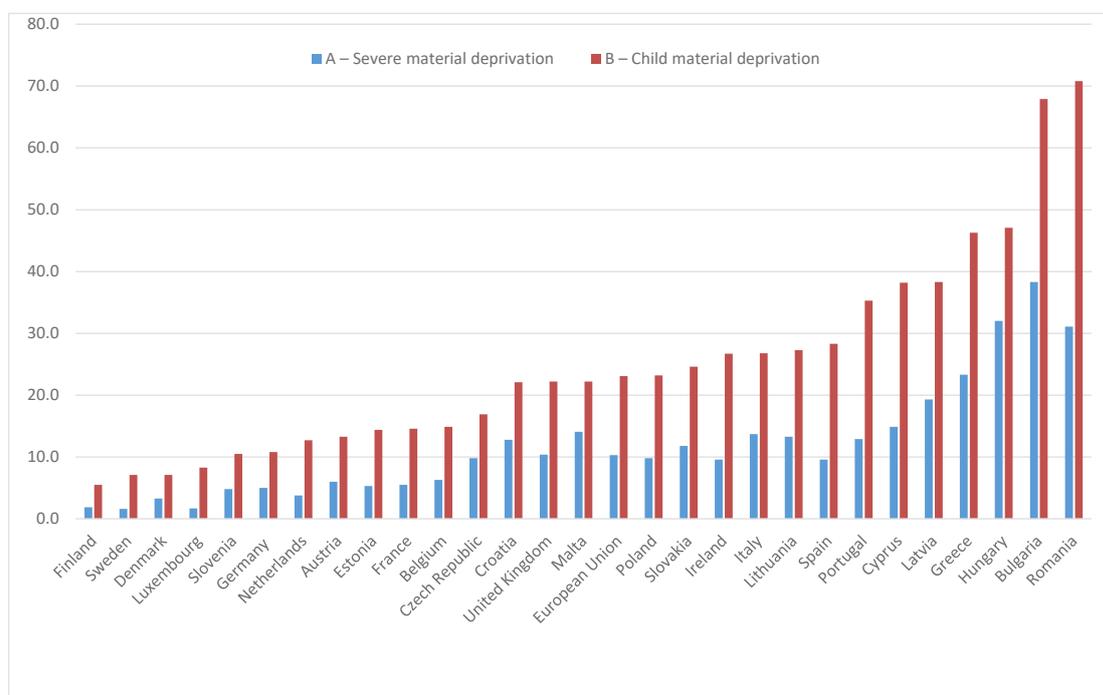
**79** In March 2018, five years after its announcement, the child-specific material deprivation indicator was eventually adopted by the Social Protection Committee. In July 2019, the first (and so far only) data on child deprivation (collected based on a survey) has been published. It related only to data for 2014 as no other data was available. The child deprivation indicator will not be available every year, but every three years and from 2021 onwards<sup>25</sup>.

**80** When comparing the child-specific material deprivation indicator with the sub-indicator of material deprivation in AROPE (severe material deprivation indicator), (see [Annex II](#)) for the same age group, the child deprivation indicator in all Member States shows higher values than the material deprivation indicator (see [Figure 7](#)).

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<sup>25</sup> Regulation (EU) 2019/1700.

**Figure 7 – Child deprivation indicator vs severe material deprivation indicator**



Source: Eurostat, extracted on 23.11.2019.

**81** Both the needs and living standards of children can be different from those of adults, even within the same households. As the child-specific material deprivation indicator is more focused on the situation of children, it gives a different and more specific picture of the actual level of child poverty.

### Measurement of child poverty differs across Member States

**82** An indicator is the representation of a trend tracking the measurable change in a policy area over time. AROPE is the main indicator to measure poverty in the EU 2020 Strategy. AROPE's main advantage is that it allows comparison between Member States and over time, due to its standardized collection in the European Statistical System.

**83** However, in all Member States visited, the national authorities have a number of their own indicators, which they consider relevant for their national situation and which they use in their strategies, policies and for monitoring purposes. As a result, different information exists as to the level of poverty and child poverty in the Member States (see [Box 6](#)).

## Box 6

### Comparison of AROPE (0-17) and national indicators

MS	2014	2015	2016	2017
<b>Germany</b>				
<b>AROPE 0-17</b>	19.6 %	18.5 %	19.3 %	18.0 %
<b>Micro-census</b>	15.1 %	14.6 %	15.4 %	15.2 %
<b>SOEP</b>	21.7 %	22.6 %	23.1 %	N/A
<i>Source: Eurostat; Armut- und Reichtumsbericht der Bundesregierung – <a href="https://www.armuts-und-reichtumsbericht.de/DE/Indikatoren/Armut/Armutrisikoquote/A01-Indikator-Armutrisikoquote.html">https://www.armuts-und-reichtumsbericht.de/DE/Indikatoren/Armut/Armutrisikoquote/A01-Indikator-Armutrisikoquote.html</a>.</i>				
<b>Poland</b>				
<b>AROPE 0-17</b>	28.2 %	26.6 %	24.2 %	17.9 %
<b>Legislatory Poverty Rate 0-17</b>	19.3 %	19.3 %	18.1 %	14.8 %
<i>Source: Eurostat and the data of the Statistical Office Poland (<a href="https://stat.gov.pl/obszary-tematyczne/warunki-zycia/ubostwo-pomoc-spoeczna/zasieg-ubostwa-ekonomicznego-w-polsce-w-2017-r-,14,5.html">https://stat.gov.pl/obszary-tematyczne/warunki-zycia/ubostwo-pomoc-spoeczna/zasieg-ubostwa-ekonomicznego-w-polsce-w-2017-r-,14,5.html</a>).</i>				

**84** Varying indicators and information on child poverty across Member States, based on non-harmonised national data, makes it difficult for stakeholders to assess the situation of child poverty.

### Information for the European child guarantee policy initiative needs to be sufficient

#### Child Guarantee proposed by the European Parliament

**85** In April 2019, the European Parliament amended the proposed ESF+ regulation for the programming period 2021 to 2027<sup>26</sup> and proposed to introduce a European

<sup>26</sup> European Parliament legislative resolution of 4 April 2019 on the proposal for a regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+) (COM(2018)0382 – C8-0232/2018 – 2018/0206(COD)).

Child Guarantee<sup>27</sup> scheme to address child poverty. The amended proposal for the ESF+ includes a requirement that each Member State should allocate 5 % of its ESF+ resources to measures to addressing child poverty. These resources could also directly contribute to the implementation of the future Child Guarantee initiative.

**86** In 2018, the Commission started the implementation of Phase I of the Preparatory Action for a Child Guarantee requested by the European Parliament.

- The first phase of the Preparatory Action, a feasibility study, was finalised in April 2020. It sought to explore the feasibility of a Child Guarantee by analysing the conditions for the implementation of such a scheme, and to assess whether or not it would bring added value to the existing EU and national frameworks and would then be a useful additional instrument.
- The second phase of the Preparatory Action is an economic and feasibility study looking at the cost and benefits of a guarantee for children at risk of poverty or social exclusion in the EU. It should be completed in May 2021.
- The third phase will see the implementation of three to five pilot projects at the local level in the Member States by UNICEF. It will last until 2022. Phase III will consist of a series of pilot projects to be implemented in four Member States. It will also include a series of national policy and programmatic deep dives and development of National Child Poverty and Social Exclusion Action Plans in number of Member States.

**87** The Preparatory Action for the Child Guarantee, particularly the feasibility study under phase I and the economic feasibility study under phase II, will feed into the development of the policy initiative. Both phases require the gathering and collating of information that is comprehensive, timely and of adequate quality. Otherwise, there is a risk that the appropriate actions may not be taken and adequate funds may not be available.

**88** The first phase of the study does not provide a comprehensive overview, nor examples of actions funded by the ESF, which have been effective in addressing Child Poverty. While there is an overview of funding available through ESI funds, the figures

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<sup>27</sup> Amendment 39, Recital 22 b (new) of the European Parliament legislative resolution of 4 April 2019 on the proposal for a regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+) (COM(2018)0382 – C8-0232/2018 – 2018/0206(COD)).

presented are only estimates as the study concludes that investments in children are not clearly visible in the strategic and monitoring framework of most EU funds.

**89** The information currently available from the first phase of the Preparatory Action for a Child Guarantee (feasibility study) therefore makes it difficult to take a well-informed decision how a child guarantee should be designed, including the measures and funding required to have a positive impact on the level of child poverty in the EU and to ensure Member State commitment.

**90** Furthermore, we note that finalisation of the third phase (pilot) will take place at the earliest in 2022, i.e. at the time in which the new programme period would in normal circumstances already start and the ESF relevant operational programmes would have been adopted.

## Conclusions and recommendations

**91** Child poverty remains a serious issue in the EU with almost one out of four children still being at risk of poverty or social exclusion.

**92** The fight against child poverty falls primarily within the Member State's competence, but the Commission has a role to play as well. Whilst the relevance of its non-legally binding instruments is limited by nature, it has more powerful tools at its disposal such as the semester process and the targeting of EU funds through PAs and OPs. However, the lack of available information directly related to child poverty means their effective contribution to Member States' efforts to reduce child poverty is difficult, if not impossible, to assess.

**The Recommendation was a positive initiative but its impact is difficult, if not impossible, to assess**

**93** The Recommendation while not legally binding represented a positive initiative to tackle child poverty in a holistic way, through an integrated approach (paragraphs [14](#) and [15](#)). The Commission provided some specific assistance to the Member States in implementing it, however the Recommendation was not accompanied by an EU roadmap that established a visible and communicable implementation plan for Member States (paragraphs [18](#) and [19](#)). The EPIC platform retains little information regarding best practices on how Member States tackle child poverty (paragraph [22](#)).

**94** The progression of the Recommendation's implementation cannot be assessed as measurable targets and milestones have not been set (paragraph [28](#)). The 2017 ESPN study at the request of the Commission corroborated that it is difficult, if not impossible, to assess the extent to which improvements in Member State national policies can be attributed to the Recommendation itself, but indicated little change in many countries (paragraph [33](#)).

**The European Pillar of Social Rights: a progressive and overarching social initiative, with principles of a general nature on children**

**95** The EPSR increased the awareness of social policies in the EU, including child poverty. However, Principle 11 is general in nature and is already captured by the Recommendation in more detail, in the form of specific measures (paragraphs [40](#) to [42](#)).

**96** An action plan will be presented to fully implement the EPSR in early 2021. While this envisaged action plan is a welcome development, its realisation is critical for providing an overview of progress made in the implementation of the principles (paragraph 44).

**97** Implementing the EPSR is included in one of the five policy objectives identified by the proposed CPR for the period 2021-2027. This new proposed emphasis on the EPSR concerning the 2021-2027 programming period, has the potential to focus measures and funding on tackling child poverty (paragraphs 45 to 47).

## **Recommendation 1 – Action plan for the EPSR should encompass child poverty**

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The Commission should include actions and objectives to tackle child poverty in its action plan for the European Pillar of Social Rights.

**Timeframe: Beginning of the MFF period 2021-2027.**

### **The European Semester CSRs rarely address child poverty explicitly**

**98** The European Semester is designed to coordinate national efforts to achieve the targets of the Europe 2020 strategy for smart, sustainable and inclusive growth. Progress to date towards the target of lifting 20 million people out of poverty by 2020 indicates that is unlikely to be achieved (paragraphs 48 to 50).

**99** One important criterion in the process of considering draft CSRs on child poverty for a Member State is the Commission's assessment of the EU at risk of poverty or social exclusion rate for children as "high" or "very high". The internal threshold used for this purpose is set above EU average levels for child poverty for the period concerned (paragraph 54).

**100** From 2016 to 2019 CSRs were issued to Member States in areas affecting family and child policies, but only one Member State received a CSR specifically concerning child poverty (paragraph 56). The Commission services in this context explained that the process of defining and proposing CSRs depends not only on the rate of children at risk of poverty or social exclusion, but includes assessing additional factors (paragraph 57). However, the specific methodology setting out when child poverty should be prioritised for considering a potential CSR has not been clearly defined (paragraph 58).

## Recommendation 2 – Analyse and assess child poverty based on clear internal guidance

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The Commission should have clear internal guidance for identifying situations that could lead to a potential CSR directly relating to child poverty as part of their analysis within the European Semester process.

**Timeframe: Starting with 2021 European Semester process.**

### The effectiveness of 2014-2020 EU funding to tackle child poverty cannot be assessed

**101** The Commission can influence the allocation of EU funds used to tackle child poverty through the design of the proposal of CPR and the approval of PAs and OPs at Member State level (paragraph 59).

**102** The CPR defines sectors and areas of intervention where EU support through funds can bring the greatest added value. However, its investments are not targeted directly at child poverty (paragraphs 61 to 63).

**103** We note that all examined OPs include measures that could indirectly contribute to combating child poverty. However, because there is no specific investment priority or relevant indicator concerning child poverty, neither the Commission nor the Member States have information on how much ESI funds have been used to tackle child poverty directly and what had been achieved in this area (paragraphs 71 to 74).

## Recommendation 3 – Target and monitor investments at tackling child poverty in the programme period 2021-2027

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The Commission should ensure that 2021-2027 PAs and Programmes provide adequate consideration of child poverty. In particular, the Commission should ensure that where funding is earmarked for tackling child poverty directly, that this is clearly reflected in the intervention logic of the PAs and Programmes.

The Commission should set up a monitoring framework that would allow for capturing the outputs and results of the 2021-2027 ESI investments made on tackling poverty of all age groups, including children.

**Timeframe: Beginning of the MFF period 2021-2027.**

## Indicators reflect the situation of child poverty differently

**104** AROPE, the indicator which measures poverty in the EU is the headline indicator to monitor the EU 2020 strategy poverty target. It is a multidimensional indicator composed of three sub-indicators (paragraphs 76 and 77).

**105** In 2013 the Commission announced the start of preparatory work for a child specific material deprivation indicator which was eventually adopted in 2018. The child-specific material deprivation indicator is more focused on the situation of children. It therefore gives a different and more specific picture of the actual levels of child poverty. However, it will be available every three years and from 2021 onwards (paragraphs 78 to 81).

**106** AROPE's main advantage is that it allows comparison between Member States and over time. However, in all Member States visited, the national authorities have a number of own indicators, which they consider relevant for their national situation. This results in a variety of national indicators and information about child poverty across the EU making the situation difficult to assess for stakeholders when using non-harmonised national data sources (paragraphs 82 to 84).

## Information for the implementation of the European child guarantee policy initiative needs to be sufficient

**107** In April 2019, the European Parliament amended the proposed ESF+ regulation for the programming period 2021 to 27 and proposed to introduce a European Child Guarantee scheme to address child poverty (paragraph 85).

**108** In 2018, the Commission launched a preparatory action for a European Child Guarantee. Phase I, a feasibility study, aimed to assess the feasibility, implementation options and added value of such an initiative. The preparatory study is being carried out in three distinct phases. The schedule of the action will make it difficult to have complete and timely information for the decision making process (paragraphs 85 to 86).

## **Recommendation 4 – Ensure that necessary steps and sufficient intelligence gathering have been completed for the preparation of the upcoming European Child Guarantee policy initiative**

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The Commission should ensure that sufficient and reliable information on the measures and funding required to have a positive impact on the level of child poverty in the EU has been collated and analysed for developing a European Child Guarantee.

**Timeframe: Beginning of the MFF period 2021-2027.**

This Report was adopted by Chamber II, headed by Mrs Iliana Ivanova, Member of the Court of Auditors, in Luxembourg at its meeting of 15 July 2020.

*For the Court of Auditors*

Klaus-Heiner Lehne  
*President*

# Annexes

## Annex I – Europe 2020 national poverty targets

EU/Member State	Poverty and social exclusion
EU-28	Lifting at least 20 million people out of the risk of poverty or social exclusion (compared to 2008)*
Belgium	– 380 000 persons
Bulgaria	Reduce by 260 000 the number of persons living in monetary poverty
Czech Republic	– 100 000 persons
Denmark	Reduce by 22 000 the number of persons living in households with very low work intensity
Germany	Reduce by 20 % the number of long-term unemployed (unemployed for more than one year) compared to 2008 (equalling to a reduction of 320 000 long-term unemployed persons)
Estonia	Reduce to a rate of 15 % the number of persons living at risk of poverty after social transfers (compared to 17.5 % in 2010)
Ireland	Reduce by a minimum of 200 000 the population in combined poverty (either consistent poverty, at risk of poverty or basic deprivation)
Greece	– 450 000 persons
Spain	– 1 400 000 to – 1 500 000 persons
France	– 1 900 000 persons (compared to 2007)
Croatia	Reduce to 1 220 000 the number of persons at risk of poverty or social exclusion
Italy	– 2 200 000 persons
Cyprus	– 27 000 persons or reduce the rate to 19.3 % of the population (compared to 23.3 % in 2008)
Latvia	Reduce by 121 000 the number of persons living at risk of poverty after social transfers and/or in households with very low work intensity
Lithuania	– 170 000 persons and limit to 814 000 persons in 2020
Luxembourg	– 6 000 persons
Hungary	– 450 000 persons
Malta	– 6 560 persons
Netherlands	Reduce by 100 000 the number of persons (aged 0-64) living in a jobless household (compared to 2008)

EU/Member State	Poverty and social exclusion
Austria	– 235 000 persons
Poland	– 1 500 000 persons
Portugal	– 200 000 persons
Romania	– 580 000 persons
Slovenia	– 40 000 persons
Slovakia	Reduce to a rate of 17.2 % the number of persons living in poverty or social exclusion (compared to 20.6 % in 2008)
Finland	Reduce to 770 000 the number of persons living in poverty or social exclusion
Sweden	Reduce to well below 14 the percentage of women and men (aged 20-64) who are not in the labour force (except full-time students), long-term unemployed or on long-term sick leave
United Kingdom	No target in National Reform programme, but numerical targets exist under the umbrella of the 2010 Child Poverty Act and the Child Poverty Strategy 2011-2014
Source of information and comments	<p>EU target as set out in European Commission, Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth, COM(2014) 130 final, Brussels, 2014 (p. 14).</p> <p>At risk of poverty or social exclusion, abbreviated as AROPE, refers to the situation of people either at risk of monetary poverty or severely materially deprived or living in a household with a very low work intensity. The total number of people at risk of poverty or social exclusion is lower than the sum of the numbers of people in each of the three forms of poverty or social exclusion as some persons are affected simultaneously by more than one of these situations.</p> <p>* 2008 is taken as a baseline year because a large part of the social indicators to measure the three dimensions of poverty are only available starting from 2008.</p> <p>Monitoring refers to EU-27 as Croatia joined EU in 2013 and data is only available starting from 2010.</p> <p>National targets as set out in the most recent National Reform Programmes.</p> <p>The definitions of the national targets are comparable to the EU target except for Bulgaria, Denmark, Germany, Estonia, Ireland, Latvia, Netherlands and Sweden (see country specific remarks).</p> <p>The calculation of the target values differs from the calculation of the EU target value for Estonia, France, Croatia, Slovakia, Finland and Sweden (see country specific remarks).</p>

## Annex II – Comparison of severe and child specific material deprivation indicator list items

Severe material deprivation	Child specific material deprivation
Pay rent or utility bills	Child: Some new clothes
Keep home adequately warm	Child: Two pairs of shoes
Face unexpected expenses	Child: Fresh fruits & vegetables daily
Eat meat, fish or a protein equivalent every second day	Child: Meat, chicken, fish daily
A week holiday away from home	Child: Suitable books
A car	Child: Outdoor leisure equipment
A washing machine	Child: Indoor games
A colour TV	Child: Leisure activities
A telephone	Child: Celebrations
	Child: Invite friends
	Child: School trips
	Child: Holiday
	Household: Replace worn-out furniture
	Household: Arrears
	Household: Internet
	Household: Home adequately warm
	Household: Car

## Annex III – Percentage of population (age 0-17) at risk of poverty or social exclusion (AROPE) in the EU (2008-2018)

N	GEO/TIME	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	European Union	26.5	26.5	27.6	27.3	28.1	27.9	27.8	27.1	26.4	24.9	24.3
2	Euro Area	23.6	24.1	25.2	25.3	25.5	25.0	25.7	25.4	25.3	24.3	23.5
3	Belgium	21.3	20.5	23.2	23.3	22.8	21.9	23.2	23.3	21.6	22.0	23.2
4	Bulgaria	44.2	47.3	49.8	51.8	52.3	51.5	45.2	43.7	45.6	41.6	33.7
5	Czech Republic	18.6	17.2	18.9	20.0	18.8	16.4	19.5	18.5	17.4	14.2	13.2
6	Denmark	12.7	14.0	15.1	15.7	14.9	15.4	14.5	15.7	13.9	14.5	15.2
7	Germany	20.1	20.4	21.7	19.9	18.4	19.4	19.6	18.5	19.3	18.0	17.3
8	Estonia	19.4	24.5	24.0	24.8	22.4	22.3	23.8	22.5	21.2	18.8	17.9
9	Ireland	26.6	31.4	34.1	34.1	33.2	34.4	30.4	29.0	27.3	25.2	23.9
10	Greece	28.7	30.0	28.7	30.4	35.4	38.1	36.7	37.8	37.5	36.2	33.3
11	Spain	30.1	32.0	33.3	32.2	32.4	32.6	35.8	34.4	32.9	31.3	29.5
12	France	21.2	21.2	22.9	23.0	23.2	20.8	21.6	21.2	22.6	22.1	22.9
13	Croatia	N.A.	N.A.	29.4	31.1	34.8	29.3	29.0	28.2	26.6	25.8	23.7
14	Italy	28.4	28.7	29.5	31.5	34.1	32.0	32.1	33.5	33.2	32.1	30.6
15	Cyprus	21.5	20.2	21.8	23.4	27.5	27.7	24.7	28.9	29.6	25.5	25.5
16	Latvia	32.4	38.4	42.2	44.1	40.0	38.4	35.3	31.3	24.7	23.9	22.5
17	Lithuania	29.1	30.8	35.8	34.6	31.9	35.4	28.9	32.7	32.4	31.6	28.0
18	Luxembourg	20.9	23.7	22.3	21.7	24.6	26.0	26.4	23.0	22.7	23.6	23.5
19	Hungary	33.4	37.2	38.7	40.4	41.9	43.9	41.8	36.1	33.6	31.6	23.8
20	Malta	25.0	26.5	26.7	27.8	31.0	33.0	31.8	28.4	24.0	23.0	22.8
21	Netherlands	15.5	17.5	16.9	18.0	16.9	17.0	17.1	16.8	17.6	16.6	15.2
22	Austria	22.9	20.8	22.4	22.1	20.9	22.9	23.3	22.3	20.0	23.0	21.6
23	Poland	32.9	31.0	30.8	29.8	29.3	29.8	28.2	26.6	24.2	17.9	17.2
24	Portugal	29.5	28.7	28.7	28.6	27.8	31.7	31.4	29.6	27.0	24.2	21.9
25	Romania	50.9	50.6	48.1	49.2	52.5	51.4	50.7	46.8	49.2	41.7	38.1
26	Slovenia	15.3	15.1	15.2	17.3	16.4	17.5	17.7	16.6	14.9	15.1	13.1
27	Slovakia	24.3	23.7	25.3	26.0	26.6	25.5	23.6	24.9	24.4	22.5	23.8
28	Finland	15.1	14.0	14.2	16.1	14.9	13.0	15.6	14.9	14.7	15.1	16.0
29	Sweden	17.3	18.8	19.2	20.3	19.4	20.2	20.5	19.8	19.9	19.4	20.6
30	United Kingdom	29.6	27.4	29.7	26.9	31.2	32.6	31.2	30.3	27.2	27.4	29.9

Note: N.A.: Not available.

Source: Eurostat, extracted on 20.12.2019.

# Acronyms and abbreviations

**AROP:** At risk of poverty

**AROPE:** At risk of poverty or social exclusion

**CPR:** Common Provisions Regulation

**CSR:** Country specific recommendations

**ESPR:** European Pillar of Social Rights

**ESIF:** European structural and investment funds

**ESPN:** European Social Policy Network

**ESS:** The European Statistical System

**NRP:** National Reform Programmes

**OP:** Operational Programme

**PA:** Partnership agreement

**SPC:** Social Protection Committee

**TO:** Thematic Objective

## Glossary

**At risk of poverty or social exclusion (AROPE):** At risk of poverty or social exclusion rate corresponds to the sum of persons who are either at risk of poverty (AROP), or severely materially deprived or living in a household with a very low work intensity. Persons are only counted once even if they are present in several sub-indicators. The AROPE rate, the share of the total population which is at risk of poverty or social exclusion, is the headline indicator to monitor the EU 2020 Strategy poverty target.

**At risk of poverty (AROP) is a sub-component of AROPE:** The at risk of poverty rate is the share of people with an equivalised disposable income (after social transfer) below the at risk of poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers.

**Child poverty:** indicates the percentage of children (aged 0–17) in the European Union (EU) who are at risk of poverty or social exclusion (AROPE). Children are at risk of poverty or social exclusion if they live in households with at least one of the following three conditions: at risk of poverty after social transfers (income poverty), severely materially deprived or with very low work intensity.

**Country specific recommendations (CSR):** are documents prepared by the European Commission for each country analysing its economic situation and providing recommendations on measures it should adopt over a period of 12 to 18 months.

**Europe 2020 Strategy:** is the EU's growth strategy to recover from the crisis for the next ten years, split into five headline targets covering: employment; research and development; climate/energy; education; social inclusion and poverty reduction.

**European Pillar of Social Rights (EPSR):** The Pillar of Social Rights is about delivering new and more effective rights for citizens, built upon 20 key principles. Proclaimed by the European Parliament, the Council and the European Commission at the Social Summit for Fair Jobs and Growth in Gothenburg on 17 November 2017. Delivering on the principles and rights defined under the European Pillar of Social Rights is a joint responsibility of the European Union institutions, Member States, social partners and other stakeholders.

**European Semester:** A cycle of economic and fiscal policy coordination within the EU. It is part of the European Union's economic governance framework. Its focus is on the 6-month period from the beginning of each year, hence its name – the “semester”. During the European Semester the Member States align their budgetary and economic policies with the objectives and rules agreed at the EU level.

**The European Statistical System (ESS):** The partnership between the Community statistical authority, which is the Commission (Eurostat), and the national statistical institutes (NSIs) and other national authorities responsible in each Member State for the development, production and dissemination of European statistics. This Partnership also includes the EEA and EFTA countries. Member States collect data and compile statistics for national and EU purposes. The ESS functions as a network in which Eurostat's role is to lead the way in the harmonization of statistics in close cooperation with the national statistical authorities.

**European structural and investment funds (ESIF):** include European regional development fund, European social fund, Cohesion fund, European agricultural fund for rural development, European maritime and fisheries fund. They are jointly managed by the European Commission and the EU countries.

**Ex-ante Conditionalities:** are conditions, based on pre-defined criteria established in the CPR, which are regarded as necessary prerequisites for the effective and efficient use of the EU funding for all ESI funds. When preparing ERDF, CF and ESF OPs under the 2014-2020 programme period, Member States have to assess whether these conditions are fulfilled. If they have not been fulfilled, action plans needed to be prepared to ensure fulfilment of the conditions by 31 December 2016.

**Operational Programme (OP):** An OP sets out a Member State's priorities and specific objectives and describes how funding (EU and national public and private co-financing) will be used during a given period (generally 7 years) to finance projects. OP funding may come from the ERDF, CF and/or ESF.

**Partnership agreement (PA):** Agreements between the European Commission and each Member State for the 2014-2020 programme period. They set out the national authorities' plans on how to use funding from the European Structural and Investment Funds and outline each country's strategic goals and investment priorities, linking them to the overall aims of the Europe 2020 strategy for smart, sustainable, and inclusive growth. They also include, inter alia, a summary of the assessment of the fulfilment of applicable ex-ante conditionalities and if they are not fulfilled, of the actions to be taken, the bodies responsible and the timetable for implementation of those actions, as well as the description of methodology and mechanisms to ensure consistency in functioning of the performance frameworks. They are prepared by the Member State in a dialogue with the Commission and must be adopted by the Commission.

**Social Protection Committee (SPC):** is an advisory policy committee to the Ministers in the Employment and Social Affairs Council (EPSCO).

**Thematic Objective (TO):** is a structuring element of the Partnership Agreements. It is pre-determined by legislation and present objectives that should to be supported by European Structural and Investment Funds. Thematic objectives establish a link to EU level strategic objectives.

# **FINAL REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS SPECIAL REPORT**

## **“COMBATING CHILD POVERTY – BETTER TARGETING OF COMMISSION SUPPORT REQUIRED”**

### **EXECUTIVE SUMMARY**

VI. A Commission Recommendation, as a legal instrument, provides political basis for cooperation at European Union level in this area, while respecting Member States’ competence in the field.

VII. The role of the European Pillar of Social Rights goes beyond the awareness-raising of social policy. The Pillar serves as a compass for EU-level policy instruments, including the European Semester and funding instruments.

It has already led to a number of concrete deliverables, including the Work Life Balance Directive, the Directive on Predictable and Transparent Working Conditions and the Recommendation on Access to Social Protection.

The Commission has also committed to adopting an Action Plan in 2021 to further implement the Pillar.

VIII. The Commission takes the fight against poverty through the Semester process extremely seriously. It has strengthened its focus on social issues by integrating the European Pillar of Social Rights and the ‘Social Scoreboard’ into the European Semester. Besides Country-specific recommendations addressed specifically towards the functioning of social protections system, a large number of Recommendations have, over the years, addressed employment, skills acquisition, adult learning, childcare and the labour market activation of those furthest from it. These are all instrumental in addressing poverty, including child poverty.

IX. The monitoring requirements for the Member States under shared management have to strike a balance between the need to gather correct data about the implementation of the funds and not overburdening beneficiaries and programme authorities. The present monitoring framework for the European Social Fund (ESF) offers precise information on the overall funding allocated and spent to combat poverty and social exclusion without, however, a breakdown by age and target group. However, the Fund for European Aid to the Most Deprived (FEAD) monitoring framework offers estimates on the number of children benefitting from food and/or material assistance from the Fund.

In view of the next Multi-annual Financial Framework (MFF), on 27 May 2020 the Commission proposed that all Member States allocate 5% of their European Social Fund Plus (ESF+) resources under shared management to tackle child poverty. A dedicated indicator to capture the number of participants in ESF+ operations under the age of 18 has also been proposed.

X. The Commission stresses that the impact of its initiatives on national policies is difficult to assess, but across the EU, child poverty has decreased since the adoption of the Investing in Children Recommendation in 2013. In several Member States, income support for families with children has been improved, and this improvement could be attributed to the Commission’s 2013 Recommendation. Even if in the current strategic and monitoring framework children at risk of poverty or social exclusion were not directly addressed by EU funds, with the exception for FEAD, the ESF, the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD) feature an increased focus on tackling poverty in the current financing period of 2014-2020, as compared to the previous period of 2007-2013.

The Commission takes the fight against poverty extremely seriously. In its REACT-EU instrument launched as part of the Recovery Plan for Europe, the Commission proposed that the additional resources to be allocated to the ESF should address as a matter of priority, among others, measures to tackle child poverty. The proposed MFF 2021-2027 amended proposal for the ESF+ includes a requirement that each Member State should allocate 5% of its ESF+ resources to measures addressing child poverty. These resources will also directly contribute to the implementation of the future Child Guarantee initiative, which the Commission will propose in 2021.

XI. First indent: The Commission accepts the recommendation to include actions related to child poverty in the Action Plan for the European Pillar of Social Rights.

Second indent: The Commission accepts this recommendation. In the context of its action to address the socio-economic consequences of the COVID-19 crisis, the Commission maintains its commitment to lifting people out of poverty, including child poverty, by addressing the causes of poverty risks.

Third indent: The Commission accepts this recommendation. The Commission's proposal on ESF+ provides that 5% of ESF+ resources at national level should be earmarked for addressing child poverty, and should be programmed under the specific objectives v) and vii) to x) and Specific indicators on children will be included in the monitoring framework. However, the Commission cannot prejudge the negotiations with the Council and the European Parliament.

Fourth indent: The Commission accepts this recommendation. The first stage of the preparation has already been finalised. In line with the principles of Better Regulation the Commission is taking the necessary steps and intelligence-gathering to ensure a sound preparation of the upcoming Child Guarantee initiative.

## **INTRODUCTION**

04. The Commission has already undertaken several initiatives to redirect the use of EU funds to fight the spread of the virus. It proposed measures under the Coronavirus Response Investment Initiative (CRII) and CRII+ packages, now adopted, allowing full flexibility in redirecting all available resources under the European Structural and Investment Funds to the response to the coronavirus.

The Commission's proposal for a Regulation establishing the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) builds on CRII and CRII+ and supports significantly social and employment objectives. It provides for a total of EUR 55 billion in additional funding for the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD). REACT-EU can, inter alia, contribute to the fight against (youth) unemployment and poverty. Moreover, the Commission proposed to strengthen both of these dimensions also in its revised proposal for the European Social Fund Plus (ESF+) by requiring that Member States dedicate at least 5% of their ESF+ allocation to the fight against child poverty and 15% to the fight against youth unemployment, in case this challenge is particularly present in the Member State.

## **OBSERVATIONS**

14. The Recommendation on Investing in children was adopted upon an initiative of the European Council. In the period 2010-2012, the Belgian and Cypriot Presidencies of the Council organised two major conferences on the topic of child poverty. Background papers, prepared by experts and Non-Governmental Organizations (NGOs), already indicated an early basis for the Recommendation and paved the way towards the elements that later on formed its three pillars.

19. The Recommendation has been used as policy roadmap. It was used as a lever in the 2013-2014 programming negotiations of the European Structural and Investment Funds (ESI Funds) and it is used during the annual European Semester discussions – which represent an important guidance to all Member States in a structured manner.

The Commission has coordinated Member States' action through the European Semester and via the Social Protection Committee (SPC) and the Open Method of Coordination and special peer review seminars. Notably, the Recommendation is very detailed and has always played a role within the context of the European Semester. It has served as roadmap and guideline and is in line with the competences the EU has in this domain, which is essentially the open method of coordination. The Commission has also created the European Platform for Investing in Children (EPIC) to facilitate mutual learning and exchange of best practices. The Commission has also organised technical seminars in 13 Member States to present the Recommendation and provide guidance on how to establish a link with the ESI Funds.

21. Through the Open Method of Coordination in social policy, the Commission encourages the Member States to learn from each other and to take up measures which have proved to be successful in other Member States. The Employment and Social Developments in Europe reports are also a tool used to promote best practices and give policy direction to the Member States.

23. The Commission does follow up on the practices. At various occasions the practices were displayed at the various events organised by the Commission. While it is indeed very rare for a practice to be copied in another Member State, given the specificities of each Member State, as well as the fact that child-related practices are carried out at the local levels, they do serve as a source of inspiration.

32. The Commission has evaluated the recommendation in the Staff Working Document SWD/2017/0201 final "Taking stock of the 2013 Recommendation on "Investing in children: breaking the cycle of disadvantage" and demonstrated impacts on the European Semester and on the ESI Funds 2014-2020 programmes.

34. The study of the European Social Policy Network (ESPN) played only an indirect role in the European Semester discussions. The Commission notes that the ESPN study was delivered after the Commission finished its Staff Working Document on the implementation of the 2013 Recommendation (SWD/2017/0201) in 2017. The Commission is using this study as part of the analytical work for the preparation of the Child Guarantee initiative.

35. The implementation of the European Pillar of Social Rights falls on different actors at different levels, including also the European Parliament and the Council, regional and local authorities, the social partners and the civil society. Recital 17 of the document states that delivering on the European Pillar of Social Rights is a shared political commitment and responsibility. The European Pillar of Social Rights should be implemented at both Union level and Member State level within their respective competences, taking due account of different socio-economic environments and the diversity of national systems, including the role of social partners, and in accordance with the principles of subsidiarity and proportionality.

36. The Pillar principles aim to trigger action at the appropriate level in line with the division of competences between the EU and its Member States while respecting the principles of subsidiarity and proportionality.

Common Commission reply to paragraphs 39 and 40:

The fight against all forms of poverty requires a comprehensive and integrated approach. The Recommendation Investing in Children calls for integrated strategies to address child poverty, based on three pillars, which cover adequate resources, affordable quality services and children's right to participate. The European Pillar of Social Rights (EPSR) does not only encompass access to early childhood education and care (indeed linked to principle 11), but also the need to support parents' labour market participation, adequate living standards through benefits, equal opportunities through education, including policies to reduce early school leaving, access to quality health systems and housing. These link to Principles 1, 2, 3, 4, 9, 12, 13, 16, 19 and 20 of the EPSR.

42. The Commission Staff Working Document SWD/2017/0201 final contains information about the scope and changes introduced by the European Pillar of Social Rights.

The Pillar establishes that all children have the right to good quality Early Education and Care (ECEC).

Furthermore, the Pillar highlights the quality aspects of ECEC, understood as combining aspects related to access, workforce, curriculum, monitoring, evaluation and governance. Universally available and good quality ECEC is beneficial for all children and particularly those from a disadvantaged background.

The provisions of the Pillar set a right for children to be protected from poverty, meaning that every child shall have access to comprehensive and integrated measures as set out in the 2013 European Commission Recommendation on investing in children. Prevention of poverty and social exclusion is most effectively achieved through integrated strategies. The targeted measures should, for instance, comprise access to adequate resources, a combination of cash and in-kind benefits allowing children to enjoy adequate living standards, access to affordable quality services in the area of education, health, housing, family support and promotion of family-based and community care, as well as legal protection and support for children to participate in decision-making that affects their lives.

In addition, Principle 11b gives children from disadvantaged backgrounds (such as Roma children, migrant or ethnic minority children, children with special needs or disabilities, children in alternative care and street children, children of imprisoned parents, as well as children within households at particular risk of poverty) the right to specific measures – namely reinforced and targeted support – with a view to ensure their equitable access to and enjoyment of social rights.

44. To intensify further the implementation of the Pillar, the Commission has started work on the roadmap for the European Pillar of Social Rights. The Action Plan to deliver the Pillar is a priority of President von der Leyen. The Commission presented in January 2020 a Communication setting out the road towards an Action Plan to implement the Pillar and launched a broad discussion with all EU countries, and regions, and with all our partners. It is envisaged that the Action Plan will be presented early 2021.

46. On 27 May the Commission proposed that all Member States allocate 5% of their ESF+ resources under shared management to tackle child poverty.

55. The Commission emphasises that recommendations are not automatically issued to Member States that have experienced deterioration in an indicator. The Commission considers social developments, Member State's ongoing policies as well as progress on relevant reforms. Moreover, a large number of Country Specific Recommendations (CSRs) over the years address employment, skills acquisition, adult learning, childcare and the integration of those furthest from the labour market. They are all instrumental in addressing poverty, including among children. As a result, substantial progress has been made in reducing poverty since the 2012 peak of the economic and financial crisis, bringing the

share of people at risk of poverty or social exclusion well below the pre-crisis level. In 2018, 19.9 million children (aged under 16 years) were at risk of poverty or social exclusion in the EU-27 – 3.1 million fewer children compared to the 2012 peak and 2 million less than the level pre-crisis (2008).

Common Commission reply to paragraphs 55 and 56:

Quantitative assessments are part of the Commission analysis but do not lead automatically to CSR. Country-specific circumstances and the wider picture of challenges faced by the Member State at hand as well as the European context will need to be taken into account when defining draft CSRs.

58. Reducing child poverty requires an integrated strategy focused on children and their families, identifying and removing structural barriers to parents' labour market participation and social inclusion, combining prevention and support, seeking both to enhance the development and well-being of all children and to specifically improve the situation of the most vulnerable. This involves close coordination between a wide range of policy goals and instruments, such as supporting the labour market participation of both parents, boosting wages and income, ensuring adequate work-life balance policies and access to services utilised by families. In this light, CSRs on income support, efficiency of social protection, inclusive education, financial disincentives and access to childcare and health have been issued in the past as ways to address child poverty.

63. The Commission's proposal on the ESF and on the ERDF Regulations was adopted on 11/06/2011, i.e. well before the 2013 recommendation. Nevertheless, even if children at risk of poverty or social exclusion are not directly addressed by EU funds - with the exception of FEAD - ESF, ERDF, and EAFRD had an increased focus on tackling poverty, including child poverty, during the current financing period of 2014-2020.

70. The Commission position papers were drafted two years before the recommendation was adopted. Nevertheless, the recommendation was used as a lever in the 2013-2014 ESI Funds programming negotiations. As for Romania and Italy, child poverty is targeted in an integrated manner both in the national and regional Operational Programmes. Actions co-funded by ESF and FEAD, ESF and the Asylum, Migration and Integration Fund (AMIF) target for instance non-accompanied minors. The Operational Programme on Social Inclusion, in addition to the services linked to the minimum income scheme, supports specific projects to end institutionalisation of children, often caused by poverty.

In particular, in Italy the national operational programme on Social Inclusion finances social services to support minors and their families (e.g. socio-educational support, parenting support and family mediation services). Moreover, these services include support to parents with complex needs and households with children under 1000 days of life. In the monitoring forms, it is requested to indicate the number of minors in the household of the beneficiaries. The number of minors reached in the last years has been growing. Moreover, under axis 3 of the Italian OP several measures are explicitly targeting vulnerable minors including third country nationals, unaccompanied minors, and young migrants. Additional actions support children from Roma communities in thirteen Metropolitan cities to fight early school leaving and support them in education and early childhood education.

71. The Commission does not have legal mandate to impose further earmarking that are not provided for by the Regulations.

74. The ESF common indicators are not specific to certain types of support, but match the scope of the ESF support in order to reduce administrative burden to an appropriate level. If the managing authorities invest the ESF funds in the fight against children poverty, they normally provide for a programme specific indicator in the programme.

Data is available on the ESF financing by categories of intervention, and the categories of intervention match the investment priorities. It allows to quantify the financing allocated to childcare and education for children, but there is no data on financing allocated to fight against child poverty because there is no specific Investment Priority (IP) on child poverty.

79. The child-specific material deprivation indicator was adopted by the Indicators' Sub-Group of the Social Protection Committee in March 2018 based on and disseminated for the only year children deprivation items were collected so far, 2014. In line with the European Statistics' Code of Practice (CoP), a preliminary dissemination has been implemented while the steady and complete dissemination and analysis will start in a three-year cycle with publication for reference year 2021.

The time between the announcement of the child-specific material deprivation indicator and its adoption was necessary to ensure the robustness of the indicator by making use of more than one wave of results from the European Union Statistics on Income and Living Conditions (EU-SILC) modules, and hence the need to await results from the 2014 module (which were only available after a delay). Detailed studies were performed to ensure the robustness of the deprivation indicator. Making use of the module results, and finalisation of the indicator took place once the results of these were available.

A 3-year frequency is a considerable step forward. In between two measurements, evolutions of other indicators (e.g., general population deprivation) and correlations between children items and other variables (e.g., disaggregated social benefits – including family allowances – collected in EU-SILC under Regulation (EU) 2019/1700 from 2021 onwards) could be envisaged in order to make first assessments of the evolution of child situation.

80. The comparison of the two indicators - the child deprivation indicators (3 items missing out of a basket of 17 items) with the total “severe” material deprivation indicator (4 items missing out of a mainly different basket of 9) - has limited methodological validity.

This is partly because the child deprivation indicator was rather defined (3 items among the 17 deprivation items selected) in relation to the deprivation indicator, i.e. missing 3 deprivation items out of 9 considered, and shall be compared to it rather than to the “severe” deprivation indicator, missing 4 items out of 9 and which is the sub-component of AROPE.

#### Common Commission reply to paragraph 83 and Box 6:

The set of national indicators derives from national choices, but in most cases, even if levels are different, trends are similar to AROPE over time.

85. The Commission will propose the future Child Guarantee initiative in 2021.

86. Third indent: Phase III will start in the summer of 2020 and last for two years. Phase III will consist of a series of pilot projects to be implemented in Bulgaria, Croatia, Greece and Italy, and a series of national policy and programmatic deep dives and development of National Child Poverty and Social Exclusion Action Plans: Spain, Lithuania, Germany, Bulgaria, Croatia, Italy and Greece.

88. The overall objective of the first phase of the Preparatory Action for a Child Guarantee (feasibility study) is to provide an analysis of the design, feasibility and governance of a possible Child Guarantee scheme in the EU Member States. It is based on what is currently in place and feasible in the Member States and provides extensive information about the access to services of different groups of vulnerable children.

The Commission is currently taking the necessary steps and intelligence gathering to ensure a sound preparation of the upcoming Child Guarantee initiative in line with the principles of Better Regulation.

## **CONCLUSIONS AND RECOMMENDATIONS**

92. The Commission proposal for the MMF 2014-2020 was adopted before the Recommendation. For this reason the current monitoring framework does not address children at risk of poverty and social exclusion directly, with the exception of FEAD.

Nevertheless, ESF, ERDF, FEAD and EARDF increased their focus on fighting poverty, and child poverty in particular, in the current financing period of 2014-2020, when compared to the previous period of 2007-2013.

93. Since the adoption of the Recommendation, the Commission has witnessed a broader recognition among the Member States that more investment in ECEC services is needed, and several have indeed done so (Ireland, Malta, Germany, Czech Republic, Spain).

Besides the EPIC platform, the Commission did provide support for mutual learning to the Member States' national policy-makers.

### **Recommendation 1 – Action plan for the EPSR should encompass child poverty**

The Commission accepts the recommendation to include actions related to child poverty in the Action Plan for the European Pillar of Social Rights.

Addressing poverty in general, as well as child poverty specifically, is a high priority for the Commission.

99. Recommendations are not 'automatically' issued to Member States that are above or experience deterioration in an indicator. While risk of poverty or social exclusion among children is not amid the Social Scoreboard indicators, the methodology of the Scoreboard (i.e. looking not only at the registered levels, but also the speed and direction of change) could be considered when assessing social developments, including the changes in the risks of child poverty.

100. The Semester addresses poverty alleviation in a multi-dimensional manner, making recommendations to countries where challenges are identified based on a broad array of factors including the analysis of poverty levels and changes and the overall national policy context, and an assessment of relevant reform progress. Recommendations are country-specific by nature. The Commission has strengthened over the years the Semester's focus on social issues, including by making the European Pillar of Social Rights and its accompanying 'Social Scoreboard' an integral part of the European Semester.

Moreover, a large number of Country Specific Recommendations over the years address childcare, education, employment, skills acquisition, and the integration of those furthest from the labour market.

### **Recommendation 2 – Analyse and assess child poverty based on clear internal guidance**

The Commission accepts this recommendation.

In the context of its action to address the socio-economic consequences of the COVID-19 crisis, the Commission maintains its commitment to lifting people out of poverty, including child poverty, by addressing the causes of poverty risks.

**Recommendation 3 – Target and monitor investments at tackling child poverty in the programme period 2021-2027**

First paragraph: The Commission accepts this recommendation.

The Commission's proposal on ESF+ provides that 5% of ESF+ resources at national level should be earmarked for addressing child poverty, and should be programmed under the specific objectives v) and vii) to x) and Specific indicators on children will be included in the monitoring framework.

However, the Commission cannot prejudge the negotiations with the Council and the European Parliament.

Second paragraph: The Commission accepts the recommendation.

In the next MFF, a special targeting for children is proposed. According to the amendments to the Commission proposals for the 2021 – 2027 Regulations, the Member States have to allocate at least 5% of the ESF+ resources under shared management to tackling child poverty. Also, under specific objective XI, (and current FEAD), children (till the age of 18) supported will be reported. We acknowledge that for the other specific objectives, such an indicator would be meaningful in the next period, considering the extension of scope of the revised ESF+.

105. The frequency of the child deprivation indicator is set by Regulation 2019/1700. This regulation was approved after a difficult negotiations with the co-legislators, which finally lead to a balanced agreement. The frequency of data collections was a crucial part of the discussion. At the end, the view prevailed that the structural nature of several indicators dealing with poverty in general has to be taken into account, as overburdening the survey would not only bring little additional information, but would deteriorate the overall quality of the instrument – causing lower response rates.

The solution found (collecting data for the child-specific material deprivation indicator every three years) is an opportunity for collecting the data frequently while taking into account the burden on the respondents and on the national statistical institutes.

106. The set of national indicators derives from national choices, but in most cases, even if levels are different, trends are similar to AROPE over time. With the introduction of the child specific material deprivation indicators, international comparison will be possible.

107. The Child Guarantee policy initiative will be developed under the political guidelines of the Commission President. In view of the next Multi-annual Financial Framework (MFF), on 27 May 2020 the Commission proposed that all Member States allocate 5% of their European Social Fund Plus (ESF+) resources under shared management to tackle child poverty.

**Recommendation 4 – Ensure that necessary steps and sufficient intelligence gathering have been completed for the preparation of the upcoming European Child Guarantee policy initiative.**

The Commission accepts the recommendation.

The first stage of the preparation has already been finalised. In line with the principles of Better Regulation the Commission is taking the necessary steps and intelligence gathering to ensure a sound preparation of the upcoming Child Guarantee initiative.

Apart from data sources already available, including Eurostat data, the ongoing multi-annual Preparatory Action for a Child Guarantee is to provide a thorough analysis of the design, feasibility and governance of a Child Guarantee initiative in the EU Member States. This will feed into the Commission's preparatory work. The Commission will also undertake the necessary analytical work to support the development of the Child Guarantee initiative, as well as consultations with all relevant stakeholders.

## Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber II Investment for cohesion, growth and inclusion spending areas, headed by ECA Member Iliana Ivanova. The audit was led by ECA Member Tony Murphy, supported by Wolfgang Stolz, Head of Private Office and Brian Murphy, Private Office Attaché; Pietro Puricella, Principal Manager; Michele Zagordo, Head of Task; Marija Grguric, Cristina-Ioana Jianu, Agota Krenusz, Annekatrin Langer and Bernard Witkos, Auditors; Peter Borsos, Private Office Assistant; Niamh Mahon, Private Office Secretary; Eve Ryan, Private Office Intern; Hannah Critoph and Zuzanna Filipski provided linguistic support.

As a consequence of the COVID-19 pandemic and the strict confinement conditions, no picture of the audit team could be provided.

# Timeline

Event	Date
Adoption of Audit Planning Memorandum (APM) / Start of audit	10.4.2019
Official sending of draft report to Commission (or other auditee)	4.6.2020
Adoption of the final report after the adversarial procedure	15.7.2020
Commission's (or other auditee's) official replies received in all languages	12.8.2020

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Child poverty remains a serious issue in the EU with almost one out of four children at risk of poverty or social exclusion. Studies have repeatedly highlighted that investing at a relatively low financial cost during childhood can yield a lifetime of gains.

We decided to carry out this audit as the fight against child poverty remains a challenge across many Member States. Our objective was to determine whether the Commission had made an effective contribution to Member States' efforts to reduce child poverty.

We found that the relevance of the Commission's non-legally binding instruments is limited by nature, but it has more powerful tools at its disposal. However, the lack of available information directly related to child poverty means their effective contribution to Member States' efforts to reduce child poverty was difficult, if not impossible, to assess.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



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