

**The involvement of local and regional  
authorities in the social inclusion strand of  
the open method of coordination (OMC)**

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# Executive summary

The purpose of this file note is to assess the impact of recent developments within the social inclusion strand of the "social OMC", in particular, the adoption of the Europe 2020 strategy and the setting up of a quantitative target of reducing poverty by 25% (20m people) by 2020, and the establishment of a new flagship initiative to achieve this aim, the European Platform against Poverty (EPAP).

EPAP was set up in conjunction with the 2010 European Year for Combating Poverty and Social Exclusion. The paper explains that a key challenge for the Platform is to build shared ownership by developing more systematic dialogue with a wider set of key stakeholders, particularly at regional and local levels so as to strengthen multi-level governance.

Ensuring greater participation of local and regional authorities (LRAs) in the social OMC is vital from a number of perspectives: strengthening multi-level governance in the social OMC, with particular reference to tackling poverty and social exclusion, ensuring that local and regional actors are able to contribute to the achievement of the Europe 2020 target, for example, through better use of EU (notably the Structural Funds) and national funding programmes, and through the development of territorial approaches to addressing poverty and social exclusion.

LRAs could also potentially play a much more important role in promoting the inclusion of a local and regional dimension in national reform programmes (NRPs) and in annual reporting on their implementation. They have a key role to play in communicating how the Member States are contributing towards EU-level poverty reduction targets in NRPs.

The role of LRAs in contributing directly to the activities of EPAP is also addressed, including the possibility suggested by EU social NGOs of setting up national platforms on poverty to help complement the work of EPAP.

A key issue explored through the paper is the extent to which EU funding can be used as an incentive to influence the formulation of national social policies so that these more closely address social OMC objectives relating to reducing poverty and tackling exclusion. However, given the subsidiarity principle, it is not clear whether making different EU funding programmes (and especially the European Social Fund) conditional upon them being used in a way that makes a demonstrable contribution to social OMC objectives would be an effective incentive for the Member States.

In addition, the role of "territorial pacts" is outlined in the context of strengthening the development of a more robust partnership mechanism that brings LRAs into closer dialogue with national and EU level actors involved in the social OMC.

Lastly, the briefing note also identifies a number of effective practices in respect of the involvement of LRAs in the social OMC and of effective multi-level governance in the Czech Republic, Ireland, Lithuania, Spain, and the UK.

# 1. Introduction

## 1.1 The open method of coordination (OMC)

The open method of coordination (OMC) is based on soft law mechanisms such as guidelines and indicators, benchmarking and the sharing of best practices. The OMC adopts a decentralised approach to policy making and is more intergovernmental<sup>1</sup> than the Community method of EU policy-making<sup>2</sup>. The OMC was set up to underpin the achievement of the Lisbon goal of sustained economic growth, more and better jobs, and greater social cohesion by 2010. It remains highly relevant in the context of the Europe 2020 strategy.

The OMC is an innovative method of joint working at EU level, and an essential tool for promoting best practices and in ensuring the continuous monitoring of objectives in the area of employment, social affairs and equal opportunities. Since the establishment of the social protection and social inclusion (SPSI) OMC, in 2000, the EU has played an important coordination role and has encouraged the Member States to take action to combat poverty and social exclusion, and to reform social protection systems on the basis of policy exchange and mutual learning.

The OMC is implemented through a decentralised approach in which agreed policies are largely implemented by the Member States and supervised by the Council of the European Union. Formally, the European Commission's primary role is to monitor and to help coordinate Member States' policies within a commonly agreed overarching policy framework. However, in practice, there is scope for it to help formulate the policy agenda and persuade the Member States to implement agreed policies. The main aim of the social OMC is to build EU social policies through consensus and learning, while taking into account the specific features of the European social model.

Although the OMC was devised as a tool in policy areas that remain the responsibility of national governments but in which the EU has an important policy-coordination role, the OMC was first applied in EU employment policy as defined in the Amsterdam Treaty of 1997. However, it was officially named, defined and endorsed at the Lisbon Council in the social policy domain. Since then, it has been applied to the European Employment Strategy, social inclusion, pensions, immigration, asylum, education and culture and research.

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<sup>1</sup> The intergovernmental method is used in the second and third pillars, whereby the Commission's right of initiative is shared with the Member States or confined to specific areas of activity.

<sup>2</sup> The "Community method" is the expression used for the institutional operating mode for the first pillar of the European Union.

## 1.2 Social inclusion strand of the OMC

There are a number of key EU policies and initiatives that provide the underpinning for the social OMC. These include the renewed European Social Policy Agenda 2005 and the European Year for Combating Poverty and Social Exclusion in 2010. Looking to the future development of the social OMC, a central policy anchor is the Europe 2020 strategy, of which the promotion of social inclusion is one of the five key priorities. Various relevant quantitative targets have been set, such as the goal of reducing poverty across the EU by 25%.

The overarching objectives of the OMC for social protection and social inclusion are to promote:

- social cohesion, gender equality and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
- effective, mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy; and
- good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

The social OMC is built around three strands, namely, **combating poverty and social exclusion, achieving sustainable pensions and ensuring access to health and long term care**. While the Member States retain competency for social inclusion and social protection (SPSI) policies, the EU provides a framework for coordinating policies relating to poverty and combating social exclusion and issues guidelines to the Member States in respect of the preparation of national strategies on SPSI.

In the social inclusion sphere, the social OMC supported the objectives of the 2010 Year for Combating Poverty and Social Exclusion. The key challenges under the social inclusion strand include the eradication of child poverty; making labour markets truly inclusive; ensuring decent housing for everyone; overcoming discrimination; increasing the integration of people with disabilities, ethnic minorities and immigrants; and tackling financial exclusion and over-indebtedness.

In the area of poverty eradication and social inclusion, the main aims include:

- promoting access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
- promoting active social inclusion for all, by promoting participation in the labour market and by fighting poverty and social exclusion; and
- ensuring that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, and that they are mainstreamed into relevant public policies, including economic, budgetary, education and training policies and Structural Fund (notably ESF) programmes.

Through the OMC, EU Member States agree common objectives and indicators, which are used to measure progress in the areas of poverty and social exclusion, pensions, health & long-term care, demographic change, and regularised data collection. National governments translate the common objectives into national reports on social inclusion and social protection, submitted every three years to the European Commission (the most recent SPSI strategies relate to the 2008-2010 period). The reports are then assessed by the Commission and Council and an EU joint report on social protection and social inclusion is produced. The Joint Report assesses progress made in the implementation of the social OMC, sets key priorities and identifies good practices and innovative approaches of common interest to the Member States.

The Commission also works together with EU candidate countries to help promote reform in social welfare systems. Priorities for action are set out in "joint inclusion memoranda"<sup>3</sup>. The OMC develops a mutual learning process by scrutinising specific policies, programmes or institutional arrangements presented as good practices in national strategic reports. One of the main tools in this respect is the organisation of peer review seminars which encourage the dissemination of good practices across Member States by assessing the effectiveness of key policies or institutions.

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<sup>3</sup> <http://ec.europa.eu/social/main.jsp?catId=750&langId=en>

## **1.3 General governance of the OMC on social inclusion and social protection**

Governance of the social OMC is based on common objectives and jointly agreed indicators. The OMC also provides for an adequate framework for mutual learning by promoting the exchange of experiences and good practices, and involving all stakeholders, including social NGOs, in the process of preparing, implementing and evaluating action plans in the fight against poverty and social inclusion. The OMC facilitates a link between policy processes at EU level and activities at local and regional levels.

Within the social OMC, the Member States have agreed on common objectives and defined a roadmap setting out the commonly agreed steps to making the EU a more inclusive society, taking into account the subsidiarity principle. Member States then translate common objectives into national policies through national action plans (NAPs). Member States are free to choose how they achieve the common objectives. Particularly in the social inclusion sphere, Member States focus on the policy priorities that are most important in their national context, for example, homelessness, child poverty and the alienation of youth, immigrants and ethnic minorities, disability, e-inclusion or inequalities in education and training.

The OMC operates according to three mechanisms. Firstly, the Council of Ministers agrees on (often very broad) policy goals. Secondly, the Member States transpose guidelines into national and regional policies. Thirdly, specific benchmarks and indicators to measure best practice are agreed upon. Finally, results are monitored and evaluated. However, the OMC differs significantly across the various policy areas to which it has been applied. There may be shorter or longer reporting periods, guidelines may be set at EU or Member State level and enforcement mechanisms may be harder or softer.

## **1.4 Involvement of local and regional authorities: best practices**

Within the EU, nearly 95 000 local and regional authorities (LRAs) currently have powers in key sectors such as education, the environment, economic development, town and country planning, transport, public services and social policies. They also help to promote European democracy and citizenship<sup>4</sup>. The current global economic crisis underlines the importance of governance, particularly at EU level, and the need for LRAs to be closely involved in

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<sup>4</sup> Dexia figures – <http://www.dexia.be/fr/particulier/press/pressrelease20090205-localauthorities.htm>

shaping and implementing Community strategies, since they implement nearly 70% of Community legislation and therefore play an essential role in implementing the European Economic Recovery Plan. What is more, in the context of constraints in public funding, attempts could be made to re-nationalise common policies and to centralise resources, despite the fact that globalisation reinforces the relevance of multi-level governance.

There are a number of Member States where good practice examples exist. In Spain, the development of the social OMC at regional and local levels demonstrates a number of positive and negative features. There is a lack of visibility of the social OMC in Spain partly due to restriction of participation in the open method to areas of social policy inclusion with little involvement on the part of economic policy-makers. However, Spain is experiencing a rise in cognitive, conceptual and methodological Europeanisation in areas such as employment and social protection, health, long-term care, immigration, and poverty and exclusion. The project below demonstrates EU support for OMC awareness-raising measures:

#### **In favour of social inclusion (Progress 2007-2010)**

The development of projects to spread knowledge about the social OMC is a common element in local and regional social inclusion plans. An example is the project *In favour of social inclusion* which has sought to bring the European dimension to the development of strategies on social inclusion closer to the regions and municipalities through seminars, meetings, workshops and debates with the aim of increasing their engagement and role at local level and encouraging the exchange of knowledge and institutional practices in the field of social inclusion.

The activities carried out as part of the project (15 regional seminars, 8 inter-regional peer review seminars and a strategy for communicating results transversally) illustrate the range of stakeholder interests across different regional social inclusion plans, which makes comparisons and the identification of common denominators difficult. There is a general concern about the need to improve horizontal and vertical coordination and to strengthen the involvement of the social partners.

Other Member States have also established peer review projects to increase the participation of people experiencing poverty. Despite the economic crisis, the UK has made an effort to integrate national social cohesion objectives into local and regional plans through the achievement of a balance between vertical and horizontal governance. The following project involved local and regional authorities in the development of common approaches to meeting the social OMC objectives:

#### **UK: Bridging the policy gap project**

The project was financed under the EC awareness raising programme, and built on the experiences of the *Get heard* project<sup>5</sup> by developing a peer review<sup>7</sup> process focusing on key policy objectives and challenges, where people experiencing poverty operated as peers with other experts including LRAs and other stakeholders, with a specific focus on the implementation of key government priorities: Children's Play (Swansea), Access to Employment for Disabled People (Newham) and Challenging Family Poverty (Glasgow). Key success elements were: ensuring the diversity of participants, engaging people in poverty at all stages, including in the reference or steering group, and the quality of capacity-building preparation (see [www.povertyalliance.org](http://www.povertyalliance.org))<sup>6</sup>.

In the Czech Republic, the development of local plans for social inclusion were facilitated through PROGRESS, which supports projects based on international cooperation and the sharing of know-how. The Czech plans focus on the networking of relevant stakeholders and place a strong emphasis on the lead role played by local civil servants in managing their implementation. In order to improve the effectiveness of the planning and implementation of local action plans (LAPs), the Czech Republic has built on best practices from the Programme for developing local plans for social inclusion in Catalonia. The following example demonstrates good practice in terms of EU support for local authorities:

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<sup>5</sup> <http://www.ukcap.org/getheard/#top>

<sup>6</sup> Sian, Jones, (2010). The Programme for developing local plans for social inclusion in Catalonia. European Anti-Poverty Network. Brussels.

**PROGRESS 2009-2010: NAPSI SPOLU – NAPSI TOGETHER –  
Czech Republic**

This project aims to improve networking among Czech NGOs and to promote the creation of national and local action plans based on encouraging the active participation of relevant stakeholders. Several workshops were arranged with local stakeholders, a needs analysis was carried out in 12 municipalities and meetings were organised with people experiencing poverty. The project has also collected suggestions from all actors involved in the development of LAPs, which are presented to the National Commission for Social Inclusion, the interdepartmental body responsible for the development of NAPs. These organisations have agreed to use the data obtained from the project<sup>7</sup>.

Other countries in which local and regional good practices have been identified by the European Anti-Poverty Network (EAPN) include, in EU12, Ireland, Portugal and to a lesser extent, the UK. A number of EU15 countries have developed local plans for social inclusion. These include Bulgaria, the Czech Republic, Latvia, Norway, Romania, Serbia and the Netherlands. However, a problem with many LAPs is the lack of funding available to maintain operational capacity during the economic crisis.

In many countries, central government has played a larger role in funding allocations for social inclusion activities. This has increased the need for local and regional authorities to raise awareness and has incentivised a closer working relationship with the OMC. In Lithuania, for example, the LABAS ('hello!') project helped to raise the profile of poverty and exclusion issues at the local level.

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<sup>7</sup> Polova, Sarka. (2010). Comment Paper: The Programme for developing local plans for social inclusion in Catalonia. Czech Republic

## **LABAS - Lithuania without exclusion and poverty**

The purpose of this project is to raise awareness about poverty and ways of overcoming social exclusion and to promote opportunities for citizens and authorities to allow them to take advantage of these opportunities. During the implementation stage, Lithuania developed its first national action plan on social inclusion. The project initiated seminars and forums involving municipal and local civic organizations, pensioners and the regional media.

Five Lithuanian districts convened a working group of experts who consulted and analysed poverty and social exclusion issues at the local level. Solutions were then sought to address critical national poverty reduction policies and proposals on improving these. An important aspect of the project was raising awareness about poverty and exclusion, and mechanisms at national and regional levels to address these problems. Regional media organisations played an important role as strategic partners on the project. Summaries of the recommendations made on how to make poverty reduction more effective in Lithuania at local and regional levels were presented to the public in different regions. Success factors and examples of successful approaches in local poverty and exclusion practices were highlighted<sup>8</sup>.

### **1.5 Main results and effectiveness of the social inclusion strand since 2006**

The relevance of the social OMC relates to the extent to which its objectives meet evolving needs and priorities in the social inclusion sphere at national and EU levels. A good indication of the OMC's relevance is whether its messages and reports are clear and can be easily operationalised. The openness of OMC objectives have been both criticised and praised for their flexibility. There are concerns with regard to the potential contradiction between the objectives and guidelines of the social OMC, some of which are likely to be interpreted in ways that may strengthen the role of the welfare state whilst others are more likely to support retrenchment<sup>9</sup>.

In terms of effects, there is some evidence that the common objectives set out in the European Employment Strategy (EES) and stressed through the social OMC have helped to reduce long-term problems at national level, such as early exit from the labour market, lack of childcare provision, the need to further promote gender equality and to increase political commitment to eradicating poverty and social exclusion.

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<sup>8</sup> <http://www.skurdas.lt/labas/index.php?id=1>

<sup>9</sup> Vanhercke, B. (2009). Europe 2020: Towards a More Social EU. Peter Lang. Germany. P 124.

The social OMC has also had an impact on national authorities responsible for social security and pension systems. For example, in Greece (prior to the economic crisis), the social OMC's coverage of pensions has helped to accelerate pension reform by highlighting the viability of reform measures during the consultation process. Pressure has also been applied to social policy in Belgium through political negotiations. Although the OMC has had relatively little direct influence in promoting the transfer of policies from one EU country to another, it has however contributed to speeding up the pace of reform by facilitating dialogue between relevant stakeholders through horizontal coordination mechanisms on particular topics.

Another way in which the social OMC has facilitated policy reform has been by promoting societal debate among the social partners, thereby increasing societal acceptance of the proposed reforms. In general, Member States have chosen to interpret and implement the social OMC activation framework in ways that prevent the EU from either improving or worsening the performance of state social welfare programmes, for example, some countries have preferred to avoid large-scale reform. The social OMC is therefore not always able to have a substantial impact on national social policy development. However, there is some evidence that the OMC has had a restraining effect on certain legislative proposals in the social sphere, particularly in the area of equal opportunities and anti-discrimination.

Although the social OMC is committed to transposing its strategic objectives into hard legal rules, it primarily uses soft legal mechanisms to facilitate the implementation of EU directives, particularly with regard to the implementation of non-discrimination principles at local and regional level, for example, in accessing public services.

A notable success of the social OMC is the growing political support among Member States for soft governance, which has had an impact on the formulation of Directive 2003/41 – dealing with activities and the supervision of institutions for occupational retirement provision. There are signs that the social OMC's cooperation mechanisms (exchanges of experience, benchmarking) are being used more frequently to implement similar EU legislation.

The social OMC helps to increase the visibility of social inclusion issues on the domestic political agenda across all EU27 Member States and has influenced local and regional discussions on a range of topics such as activation, social exclusion and child poverty. In the UK, cooperation through the OMC has led to the reconfiguration of national priorities on gender issues and child poverty. In

response to pressure through the OMC, France and Belgium have introduced new measures to deal with child poverty.

However, a key challenge that undermines the overall effectiveness of the social OMC is the low level of visibility and institutional awareness about its activities among public authorities in general, and policy makers in particular. There is also a lack of knowledge about OMC methodologies among sub-national governmental actors (i.e. social security, pensions and health ministries) and stakeholder organisations. In terms of democratic accountability, the social OMC is perceived to be driven by a small group of actors who cooperate through opaque relationships.

National studies that have examined the OMC's role in promoting social inclusion have found that the social OMC's institutional visibility varies considerably both within and across EU Member States. In some cases, the social OMC has been used as a governance tool for coordinating local and regional policies. This suggests that there is a high degree of awareness about the OMC at different levels of government. However, the OMC has a very low media presence and there has been an absence of political debate about the process. Consequently, it is not known by the general public.

The social OMC's lack of visibility is partly due to the limited interrelationship between the feeding-in and feeding-out of economic and social policies at local and regional levels. The EES is mainly concerned with political and institutional relationships and does not focus strongly on social inclusion policies. The failure of the Lisbon strategy to eradicate poverty during a sustained period of economic growth between 2000 and 2007 raised doubts about the lack of clout of the social OMC objectives and also led to a reappraisal of the social OMC's capacity, especially regarding whether the soft legal approach was an effective means of reducing poverty.

The national action plans for social inclusion (NAPs), the main tool for the implementation of OMC objectives at Member State level, have not fulfilled their role as umbrella-documents setting out all key national priorities and detailing a common strategic framework for achieving the aims of the social OMC.

Another weakness of the OMC in terms of EU level actors is that the Commission for social inclusion lacks an appropriate political mandate, with corresponding low levels of awareness about its existence. The impact of the social OMC on social inclusion policy making processes could be significantly improved so as to better tackle the multidimensional nature of poverty and exclusion if various steps were to be taken.

There is a need to strengthen governance in social inclusion policy-making processes in a number of Member States, which is currently weak due to limited mainstreaming, weak horizontal and vertical coordination of policies, ineffective strategic planning, poor implementation and insufficient mobilisation and involvement of the social partners and wider stakeholders from civil society. LRAs have a critical role to play in this regard. Weak governance has had a negative impact on the social OMC by preventing it from having a stronger enforcement role. This could be addressed by institutionalising the social OMC's role in strengthening coordination between national social inclusion policies, NAPs and local and regional authorities through a holistic, partnership-based approach.



## 2. European Platform against Poverty

2010 was the *European Year for Combating Poverty and Social Exclusion*. Key objectives were to raise public awareness about these issues and to renew the EU's political commitment to combating poverty and social exclusion. 16% of EU citizens (78 million) are at risk of poverty, with children at even greater risk (19%).

The activities supported during the Year provided an impetus for new initiatives to strengthen activities to tackle poverty and social exclusion at multiple governance levels, in particular, through the setting up of the European Platform against Poverty, one of the flagship initiatives set out in the Europe 2020 strategy<sup>10</sup>. The Platform is expected to promote economic, social and territorial cohesion and to raise awareness and recognition of people experiencing poverty and social exclusion, in accordance with a fundamental rights approach. Poverty was one of five key priorities identified in Europe 2020, and was underpinned by a quantitative headline target of reducing the number of people at risk of poverty and social exclusion by 25%<sup>11</sup>.

### 2.1 Changes in the governance of the OMC

The traditional European system of multi-level governance consists of three distinct features:

- decision-making competences shared by actors at different levels (dispersion of competences);
- actors not ordered hierarchically as in traditional intergovernmental relationships (i.e. non-hierarchical institutional design);
- consensual or non-majoritarian decision making among Member States, which requires a continuous and wide-ranging negotiation process (i.e. non-majoritarian voting system).

The Member States are responsible for drawing up and monitoring the implementation of national reform programmes (NRPs). However, in practice, in many EU countries, local and regional actors have largely been bypassed in social OMC processes, with national authorities playing the main role reflecting the fact that the social OMC has low visibility in many EU countries.

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<sup>10</sup> Europe 2020 strategy: for smart, sustainable and inclusive growth, 3rd March 2010, COM(2010).

<sup>11</sup> Defined as people living on less than 60% of the median income.

In 2010, the Commission produced a Communication on EPAP<sup>12</sup> as part of a framework on territorial cohesion, which discusses the social OMC's role in addressing priorities related to poverty and social exclusion in the Europe 2020 Strategy. The communication highlights the fact that in order to achieve the objectives of the Europe 2020 Strategy relating to poverty and social inclusion, governance structures will need to be strengthened.

This will have implications for the social OMC, through the strengthening of joint working at national, regional and local levels and improved coordination between the Member States on social protection and social inclusion issues. This implies the greater involvement of LRAs through multi-level governance structures. The communication builds on lessons learned during the implementation of the European Year, in which the important role played by local and regional actors (LRAs, NGOs, and stakeholders from wider civil society) in tackling poverty and combating social exclusion was stressed.

The setting up of EPAP, together with the adoption of the Europe 2020 strategy, and the target on poverty reduction, implies changes in the social OMC's multi-level governance system, and the closer involvement of LRAs and civil society organisations in work on combating poverty and processes linked to the social OMC. These include:

- stronger involvement by LRAs in social OMC processes at EU, national and regional levels, in accordance with a partnership-based approach;
- greater involvement by LRAs in the design of national reform programmes (NRPs) and annual updates on their implementation, especially on inclusion and poverty-related issues;
- the need to support poverty initiatives undertaken at national level in which LRAs participate that feed into the work of EPAP;
- the contribution of LRAs to activities undertaken through the framework of the EPAP, such as the annual convention of the European Platform.

Taking the first bullet point, increased participation of LRAs in the social OMC means that the functioning of multi-level governance will need to be adapted to allow scope for wider social dialogue to take place. Mechanisms will need to be developed so that local and regional actors can contribute throughout the process from the formulation to the implementation of relevant social OMC goals

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<sup>12</sup> The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion. Brussels. COM(2010) 758 final.

relating to poverty reduction and the work of EPAP. This is especially the case when the process reaches the stage of mutual agreement, the setting of common objectives, and the development of guidelines at EU, national, and sub-national levels<sup>13</sup>.

Taking the second bullet point, new cooperation frameworks need to be established at national level so that LRAs can contribute more effectively to the preparation and implementation of national reform programmes (NRPs) with particular regard to poverty and exclusion issues. LRAs could also play a vital role in helping national authorities to report on the contribution being made towards the implementation of NRPs, which is reported on annually. A key development stressed in the EPAP Communication is the requirement that annual reports on the implementation of Member States' NRPs in future indicate how national authorities are already involving, and will involve in future LRAs and relevant civil society stakeholders in defining and implementing the NRP, and in communicating on progress towards the Europe 2020 targets.

Taking the third bullet point, there is a need through the social OMC to engage with LRAs in order to strengthen the focus on the territorial dimension of poverty, and to strengthen synergies in delivering EU funding programmes, especially the ESF Structural Funds, which have potential to contribute more strongly to the implementation of effective area-based approaches to tackling poverty and social exclusion.

According to the Commission communication, there is a need to ensure that detailed arrangements are put in place to strengthen multi-level governance arrangements that *ensure the right balance between integration and focus, continuity and innovation, simplification and accountability, coordination and subsidiarity*. The precise nature of these arrangements needs to be debated, however.

The European Anti-Poverty Network (EAPN) argues that there is a need to transform the effectiveness of the social OMC through the creation of national platforms against poverty to support the work of the newly established European Platform against Poverty. These should promote partnership working between relevant actors and help to achieve poverty reduction targets. With regard to how this might be made operational, the EAPN has advocated that the Member States should establish a national poverty platform stakeholder forum, building on and broadening existing NAP and OMC structures. National poverty platforms could meet a minimum of four times a year, developing a partnership

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<sup>13</sup> Kaiser, R. Prange, H. (2003). Open policy coordination in a multi-level governance system: The OMC and the European Research and Innovation Area. Technical University Munich.

approach towards achieving the objectives of the social OMC, the EU Platform and the targets, monitored by the agreed OMC indicators<sup>14</sup>.

Were such national platforms to be established, LRAs would need to play a key role in their operation. The EAPN emphasises ways in which local and regional forums and plans can provide an essential mechanism for delivering the European Platform's objectives by feeding into national forums, and allowing for more meaningful engagement on poverty and social inclusion issues with local and regional actors at grass-roots level.

The EAPN also suggests that national platforms could be tasked with developing a three-year strategy to tackle poverty and social exclusion, including objectives on prevention, strengthening social protection and ensuring access to an adequate income. LRAs could play a key role in feeding into the preparation of such a national strategy and in developing territorial approaches to its implementation. Among the specific priority areas that could be addressed are: a) active inclusion; b) child poverty; c) housing exclusion and homelessness; d) migration and ethnic minorities; e) financial inclusion; and f) energy poverty and ensuring affordable access to quality services.

Lastly, LRAs have a potential direct contribution to make to activities undertaken through EPAP, such as the holding of an annual convention of the European Platform. This could be through the submission of good practice examples as to how LRAs contribute to reductions in poverty and progress towards the Europe 2020 targets, participation in the event by some LRA representatives and through the participation of the CoR.

## **2.2 Increasing the involvement of local and regional authorities in the OMC**

In order to mainstream social OMC objectives across the EU more effectively, the Committee of the Regions' (CoR) *White Paper on Multilevel Governance*<sup>15</sup> makes a number of recommendations with regard to ways in which existing governance structures could be strengthened, in particular by:

- **reinforcing partnership mechanisms**, both vertically, between "LRAs, national government and the EU", and horizontally, between "local and regional authorities and civil society", in the context of social dialogue,

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<sup>14</sup> European Anti-Poverty Network, (2010). EAPN Proposals on the European Platform against Poverty. Brussels. P 4

<sup>15</sup> The CoR considers multilevel governance to mean coordinated action by the EU, the Member States and local and regional authorities, based on partnership and aimed at drawing up and implementing EU policies.

ensuring that EU citizens from different social groups can put forward their opinions on aspects of EU initiatives and make suggestions;

- **simplifying and rationalising administrative procedures** in order to establish a legal, administrative and financial framework capable of innovative action, and the creation of new tools to foster regional innovation and to increase access to finance (venture capital, business angels, micro-credits, etc.);
- **reinforcing the administrative capabilities of LRAs** so as to guarantee competent management of projects and to increase the exchange of good practices in the EU in terms of regional governance<sup>16</sup>.

The present level of local and regional stakeholder involvement in social policy varies depending on the capacity and resources of Member States. For example, in **Ireland**, civil society has had a substantial role in discussions on national social policies, thereby contributing to work in developing the national strategies on SPSI. Ways in which civil society contributes to the development of Ireland's SPSI strategy and NRPs include a broad range of communication channels, including meetings, formal and informal opinions and commentary on the reports.<sup>17</sup>

In **Latvia**, currently, only a small number of local authorities have developed plans for the prevention of poverty and social exclusion. However, these were related to the implementation of international projects. There is a need to develop NRPs with support from LRAs since they often have a territorial-specific understanding of poverty and social inclusion issues.

In order to increase the involvement of LRAs in the social OMC, there is a need for further capacity building. In particular, there should be a greater emphasis on training stakeholders, the dissemination of best practices, and greater stakeholder empowerment (particularly of NGOs, local authorities and people experiencing poverty and social exclusion). There is evidence that LRAs lack detailed knowledge of wider social policies. LRAs tend to view social inclusion simply as the distribution of benefits to the poor rather than recognising the multi-dimensional nature of this policy and the wide range of measures needed.<sup>18</sup>

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<sup>16</sup> The Committee of the Regions: White Paper on Multilevel Governance.

<sup>17</sup> Porte, Caroline de la. (2006). Good Governance via the OMC? The cases of Employment and Social Inclusion. European Journal of Legal Studies: Issue 1. Brussels.

<sup>18</sup> Rozentāle, S. Programme for Developing Local Plans for Social Inclusion in Cataluña. Ministry of Welfare: Latvia.

## **2.3 Impact of the social OMC on the formulation of national policies on social inclusion and poverty reduction**

There are a number of examples of instances where the EU has been able to exert an influence in shaping the development of Member States' social policies. Building on the Lisbon strategy, the EU 2020 strategy established a new framework for social policy containing four key features: a focus on growth and jobs; integration of economic and employment guidelines; bilateral cooperation between the Commission and Member States on national reform programmes,<sup>19</sup> based on national priorities and stakeholder partnerships; and the Social OMC.

The social OMC is the main EU instrument for influencing the social policies of national, regional and local authorities. While central governments have overall responsibility for the design and implementation of national action plans, the social OMC provides an important platform for the participation of local and regional stakeholders who have historically been excluded from policy making processes. By allowing LRAs to have greater input into policy through genuine social dialogue, the social OMC plays a major role in facilitating the mutually reinforcing dynamic between themselves and national reform programmes (NRPs) and the mainstreamed social OMC. This process is called "feeding in" and "feeding out".

Although the EU has had some success in influencing national social policies through new intergovernmental cooperation structures, there are signs that this influence is limited. For example, there has been an erosion of employment policy coordination due to the reduced visibility of the EES at EU and national levels, combined with unevenness in national reporting and a reduction of monitoring capacity at EU level.

Furthermore, the EU's influence through the social OMC suffers from the lack of integration of EU social inclusion objectives within NRPs. In some cases, the OMC/SPSI is only referred to in brief in NRPs. There appears to be relatively little evidence that the OMC has been successful in "feeding out" social objectives through a systematic assessment of economic and employment effects on social outcomes<sup>20</sup>. Related to these weaknesses is the generally low level of awareness about OMC activities. This is a key inhibiting feature of attempts to

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<sup>19</sup> One of the main features of the revised Lisbon strategy is that Member States are encouraged to tailor reforms to their specific needs within the overall framework of the European Partnership for Growth and Jobs.

<sup>20</sup> Zeitlin, J. How to Improve Social Policy coordination in the EU. EU Centre of Excellence. University of Wisconsin-Madison. USA.

influence national social policies. The OPEN project seeks to address this problem:

#### **PROGRESS 2009-2011 - OPEN project**

OPEN (promote and support open method of coordination for strengthening social inclusion and social protection) is a two year project aimed at strengthening the EU's contribution in support of the Europe 2020 commitments and efforts to create more and better jobs and thereby build a more cohesive society. OPEN aims to highlight the importance of coordination between European and national authorities on the one hand, and regional and local authorities, on the other, as the main instrument for identifying common solutions and to raise awareness among different actors on social inclusion and social protection.

The project contributes to enhancing a bottom-up approach to policy development, through the promotion of the social OMC. The OPEN partnership began a social process to establish cooperation, which allows LRAs to influence national priorities in areas such as well-being, better jobs, equality, the protection of rights, and accessibility of social services.

### **2.4 Role of EU funding in contributing to poverty reduction and the development of social policies at Member State level**

A key issue raised in the terms of reference for this briefing was "to what extent can the EU incentivise or constrain national social policies, for instance by making ESF funds conditional on the achievement of EU objectives?" This is part of a wider debate about the future of cohesion policy post-2013, and in particular, the extent to which funding conditionality may help to strengthen the achievement of key social OMC aims agreed at EU level. However, a key constraint in this regard is the need to respect the subsidiarity principle. Promoting social inclusion and combating poverty are Member State competences.

The European Social Fund (ESF) is the EU's main financial instrument for strengthening human resources and promoting access to the labour market, social inclusion and equal opportunities. It is implemented by the Member States under the subsidiarity principle on the basis of decentralised, shared management.

In its opinion on *The future of cohesion policy*, the CoR stresses the crucial role

played by the ESF in promoting employability and combating poverty. This role has become even more important and necessary as a result of the current economic crisis. The multiannual character of the ESF as an instrument has proved invaluable in providing much needed stability for local communities and project promoters alike, particularly in credit crunch times for local authorities<sup>21</sup>.

The European Employment Strategy and the social inclusion OMC provide the overall framework for the substance of the ESF Regulations. The ESF Regulation for the 2007–2013 programming period<sup>22</sup> explicitly refers to the OMC. Article 4(3) states that "where appropriate, a concise section on the contribution of the ESF to promoting the relevant labour market aspects of social inclusion shall be included in Member States' national reports under the open method of coordination on social protection and social inclusion". There is clearly a two-way relationship between the ESF and the social OMC process. If the ESF strengthens the OMC, the latter may influence cohesion policy and vice versa.

Recent key developments, notably the adoption of the Europe 2020 strategy<sup>23</sup> and the launch of the flagship initiative European Platform against Poverty (EPAP) raise issues with regard to how the Structural Funds in general, and the ESF in particular, can be used to take concrete action to combat poverty and social inclusion, and to contribute towards the aim of reducing poverty by 20m people (25%) through targeted support actions.

There is an on-going debate about how the aims and targets of Europe 2020 in the area of poverty and social exclusion should best be reflected in the ESF post-2013 when a new programming period will commence. As made clear in the Commission Communication establishing EPAP<sup>24</sup>, the central challenge is in making EU funding deliver on key EU social inclusion and social cohesion objectives, while at the same time respecting subsidiarity principles.

A key issue under consideration by the CoR is the extent to which the EU can incentivise or constrain national social inclusion policies, for instance, by making ESF funding conditional upon the achievement of EU objectives. While there is indeed a case for strengthening the contribution of the ESF to the aims of the social OMC, there could be various disadvantages associated with making

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<sup>21</sup> COTER-V-012. (2010) The Future Of The European Social Fund After 2013.

<sup>22</sup> Regulation 1081/2006 of the European Parliament and of the Council on the European Social Fund for 2007-2013.

<sup>23</sup> EUROPE2020 Strategy, a European strategy for smart, sustainable and inclusive growth, 3rd March 2010, COM(2010) 2020 final.

<sup>24</sup> The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion, COM(2010) 758 final.

ESF funding conditional upon demonstrating how programmes will contribute to the social OMC.

Firstly, there are subsidiarity issues, since ESF is implemented on a decentralised basis, and there is no formal EU competence in the area of social inclusion, with the OMC relying on soft mechanisms to achieve its aims. The modus operandi of the ESF is that the Commission sets the general framework, which is commonly agreed, and then the Member States address detailed implementation issues and tailor activities to meet needs. Moreover, there is already significant funding to combat social exclusion in the current 2007-2013 programming period. More than EUR 10bn has been earmarked for projects that combat social exclusion which is matched by national funding. The challenge, therefore, is how to better integrate the poverty dimension into the ESF rather than introduce requirements that call into question subsidiarity principles.

Secondly, the work of the social OMC does not presently have high visibility. Therefore, any attempt to introduce a requirement into the Structural Fund implementation regulations that the ESF must make a demonstrable contribution could lead to confusion among stakeholders due to the lack of knowledge and awareness about OMC aims and objectives, which could be counter-productive, particularly in the context of the Commission's simplification agenda. A related point is that this would add to the perceived complexity and level of bureaucracy in administering ESF programmes in many countries. Practical difficulties, such as how the Member States and the Commission respectively could assess compliance at ESF project and programme levels with social OMC goals would also materialise. This may lead to considerable difficulties if there were to be disagreement about the extent of compliance and ESF funding was to be withdrawn.

The ESF's contribution to key EU policy aims in reducing poverty and social inclusion in the post-2013 period could be enhanced in various ways. The various options suggested are not mutually exclusive.

- A reference could be made in the recitals to the role of the ESF in achieving the Europe 2020 target of reducing poverty by 20%.
- Poverty is not currently mentioned in the ESF Regulations, although there is a strong emphasis on tackling social inclusion. Tackling poverty could be made a more explicit feature of the ESF, for example, in the description of the scope of assistance, it could be incorporated into activities relating to social inclusion.
- In previous programming periods, the designation of horizontal themes has

been relatively successful in focusing Member States' attention on particular topics of a cross-cutting, overarching nature, such as equal opportunities and sustainable development. Social inclusion and poverty reduction could also be integrated as a horizontal theme post-2013.

- Greater emphasis could be placed on targeting resources on a spatial basis, not only on specific groups. This would promote the implementation of a more integrated approach to fighting poverty.
- There is a need to encourage the Member States to allow for ERDF investment in developing social infrastructure to help ensure the successful implementation of ESF social policy measures.

A wider debate<sup>25</sup> has also been on-going as to whether the cohesion funds more generally could be suspended in the case of a breach of the Stability and Growth Pact. This is however strongly opposed by the CoR on subsidiarity grounds.

## **2.5 The use of territorial pacts to combat poverty and social exclusion**

"Territorial pacts" are a tool designed to help different levels of governance to work together in partnership on the implementation of a particular policy in a coordinated and integrated way. The territorial dimension is particularly important in combating poverty since the very "poorest people" are often concentrated in particular regions or even smaller areas.

The European Commission, supported by the Member States and the CoR have decided to make greater use of European territorial pacts in order to support greater ownership at local and regional levels in implementing the Europe 2020 strategy. This form of governance establishes tri-partite contractual agreements, which bring together the Commission, national authorities and LRAs to help streamline the implementation of EU policies.

Territorial pacts translate the need for partnership into agreements between all relevant levels of governance and aim to: set up national and regional targets; provide recourse when necessary to indicators and targets other than GDP; implement the Europe 2020 flagship initiatives and identify obstacles to the achievement of targets at country level; draft partnerships together with implementation on the ground via national reform programmes and to monitor

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<sup>25</sup> [http://www.cor.europa.eu/cor\\_cms/ui/ViewDocument.aspx?contentid=51e1a9dd-c7f8-40f3-8a1f-839a0bb3a238](http://www.cor.europa.eu/cor_cms/ui/ViewDocument.aspx?contentid=51e1a9dd-c7f8-40f3-8a1f-839a0bb3a238)

their progress<sup>26</sup>. Territorial indicators and targets are particularly important as they evaluate wider social and economic issues, rather than purely GDP types of indicators.

Territorial pacts have already been implemented by a number of other EU Member States, such as **France** and **Italy**. They have been particularly effective in supporting the implementation of local employment approaches, but also have strong potential to help combat poverty and social exclusion.

Territorial pacts can also be easily leveraged by LRAs to support the management and implementation of the Structural Funds. However, until recently, territorial pacts have not achieved their expected results. The CoR is a strong proponent of re-launching territorial pacts in EU policy-making and implementation, as set out in its White Paper on multi-level governance in 2009.

The White Paper recommended establishing European territorial pacts capable of bringing together, on a voluntary basis, the different competent tiers of government. This was in order to adapt the implementation of the major political priorities and objectives of the European Union on a partnership basis with the local and regional authorities. The White Paper identified a number of requirements to ensure that the objectives of the social OMC are properly supported. These include:

- Territorial pacts should be set up as an equal partnership between local, regional and national governments and should be involved in designing the flagship initiatives and in drafting the national reform programme.
- Pacts could contribute as a monitoring and evaluation mechanism to accompany the Europe 2020 policy cycle and to adjust it when appropriate.
- Agreements taken within the framework of a territorial pact could be of a *contractual* nature, when appropriate and only on a voluntary basis, with full respect of the national legislative framework.

Further suggestions have been put forward in other EU documents such as the EU budget review, which recommended the establishment of development contracts between the EU, LRAs and existing territorial pacts between national and local authorities. The review believes that close involvement of LRAs in the design of operational programmes increases the potential for achieving EU policy aims in the social sphere through activities and projects at local level. Closer cooperation between relevant actors through these pacts should also

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<sup>26</sup> COR (2010). Territorial Pacts: To Achieve The Objectives Of The Europe2020 Strategy.

generate projects that respond better to territorial needs and promote financial absorption<sup>27</sup>.

The EU budget review also states that cohesion policy should be used to promote the 2020 objectives of smart, inclusive and sustainable growth in all regions. This can be a powerful driver for strengthening the Union's treaty obligations in achieving economic, social and territorial cohesion, as well as accelerating the process of reducing disparities between the levels of development in different regions<sup>28</sup>.

The Fifth report on economic, social and territorial cohesion shows that cohesion policy has created new jobs, increased human capital, built critical infrastructure and improved environmental protection, especially in the less developed regions<sup>29</sup>. Therefore, cohesion policy is likely to play a significant role in spreading growth and prosperity across the Union, while reducing economic, social and territorial disparities.

In order for territorial pacts to be successful, there is a need to ensure that the principles of subsidiarity and proportionality are respected by the Commission, particularly where territorial pacts are used to promote the objectives of the social OMC. This means tailoring territorial pacts to complement Member States in terms of socio-economic and territorial characteristics, and the division of competences between different levels of government. Furthermore, the economic crisis continues to impact on the implementation of social policy at national level in an uneven way. To address these inequalities, greater emphasis should be placed in NRPs on ensuring territorial cohesion and raising the profile of social policy.

The CoR considers territorial pacts to be a useful mechanism for ensuring that the EU 2020 strategy contains a strong territorial dimension, which takes into account differences that may exist between national, regional and local authorities. The CoR Bureau in its meeting of October 2010 discussed territorial pacts and monitoring Europe 2020 on the ground<sup>30</sup> and adopted a decision document<sup>31</sup> on the possible use of territorial pacts in the context of the Europe 2020 strategy. Among the recommendations were for NRPs to be drafted and implemented through territorial pacts at Member State level, and that the same NRPs are then taken as a basis for the negotiation of a partnership contract between that Member State and the European Commission.

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<sup>27</sup> COR. (2010). Cohesion Policy: Strategic Report 2010 on the Implementation of the Programmes 2007-2013

<sup>28</sup> SEC. (2010).

<sup>29</sup> COM. (2010). Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy.

<sup>30</sup> <http://portal.cor.europa.eu/europe2020/news/Pages/2010/CoROctoberBureau2010.aspx>

<sup>31</sup> COR. (2010). Territorial Pacts to achieve the objectives of the Europe2020 Strategy.

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