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DISCUSSION PAPER

ON THE TERRITORIAL ASPECTS OF EXTREME POVERTY

DRAWING UP A EUROPEAN EXTREME POVERTY MAP

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1. Introduction

Identifying problematic areas on evidence base is the precondition for effectively targeting marginalized groups, including Roma. Consequently, pointing to areas with an overrepresentation of marginalized groups is both an analytical and a political tool. In the case of Roma there is often an intersection of ethnicity and poor social conditions, and the ethnic dimension reinforces the ever stronger reproduction of social disadvantages and a spatial concentration of poverty.

Area focused targeting based on socio-economic data has been broadly applied worldwide and in the EU since the URBAN program has been established for integrated urban interventions in the early nineties.² The methodology has been taken over in the New Member States as well, in order to identify intervention areas or to include various social indicators in the development plans or Operational Programs.

Socio-economic indicators reflecting deprivation³ are effective in grasping the most excluded social strata, among them Roma. Consequently, the elaboration of such indicators and drawing extreme poverty maps are preconditions to the effective use of resources aiming at reduction of extreme poverty of marginalized groups, including Roma.

The Extreme Poverty Map of Europe should

- **Identify** pockets of poverty based on social and economic indicators;
- **Measure** spatial concentration of poverty and regional inequalities;
- **Improve targeting** of allocation of funds and influence methods for programming;
- **Monitor achievements;**
- **Contribute to mutual learning.**

¹ The Discussion paper was prepared by Dr. Melinda Horváth on behalf of the State Secretariat of Social Inclusion at the Ministry of Public Administration and Justice, and the members of the Poverty Map Working Group, Dr. Katalin Kovács (Regional Research Center of the Hungarian Academy of Sciences), Ádám Kullmann, PhD. (Open Society Foundations), Eszter Somogyi (Metropolitan Research Institute, Budapest) and Nóra Teller (Metropolitan Research Institute, Budapest)

² More information about the URBAN program and the current state of art and ongoing projects can be found on the URBACT website: <http://urbact.eu/en/header-main/integrated-urban-development/understanding-integrated-urban-development/>

³ Data proxies include data on vulnerability and marginalization, such as (1) higher levels of unemployment or inactivity, (2) relatively lower education level, (3) relatively poorer infrastructure supply and housing conditions, (4) demographic data showing more relatively younger population, higher number of children per family and relatively larger size households. These data can be refined by combining area based targeting and group-based targeting derived from “lists” of affected communities, neighbourhoods and settlements where there is a (local) common knowledge that marginalized groups, among them Roma are represented in line with the 2nd of the 10 Basic Principles of Roma inclusion: *explicit but not exclusive targeting*.

2. The territorial face of poverty

Regional disparities in EU-countries are significant ranging from differences in productivity, to infant mortality rates and vulnerability to climate change. Many of these disparities have shrunk over the past decade, but overall there remains a wide gap between the less and the highly developed EU regions. Although some of these regional disparities will never (completely) disappear, many of them are intolerable, should be and could be tackled. To achieve real progress towards the goals of smart, green and inclusive growth, extreme regional disparities have to be reduced.⁴

The **social inclusion target of the Europe 2020 strategy is the inclusion of 20 million people, app. 4% of the total EU population**, based on the aggregate of three indicators⁵. The poverty indicator of the 2020 strategy builds upon the notion that poverty is a multidimensional result of exclusion from the labour market, low income and material deprivation. **Poverty, however, is distributed unevenly in space**: regional disparities further challenge social cohesion.

Various poverty measures show the clear differences not only among but also within the Member States as regards living standards. Whilst some of the widely used indicators have limitations in grasping the very important territorial dimension of poverty⁶, the **most widespread presentations of the spatial patterns of poverty go below national levels**. Unequal distribution of poverty measured at regional level (NUTS2 and NUTS3) is widely reported by several analyses and researches in the Member States. Based on EUROSTAT data on territorial differences in Europe the share of population with an income level that puts them at risk of poverty differs markedly between countries, but the range is far wider at regional level.⁷

Despite having strong demonstration force, **NUTS2- and NUTS3-level indicators hide the concentration of extreme poverty in particular in case of micro regions (LAU-1 level), localities (LAU-2 level) and segregated neighbourhoods** especially in urban areas. For the sake of policy design, identifying and monitoring these territorial units need further efforts:

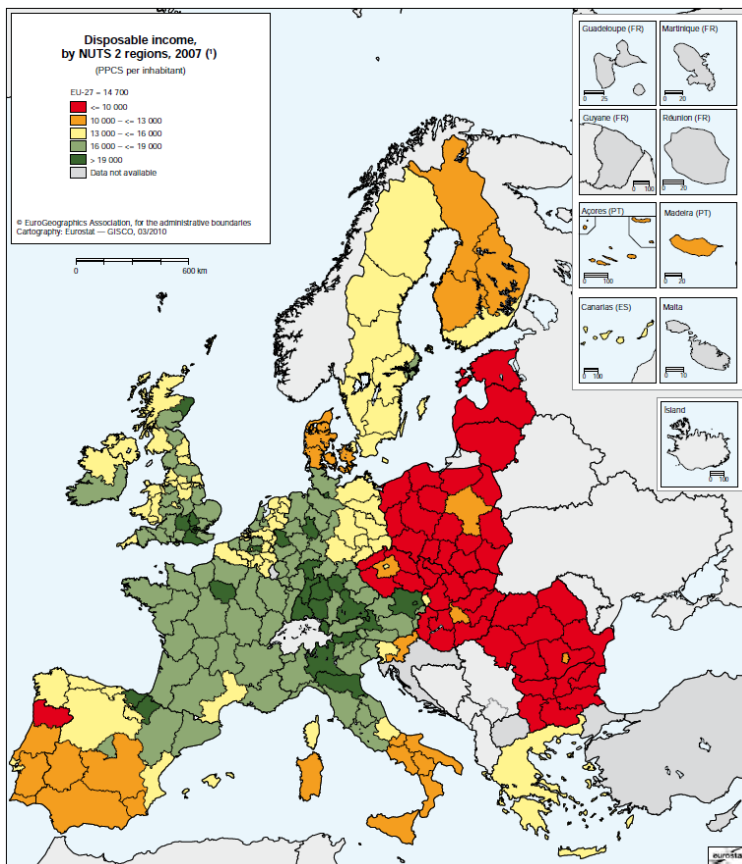
- **Micro regions suffering of multiple disadvantages** based on economic, infrastructural, employment and social indicators.
- **Segregated neighbourhoods** are parts of settlements where the level and density of the poverty is significantly higher than in other neighbourhoods and people face poor housing conditions, and limited access to basic services (water supply, sewage, social- and healthcare services, etc.).

⁴ Fifth report on economic, social and territorial cohesion, November, 2010, European Commission http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

⁵ The headline target for the reduction of poverty and exclusion has been defined by the European Council on the basis of three indicators: the at-risk-of-poverty rate (after social transfers), the index of severe material deprivation and the percentage of people living in households with very low work intensity. This definition is at the same time an expression of the multiple factors underlying poverty and/or exclusion, of the diversity of the problems that Member States face and of the priorities they have therefore set out. For the definition of these indicators and a description of their level in EU countries, see <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0758:EN:NOT>

⁶ There are plentiful methodologies to disaggregate data produced for larger territorial levels by combining e.g. Census data and EU-SILC data, and other databases e.g. also by the World Bank. The emphasis here should be on how to cost-effectively produce and reproduce comparable data.

⁷ Fifth report on economic, social and territorial cohesion, November, 2010, European Commission http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm



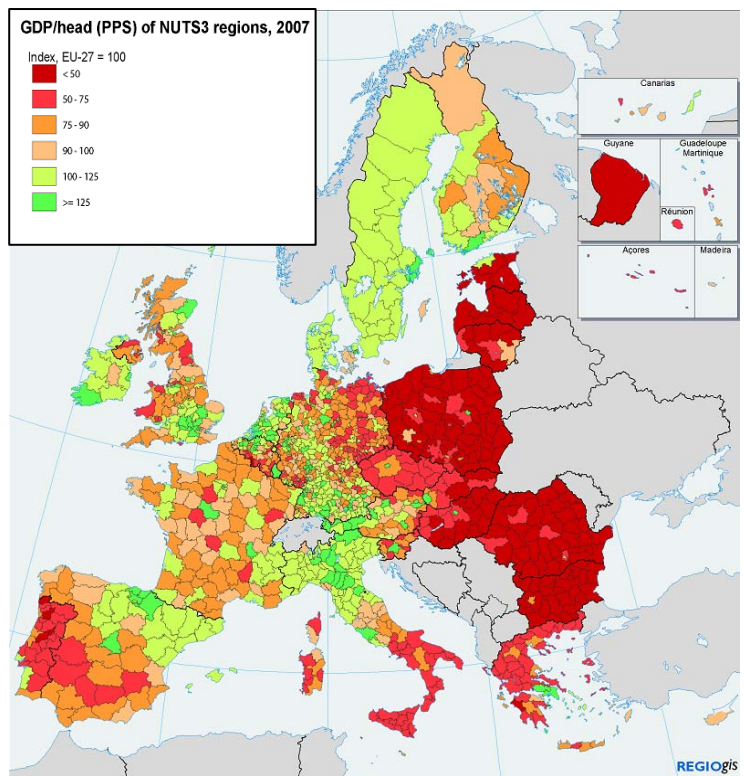
(*) EU-27 and Belgium, Eurostat estimation; Greece, national level.
 Source: Eurostat (reg_ehh2inc).

Figure 1. Disposable income by NUTS 2 regions in 2007 in the European Union

Source: Eurostat Regional Yearbook 2010, p.93, Section on Household Accounts. Information about the metadata is available at http://lepp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/reg_ecobh_esms.htm

Figure 2 GDP/head (PPS) of NUTS3 regions, 2007

Source: European Commission/ DG REGIO

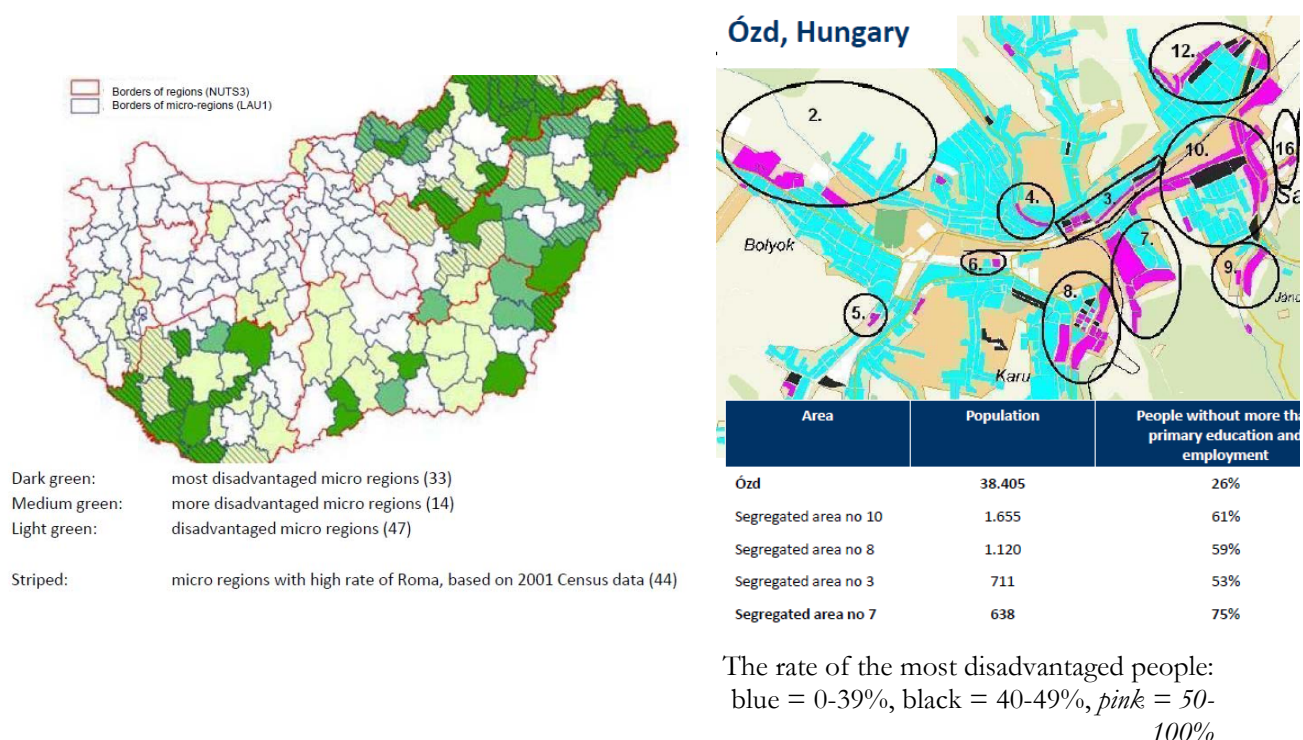


3. Targeting Roma communities with help of mapping extreme poverty in Europe

Approximately 10-12 million Roma live scattered all over the European Union, most of them in five new Member States, Romania, Bulgaria, Slovakia, Hungary and the Czech Republic. Despite of differences within the Roma communities in all over Europe, **most of them suffer from extreme poverty as well as social exclusion, discrimination and segregation.** Roma are particularly exposed to high rates of unemployment or are largely restricted to make their living from the informal economy. The multiple disadvantage of Roma communities is determined by socio-economic factors (low level of education, poor employment opportunities, segregated educational and housing conditions, inadequate living conditions, poor health status) and ethnic discrimination.⁸

Roma are highly overrepresented in most disadvantaged micro-regions and in segregated neighbourhoods. This is the underlying fact for the method for reaching deprived Roma communities using socio-economic data in the mapping procedures. **Identifying most backward micro-regions, localities and segregated neighbourhoods will enable a simultaneous targeting of marginalised Roma communities** beyond having identified the most serious pockets of poverty.

Figure 4. Matching of Roma communities and disadvantaged micro-regions (LAU1) and at sub-settlement level in Hungary based on social-economic indicators



⁸ For further information, among other EC documents see Commission Staff Working Document. Roma in Europe: The Implementation of European Union Instruments and Policies for Roma Inclusion – Progress Report of 2010 retrieved from <http://ec.europa.eu/social/BlobServlet?docId=4823&langId=en> and the recent European Parliament Report on the EU strategy on Roma inclusion (2010/2276(INI)) available at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A7-2011-0043+0+DOC+PDF+V0//EN>

4. Availability of data for mapping extreme poverty in Europe

Beyond data resource issues, measuring extreme deprivation and poverty are **methodologically challenging tasks**.⁹ Also, poverty levels among Member States vary considerably, as well as the size of the groups affected and the severity of their deprivation. Therefore, defined data collection methods should reflect these intra-national variations of poverty, too.

The concept of mapping extreme poverty is on its revival, with large scope of application areas. Mapping of extreme poverty is based in some countries on complex and one-time-survey based indicators that serve as eligibility thresholds, in others national level two-indicator-based sets are used for delimiting actions zones. At the program and project evaluation level, various additional, sector and topic-specific data are gathered as input-, output- and outcome-indicators. All this is to show that the **territorial approach is a well embedded concept of planning and implementing EU-wide and national policies**.

Multiple disadvantages are usually concentrated in remote areas and neighbourhoods. Therefore, one of the most important challenges for producing the poverty map is **to find indicators that reliably identify the most disadvantaged areas at LAU1 (micro-regional) and LAU2 (local community) levels¹⁰ and segregated neighbourhoods¹¹**, as statistical data are not standardised at these levels in Member States. The LAU1 level is not even defined in some of the Member States (e.g. Romania and Spain).

Therefore, there is a need for social and economic **indicators that are available at least at NUTS 3 level in all Member States** to delimit the disadvantaged regions with a conform and harmonized methodology, and that can be efficiently **further refined by LAU1 level data** (or LAU 2 if LAU 1 is not available) and sub-settlement level data especially in the urban context. Appropriate methodologies to disaggregate data collected at higher territorial levels based on a combination of data resources are available.¹² However, robust indicators based on more simplistic methods could be developed by the Member States themselves.

There are various elements of the definitions of areas most in need, based on a combination of infrastructural and socio-economic indicators and public service delivery performance measurements¹³. Already decades ago the members of the European Union realised that regional targeting of interventions needs **depicting the conditions** of the target areas in a holistic way when planning for the necessary interventions. Also, **defining the intervention areas (action zones)** e.g. in urban regeneration programs can be enhanced by using infrastructural, social and economic indicators.¹⁴

⁹ More for this and a recent analysis of the correlations of poverty related data, see European Commission's (DG Employment) most recent publication on „The Measurement of Extreme Poverty in the European Union”, by Jonathan Bradshaw and Emese Mayhew (2010), available at <http://ec.europa.eu/social/BlobServlet?docId=6472&langId=en>

¹⁰ NUTS-Nomenclature of territorial units for statistics, Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS), http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction

¹¹ Neighbourhoods are not categorized defined in the NUTS nomenclature system.

¹² The World Bank has been applying this method to produce poverty maps called *small area estimation poverty maps* for many years. Source: http://siteresources.worldbank.org/INTPGI/Resources/342674-1092157888460/poverty_mapping.pdf and . A recent World Bank publication on methods and potential of poverty maps is available at http://siteresources.worldbank.org/INTPGI/Resources/342674-1092157888460/493860-1192739384563/More_Than_a_Pretty_Picture_ebook.pdf Recently, EUROSTAT has made available several sets of the 2001 Census data at NUTS3 level, too.

¹³ Such indicators comprise economic activity (entrepreneurship, tax revenue, tourism, etc.), socio-economic status of the population (educational status, unemployment rate, income level), demography data and infrastructure supply data (water supply, sewage, accessibility, poor housing etc.).

¹⁴ The German program “Soziale Stadt” demonstrates a great example for local indicators: <http://www.sozialestadt.de/en/programm/>. They Czech and the Slovakian poverty maps are produced based on empirical evidence, e.g. research commissioned by the public authorities or research institutions based on a pre-

Moreover, there are European **examples for voluntarily applying harmonized indicator sets for regional targeting by Member States.**¹⁵

To conclude, several **compromises have to be made to keep the production and the updating of the indicators simple and cheap.** We claim that a very **small number of robust indicators can bring similar results as complex methodologies and surprisingly well identify crisis areas.**

The European Extreme Poverty Map should primarily **rely on basic demographic, education and employment indicators.** Based on previous findings, they show high correlation with more complex poverty indicators, such as economic performance, income, and to a great extent, material deprivation.. Moreover, they are crucial elements in the reproduction of poverty.
The European Extreme Poverty Map can sufficiently be produced based on these indicators, **identifying both cross-country and intra-national inequalities and disadvantaged micro-regions.**

To further elaborate the position and severity of smaller pockets of poverty, additional or more detailed indicators should refine the conditions for poverty areas (micro-regions, localities, neighbourhoods) to effectively plan for interventions. Nevertheless, this should be an **additional step after producing a larger, still detailed enough, European level overview,** with flexibility offered to the Member States and harmonized with the capacities determined by national and local data collections.

5. Policy impacts of mapping extreme poverty

In order to **tackle the territorial concentration of the disadvantaged groups,** interventions should be focused on the most disadvantaged micro regions, local communities and segregated neighbourhoods. Promoting active inclusion and reducing poverty means investing in education, training and skills, labour markets and transport, education, social and healthcare services to help people anticipate and manage change and to build a cohesive society. **Coordinated and comprehensive policy measures, explicitly but not exclusively targeting Roma,** mainly in the priority areas of education, employment, housing, health, and anti-discrimination should be set in order to ensure social-economic integration of Roma and promote cohesion to the benefit of the entire society.

The European Extreme Poverty Map has therefore **several potential policy impacts:**

1. Territorial targeting can be **effective in elaborating comprehensive policy measures** in areas with high concentration of marginalised communities, including Roma.
2. Territorial targeting can be **effective use of funds** to areas with high concentration of marginalised communities, including Roma, without allocating funds on ethnic ground, supported by equal opportunities guarantees.¹⁶
3. Once the European Extreme Poverty Map is drawn at LAU1 level, the European Union could help and motivate member states be e.g. allowing for **easier cross-financing and higher-co financing for integrated programmes in these specific target areas,** regarding ERDF, ESF and rural development fund.
4. Basis for mutual learning among Member States in measures of fighting territorial concentration of poverty.

Evidence for such policy impacts in the Hungarian case is given in the Annex.

defined methodology. In Slovakia, the results of the mapping are publicly available at <http://romovia.vlada.gov.sk/3556/regiony.php>. In the Czech Republic, the list with extensively detailed indicators is available here: http://www.esfcr.cz/mapa/int_CR.html via an interactive map.

¹⁵ See for more the details the URBAN initiative, quoted also in the Introduction. The challenges of regional targeting based interventions are also reflected based on in-depth elaborations of the interventions at the URBACT website.

¹⁶ In the New Hungary Development Plan, priority is given to ensuring equal opportunities in the various programmes. In order to achieve this, the National Development Agency has drawn up equal opportunity guidelines in conjunction with the ministries, which help the local governments and institutions who are submitting tenders to prepare a situational assessment for equal opportunities, and when drafting their programme.

6. Policy recommendations – next steps

I. The main socio-economic factors (e.g. education level, employment rate, demography) characterising the territorial concentration of disadvantages and marginalisation and the inter-generational transmission of poverty should be specified.

II. An indicator system based on these factors should be prepared which can be used for elaborating a European Extreme Poverty Map¹⁷. In this map the Member States could identify those regions (minimum at NUTS3 level, preferably at LAU1 or LAU2 level) and segregated neighbourhoods where communities are most disadvantaged.

III. Combined data from national census, official statistics and relevant surveys could be used. More detailed indicators should refine the conditions for poverty areas (micro-regions, localities, neighbourhoods) to effectively plan for interventions with flexibility offered to the Member States and harmonized with the capacities determined by national and local data collections.

IV. Based on the European Extreme Poverty Map **coordinated and integrated interventions should be concentrated to these areas and regularly monitor their development**. It is also necessary to review how Structural Funds and the European Agricultural Fund for Rural Development can contribute to the development of these territories in a co-ordinated manner.

¹⁷ The phrase "crisis map" was first developed by the Draft Report on the EU strategy on Roma inclusion (2010/2276(INI)), Rapporteur: Livia Járóka
<http://www.europarl.europa.eu/document/activities/cont/201011/20101130ATT03148/20101130ATT03148EN.pdf>

ANNEX:

I. Hungarian Methodology for Defining Segregated Neighbourhoods in the Integrated Urban Development Plans

Desegregation Plan¹⁸: Definitions of the segregation indicators: Segregation indicator based on the data of the census of 2001.

- Those urban areas are called segregates¹⁹ in which at least 50% of the active-age (between the age of 15-59 years) residents do not have regular income from labour and their highest school qualification does not exceed the 8th grade of the elementary school.
- Those urban areas are called areas threatened by segregation, in which the above-mentioned indicator takes up a value between 40-50%.
- In the case of Budapest those areas are considered as segregates, where the value of the indicator referred to above attains or exceeds 35%. The area is considered to be threatened by segregation if the value of the indicator falls within 25-35%.

Segregation indicator based on data from social assistance scheme:

- Those areas are called segregates, where the proportion of regular social aids as compared to the number of the population/number of flats attains the double of the city (district) average.
- Those areas are considered to be areas threatened by segregation, where the proportion of regular social aids granted as compared to the number of the population/number of flats attains 1.7 times of the city's (district's) average.

An example for such a map produced at neighbourhood level is depicted in Figure 4.

II. Methodology and support for Integrated Urban Development Plans, and equal opportunity conditions in the framework of EU funded urban development programs in Hungary

The ministries provided experts to those tendering for programmes concerning their areas of responsibility; these experts both promoted and monitored the drafting of the equal opportunity programmes. Guidelines have been drawn up and work has begun so far in the areas of housing and education. The ROP IH has set the following conditions for inclusion in the ROP Function Expansion and Integrated, social urban rehabilitation programmes: one, the rehabilitation and integration of districts of towns and villages where persons with low social status live; two, the applicants are obliged to draw up an Integrated Urban Development Strategy, which includes the Anti-Segregation Plan. The relevant ministry has set up a network of 27 anti-segregation experts, who helped with drafting the plan and provided a signed guarantee that it is acceptable. Without their countersignature, the local government could not take part in the tender. Besides this, the ministry provided supervisory assistance to the experts, who also checked the document.

In the action plan period from 2007 – 2008, 167 towns and villages drew up Anti-Segregation Plans. Among the towns which did so there are 23 county towns, 79 towns with a population greater than 20,000 and 55 towns and villages with a population of less than 20,000. The Anti-Segregation Plan consists of a background study and a programme. In the background study, the local government provided information on segregated areas in the town or village with more than 50 persons. The programme then describes the interventions planned for the period up to 2013 for segregated areas with more than 100 persons. When the interventions are drawn up, the fundamental target is that the extent to which the settlement is

¹⁸ Abridged Version of the Urban Development Manual (State Secretariat for Regional Development and Construction Ministry For National Development and Economy March, 2009)

¹⁹ Segregates is used as a synonym of the segregated neighbourhood

segregated, i.e. the concentration of persons with low social status should be reduced, and brought in line with the town average as far as possible.

However, it was not permitted that as a result of the intervention, the concentration of the population with low social status should have increased in other parts of the town or in other towns or villages (e.g. villages neighbouring the town), or that new segregated settlements should have developed. The relevant Ministry has drawn up practical guidelines for the background study and the programme – i.e. the Anti-Segregation Plan – which could be found on the National Development Agency’s website in the Urban Development Manual for tenders. The programme to be implemented in the segregated settlements was to be based on the following system of resources and methods:

1. Methods and resources for housing integration:

a) Clearing poor quality housing stock in the segregated settlements and placing the residents into an integrated housing environment:

- through allocation of existing social housing;
- through allocation of housing bought on the private market and run as social housing by local governments; support to access owner-occupation [involving loans with a state-funded construction, financing for young home seekers, support from local funds and private financing]
- Local decrees, document checking (for example planning and policy for rented housing)

b) In the case of segregated settlements which are recommended to remain (either partly or wholly), the rehabilitation of the housing stock and housing environment in the segregated area: improving the level of main services and the quality of the housing stock, or making good the lack of local infrastructure and improving the quality of the housing environment (especially with regard to dealing with factors which are harmful to health).

2. Mobilisation programme: reducing the concentration of residents with low social status, by moving some of the families concerned into integrated housing environments (for methods and resources, see 1.a). As far as the opportunity exists, the mobilisation programme has to be part of the 1.b. type residential integration programme, in order that the number of residents with low social status in the segregated areas should be reduced in the short term.

3. Educational integration is ensured for the children concerned by drawing up an “Equal Opportunities in Education Plan for Towns and Villages”.

4. Improving residents’ employment situation with programmes to promote integration into the employment market, training, retraining, job creation and support for finding work etc.

5. Improving access to public services (social and health services).

6. The inclusion of measures to reduce residential and social segregation in the land use and development plan, concept and developments (by the use of the methods and resources listed in 1 – 5). Within the framework of the town’s Anti-Segregation plan, it was necessary to show which of the methods and resources above are intended to be used for the individual segregated areas, and details were to be given for each type of intervention, the timetable and the funding which will be used for implementation. For the individual programmes, efforts were to be made to draw up as multi-faceted a programme as possible (i.e. as many methods and resources should be used from those set out above) and to draw upon as many sources of funding as possible for implementation. Special note should have been made of which programme for rehabilitating segregated settlements the town wishes to finance from EU funding. (European Union funds for urban rehabilitation may not be used for clearing segregated settlements.

III. Evidence for a positive impact of regional targeting of EU Funds

Hungary launched the complex development program of the 33 most disadvantaged micro-regions in 2007. The complex (economic, infrastructural, social and employment) indicators for defining the micro-regions were designated by a parliamentary decision²⁰.

In Hungary, the program of the 33 most disadvantaged micro-regions demonstrates positive impacts of regionally targeting EU Funds and reaching pockets of poverty with this approach.

The target area of the 33 most disadvantaged micro-regions spread all around the country covers 10% of national population, and around 30% of the Roma population. These micro-regions received 1% of national allocation from 6 OPs (1 sectoral and 4 regional ERDF, 1 sectoral ESF and 2 more OPs for technical assistance).

The results so far prove, with around 50% of the funds committed (0,5% of national allocation) that the per capita funding of the 33 micro-regions increased from 71% to 85% of national average (per capita funding of worst performing 3 micro-regions increased from 29% to 43% of national average), and the level of equality within micro-regions increased in 30% and kept in 70% of the micro-regions (not decreased in any).

The map of these micro-regions is contained in Figure 4.

²⁰ 67/2007 (VI.28.) Parliamentary decision on regional development supports and principles of decentralization, conditions of beneficiary regions.