Assessing the Social Investment Package against the normative framework of capabilities and human rights

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No 649447

This report constitutes Deliverable 4.2 'Ex-ante evaluation of the EU Social Investment Package from a human rights and capabilities perspective', for Work Package 4 of the RE-InVEST project.

October 2017

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Please refer to this publication as follows:
Salais, R. (2017). *Assessing the Social Investment Package against the normative framework of capabilities and human rights* (RE-InVEST Working Paper Series D4.2). Paris: IDHES /Leuven: HIVA-KU Leuven.

This publication is part of the RE-InVEST project, this project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No 649447.

Executive summary

The concept of social investment has been introduced by the European Commission (EC) in its Communication[1] 'Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020' (COM/2013/083 final). What does the Commission mean by 'social investment'?[2]

As for most of the European literature written in novlanguage, answering requires deciphering,[3] putting together different pieces from several European services, coming back to historical background, and not the least to undertake a textual analysis. We will begin by these tasks (Part I to III) and, then, elaborate the conception of social investment that can be derived from an approach combining human rights realisation and the development for people of their capabilities (Part IV). Exploring such an alternative is the central purpose of the European research project, RE-InVEST.

1 Called COM/2013 below.

2 Many thanks to René Lehwess-Litzmann and Jean-Michel Bonvin for their very valuable comments.

3 By deciphering we mean the necessary effort to capture the meaning embedded in the political process. It is not only the outcome of intentional strategies, but also the unexpected product of the competition, internal to the European authorities, between several Directorates of the Commission. It seems evident here that the financial has taken the power over the social.

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Introduction

What first strikes the reader is the repetitive, almost doctrinal style of the communication. In 19 pages, plus 4 pages of footnotes, seven keywords are repetitively used, which actually belong to management and financial rather than the social domain. They mostly function by couples: efficiency (19 occurrences) and effectiveness (19 occurrences too); sustainability, mostly financial (21 occurrences) and adequacy (21 occurrences too, up to 26 if one counts synonyms); the champion, target, in its diverse modalities (28 occurrences, up to 37 if one adds conditionality (9 occurrences)); monitoring (strictly 15 occurrences, much more if one adds all the connected notions, like governance, steering, guidance, reporting, support).[4]

Although a tension between such doctrinal approach and another one oriented towards human capital development through education, child care, training seems to appear in the text, such a focus on these keywords underlines the main orientation that the European authorities suggest for social policies and welfare reforms: minimising the cost of social policies and opening the financing of the social to private capital. The keywords and the whole text trace the right ways to do so, ways that European authorities intend to monitor through political methodologies derived from the Open Method of Coordination (OMC) – 'that has contributed to steering Member States' structural reforms in the areas of social protection and social inclusion'[5]- , that is, a mix of governance by quantitative performance and the diffusion of best practices among countries.

This paper will pass in review these ways:

1. Public social policies and schemes should become financially sustainable in a universe of less public expenditure.
2. Their implementation needs to be adequate, which means low-cost, but efficient and effective schemes.
3. To be effective they should be targeted towards the people most in needs (conditionality). The targeted people are the poor and the excluded, whereas one of the six targets of the Europe 2020 strategy is 'to lift at least 20 million people out of poverty and social exclusion'. This target is combined with the continuation and development of activation policies that should contribute to another target, 'increase the rate of employment[6] of the people aged 20-64 to 75%'.
4. To be efficient, public schemes should be designed and implemented in order to maximize their quantitative performance (achieving prefixed quantitative targets) in the minimum of time for the concerned people. The example of the OMC we will take makes this clear; the process should develop through the definition of guidelines and monitoring indicators.
5. Last, but not least, in a future world that the European Commission conceives as durably lacking of public budget and investment, the States should open the financing of the social to private capital and, for that, find the incentives to attract private capital towards investing in the social.

In Part I, we will consider the points 1 to 3 that could be regrouped under the umbrella of re-formatting social welfares states.

Points 4 (governance) and 5 (attracting private capital) are addressed in Part II. They suggest a new conception of social welfare, based on the very peculiar understanding that the Commission has of the concept of 'social investment'. One focuses on a series of European regulations placed under the generic

4 For each keyword, we addition all the modalities.
5 COM/2013, p. 1.
6 Id., p. 1.

label of 'Social Business Initiative'. The common background of these regulations and of the Communication on social investment is the 2011 Proposal for a Regulation on a European Programme for Social Change and Innovation (COM (2011) 609 final))[7].

Part III presents the concept of social impact and the ways it has to be measured. Social impact is becoming a key concept, stating that private investments funds should exhibit in their implementation a relevant methodology of social impact measurement if they project to undertake social investments along the EU definition. Social Impact Bonds, an innovation still in experiment, offer a good illustration of what social investment should be for the European Commission. It meets all the EU requirements about social impact measure and offers insights into the meaning of such conditionality.

Part IV examines to what extent and at which conditions a human rights-and-capability approach could be possible in such a European context. It requires to define what, in such context, impedes the development of the approach and to discover what should be reformed in the European architecture in order to develop it. A key issue is the distinction between valuable outcome and performance.

7 Not commented in this working paper.

1. Re-formatting social welfares states?

Nobody can be hostile against the search for better effectiveness and efficiency of social expenditure. To do better with constant, even (slightly declining) global budget should be a permanent preoccupation of all people engaged in the welfare definition and implementation. The European Communication develops strong arguments in favour of better effectiveness and efficiency: 'It is essential to ensure the best use of existing resources and to avoid potential lasting adverse effects of the crisis'[8]. It points on several factors: wrong definition of the categories to be helped; poor design and implementation of the policies; the multiplicity of benefits, agencies and conditions for entitlement that lead to extra administrative costs and low take-up of those most in need; insufficient monitoring that leads to unnecessary expenses'[9]. It also argues about changing demographics (shrinkage of the size of the population at working age; ageing, rising dependency ratios) and the fact that, for the European Commission, 'the on-going process of restructuring our economies is disruptive, politically challenging, socially difficult, but is necessary to lay the foundations for future growth and competitiveness that will be smart, sustainable and inclusive'.

But there are several 'buts'.

First: The last statement about the necessity and, in a way, the need of social difficulties to lay the foundations of future growth is in itself highly contestable and contested. Furthermore, it serves here as justifying cuts in social budget and more severe conditionality to have access. Another way would be, at the same time, better manage social policies <u>and</u> increase social expenses everywhere it appears necessary and just. Why not choosing this second option? In practice, one will see, later, that this statement is used to justify the recourse to private capital.

Second: How to judge, with regard to which criteria and by whom, the effectiveness and efficiency of social services and their evolution, when following the EC recommendations? For the European Commission, effectiveness and efficiency are evaluated by the managers of the social schemes only; and they are measured by the financial gain obtained by the manager via his following the European recommendations.

In a true social evaluation (especially in a human rights and capability approach), by contrast, the gain must be appreciated by the <u>real improvement</u> of the social situation of the people entering the scheme, or by its <u>deterioration</u>. Such evaluation is in general not financial. It should be made by comparing the changes (in the social situation) under a given scheme with changes in the absence of intervention. And it should involve the interested people who must participate in the evaluation, because their experience is needed to be confronted with the administrative data. To avoid biases or too early conclusions, one has to observe far enough from the date of exit. Due to the pressure for increasing the quantitative performance, some people are considered as included as soon as they can be deleted from the register. Often they come back soon, because it is a fake inclusion that has been a very short and precarious placement only. Such phenomena that artificially increase scores are well known and even frequent in activation and inclusion schemes.

Third: by so doing, European recommendations to make schemes more effective and efficient neglect the voice, the freedom of choice and, most generally, the participation of the interested people in the best choice for them and in the evaluation process[10]. Their main concern is, at equal expenses, <u>to increase</u> the quantitative performance of social schemes, <u>rather than improving the outcomes</u>, that is, the social situation

8 COM/2013, p. 1.
9 Id., p. 4.
10 See Bonvin J.-M., 2012.

of the concerned people. The European communication has the nerve[11] to refer to Amartya Sen's concept of capabilities: 'If a person can temporarily not find work, the focus should be on improving their capabilities with a view to them returning to the labour market. This needs to be done through a targeted approach focused on the individual needs and delivered in the most cost-effective[12] way.'[13] This has nothing to do with a capability approach[14]. Targeting and delivering in the most cost-effective ways are not the way to develop a capability approach. For this approach, the priority is social efficiency, not just financial efficiency. Priority is not to minimize the cost, but to build the help for the person, by starting, not from his/her 'needs' (a word related to a poverty approach), but from the focal features of his/her situation, effective freedom to choose and the conversion factors that impede such freedom. It means considering the functionings that are the most important for the person and how to achieve them. Democratic participation of the people in the deliberation on the best choice and the outcome evaluation are also pillars of the capability approach. The EC continues to insist on targeting and the search of the minimum cost for the maximum of individual productivity gain when coming back to the labour market.

Fourth, and not the least, all these concerns about public expenditure and its use have not much to do with investment. Any firm manager would say: what the Commission is looking for is about economising, reducing costs, spending less money for the same outcome, in a nutshell about restructuring. Not about investment, rather maybe about disinvesting from the social dimension.

The text speaks of social policies but, between the lines, its major concern is about the struggle against poverty and social exclusion and the increase of the employment rate (activation policies especially). Public expenditure is viewed as too high. It creates in the context of the crisis fiscal problems which impede competitiveness, 'Both in countries with serious fiscal constraints, as well as in the Member States that have more fiscal space … it is essential to modernize social policies to optimize their effectiveness and efficiency'[15].

It becomes difficult to escape the feeling that the ultimate objective, more than restructuring or 'investing' in the public social welfare, is to re-format it by reducing its size and refocusing it towards the old social missions about poverty, adjusted to the present times. Some developments feed such a feeling, for instance: 'Social policies should be better targeted to those most in needs, assuring better take-up to improve adequacy and sustainability at the same time'.[16] More investigation is needed, but the repetition in the text of a short list of specialized social issues - namely child care, education, training, labour market policies, housing support, rehabilitation and health services – also supports the idea of re-formatting social welfare.

Of course, considering the many obstacles the success of such orientation is in no way guaranteed. Welfare states, though obliged to adjust their size, policies and procedures, appear resistant in the long run. European middle classes will be hostile to a re-formatting that will put in danger the many advantages from which they benefit. Decreasing costs in some areas could be compensated by increasing costs elsewhere, especially in the implementation of social investment markets apt to attract enough investors. As we will see later, the necessary technicalities in which the political objective is hidden, are complex, abstract, simplistic and, in the end, difficult to operationalize and their quantitative outcome still uncertain.

11 In French, avoir le culot.
12 Cost-effective is in French a false friend. For it means 'the most beneficial in terms of cost'.
13 COM/2013, p. 7.
14 See, below, Part IV.
15 COM/2013, p. 2.
16 Id., p. 7.

2. Confronting the EU notion of social investment to the economic concept of investment

Here one comes to the curious interpretation of investment, applied by the European Commission for the social.

The term of 'social investment' is used 33 times in the Communication, but is never truly defined in terms of approach, content or differences with the current approach of social policies. It is the object of rhetoric and metaphoric use, in order for people, politicians and stakeholders in the social field to get accustomed to this new term. In other terms one can label this use as a political process to add a new term in the European novlanguage and to make it employed by the people concerned without truly understanding its purpose and content. The coupling between social and investment is of course key for that. In parallel, one can find several allusions to investing in human capital (12 occurrences), in children[17] (10 occurrences), in health (7 occurrences), all three being linked together through the correlations between investing throughout the individual's life (the earlier, the better) and the outcomes of higher productivity, innovation and a longer working life. Higher targeting towards the poor and the excluded, tighter social control and pressure on the most in needs, are not susceptible to develop human capital, health and the quality of life and work in the short or long run. And the Commission kindly confesses: 'What is needed? To focus on simple, targeted and conditional social investment'[18].

Why to speak of investment, if it is more about restructuring and re-formatting? The answer, as we will see now, is because the target of the European authorities is to open the social domain to private capital. The more one criticizes public welfare, by reversing the litany, of (in)effectiveness, (in)efficiency, (in)adequacy, (un)sustainability, no targeting, insufficient monitoring, the more one comes close to the arguments that plead for the arrival of private capital, the claims of which being, precisely, more effective, efficient, adequate and so on than the public administration.

2.1 What does the concept of investment truly mean in economics and finance?

So, one needs coming to the true economic and financial definition of investment. What does private capital, the main EC target, do? To invest everywhere there are opportunities to make profit.

Simply put, to invest means to buy new means of production, to increase their financial return or to invest additional financial capital in economic activities, in a firm, on financial markets, and so on. The engine of any investment is the perspective to gain a profit. In practice to invest is to engage an important expenditure in order to obtain a benefit in the future, benchmarked by some expectation of financial return (for instance, 15% per year). The decision is made by comparing in terms of profitability this investment to other opportunities. In other terms, to be implemented, any investment must in priority obey to some standard of profitability, as applied in markets. The discreet debate within the milieu advocating in favour of a social investment market assumes that private investors would accept, depending on the population at stake, a rate of return inferior to the standards. However, whatever the objectives and finalities, any investment must support the quest for profit, which, in social affairs, inevitably leads to format the design

17 Who are the object of a specific Commission Recommendation REC/2013/112/EU 'Investing in Children: breaking the cycle of disadvantage'.

18 COM/2013, p. 6.

and implementation of the services, the selection of its clientele, the rules of organisation and management in order to maximise the rate of return.

Any investment is, by nature, temporary. As soon as the capital engaged and the profits are recuperated, the investor, like an investment fund, searches for new opportunities in the same or another field. In the social, in contrast to public schemes and policies, he has no vocation to perpetuate in the long run the content, procedures and clientele of the object of his investment (whatever it is, provision of services or social infrastructure). Passing from one investment to another, he easily meets the new criteria advocated by the Commission for the social: 'constant adaptation to new challenges; implementing new products, services and models, testing them and favouring the most efficient and effective; social policy innovation embedded into policy making'.[19]

Throughout this Communication, one begins to understand the conception of social investment that the Commission aims at developing, that is: favouring and trying to expand private capital investments in the social. But there are some mysteries to unveil.

In this Communication the European Commission is blurring the distinction between the third sector and the private one. It develops what it calls 'Targeted EU Initiatives' as if there is no need to consider the third or private sectors as having different goals, principles of action or social philosophy. For instance, the Commission says: 'Innovative financing of social investment from private and third sector resources is crucial to complement public sector effort'[20]. However NGOs, associations, charitable foundations and other social organisations of the same type - already and since a long time - intervene in the social domain, alone or in cooperation with the public sector. In contrast to private capital, for NGOs creating infrastructures and providing social services – in principal at least and as far as we know, at least me as donator to some of them –is not aimed at searching for financial profit, but at concurring to the realisation of the common good of the community. These EU 'initiatives' are not ordinary, for they range from 'supporting social enterprises' access to finance', to 'exploring the use of new financial instruments' and, not the least, to Social Impact Bonds (SIB) as 'avenues to be explored'. For NGOs, such offers normally should sound strangely. But many non-profit organisations are financially fragile and, as a consequence, more or less ready to secure their revenue by taking on board the European openness of the social to private capital. Especially the SIB to which I will come back later as the most advanced type of 'social investment' – whose purpose for the private investor is, under some conditions, to gain a profit to be paid by the public sector. As the Commission states[21]: 'With a social impact bond, typically a private investor funds a social service provider to implement a social programme in return for a promise ('bond') from the public sector to reimburse the initial investment and pay a rate of return if the programme achieves predefined social outcomes'. It seems one cannot be too optimistic with regard to the virtues of some global charitable foundations; it appears in some initiatives that they have already accepted a rate of return for the funds they invest.

2.2 Enlarging the European definition of social enterprises

To understand more in-depth, one has to enter another sector of the European Commission, not the General Directorate of Employment, Social Affairs and Inclusion, but the General Directorate of Internal Market, Industry, Entrepreneurship and SMEs. As far as private capital is concerned, their activities belong to the internal market regulations and controls. Even for social activities and social investments as defined by the Communication[22].

One knows that, thanks to the crisis and the abdication of most national governments, the Commission and other European authorities have enlarged their domains of competence and of intervention to domains for which they have no juridical competence. Social public expenditure has entered the computation of the

19 COM/2013, p. 9.
20 COM/2013, p. 15.
21 COM/2013, footnote 17, p. 16.
22 Thanks to Nicole Alix who was the first to draw my attention towards social entrepreneurship as viewed by the European Commission. See Alix N. and A. Baudet, 2013.

global state deficit, which puts it under the surveillance of the ECB and accentuates its status as adjustment variable. The European Court of Justice states its judgments more and more by giving priority to the four economic freedoms over social rights. The Communication on social investment recalls that 'although social policies are primarily the competence of Member States, the EU supports and complements the activities of the Member States', which, clearly put, implies 'stronger economic governance and enhanced fiscal surveillance in Member States … and must be accompanied by improved policy surveillance in the social areas which over time contributes to crisis management, shock absorption and an adequate level of social investment across Europe'[23]. Furthermore, the Commission intends to use the European Funds created under the label of social investment for pressing Member States to employ specific methods of governance (see Part III).

In social investment domain, the innovation, built from 2011 to 2013, is the fruit of the DG Internal Market, Industry, Entrepreneurship and SMEs[24]. It enlarges the European legal definition of social entrepreneurship. Until now, the standard definition of social enterprise was applied to an operator in the social field whose objective is to have a social impact, not to make a profit for their owners or stakeholders. If there is remaining, beyond costs, a positive net income, it was expected to be used to better achieve its social objective, qualitatively and quantitatively. These are mostly cooperatives, mutual societies, associations, charitable foundations, and the like.

But the European Commission has subtly modified and extended the definition of social entrepreneur, in order that it could cover new and private actors, in particular private investment funds. Its views are that 'one should use the formidable leverage that the European industry of assets management offers (7000 billion Euros in 2009) to favour the development of enterprises that, beyond the legitimate search for financial profit, also pursue objective of general interest, of social, ethical and environmental development'[25]. So the EU has adopted a series of regulations aiming at creating a favourable framework to social enterprises. The Regulation[26] n°346/2013 on European Social Entrepreneurship Funds (version from the 14/7/2016) is part of the Social Business Initiative established by the Commission in its Communication of 25 October 2011 entitled 'Social Business Initiative - Creating a favourable climate for social enterprises'.

In its preliminaries the Regulation states that: 'Increasingly as investors also pursue social goals and are not only seeking financial returns, a social investment market[27] has been emerging in the Union, comprising, in part, investment funds targeting social undertakings. Such investment funds provide funding to social undertakings that act as drivers of social change by offering innovative solutions to social problems, for example by helping to tackle the social consequences of the financial crisis, and by making a valuable contribution to meeting the objectives of the Europe 2020 Strategy[28]'.

2.3 Achieving measurable, positive social impacts as primary objective to justify profit

The Regulation defines social enterprises as enterprises having among their objectives 'to produce positive social impacts'. It is worth to offer the overall quotation[29]. Assets can enter a qualifying social portfolio (i.e. allowing investment funds to participate to the social investment market), when they satisfy the following main conditions:

- having the achievement of measurable, positive social impacts as their primary objective in accordance with its articles of association, statutes or any other rules or instruments of incorporation establishing the business,
- providing services or goods to vulnerable or marginalised, disadvantaged or excluded persons,

23 COM/2013, p. 18.

24 See Communication /2011/682/25 October 2011, 'Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation'.

25 Quoted in Nicole Alix and Alain Baudet, 2013.

26 Called REG/2013 below.

27 My underlining.

28 REG/2013, p. 1.

29 Id., p. 10.

- employing a method of production of goods or services that embodies its social objective, or providing financial support exclusively to social undertakings,
- using its profits primarily to achieve its primary social objective in accordance with its articles of association, statutes or any other rules or instruments of incorporation establishing the business and with the predefined procedures and rules therein, which determine the circumstances in which profits are distributed to shareholders and owners to ensure that any such distribution of profits does not undermine its primary objective.

It is honest to remark that the Commission insists on the fact that positive social impacts should be for these investors 'their primary objective'. What will be its practical understanding when implementing the Regulation?

Banks and insurances are authorized to have social assets respecting these conditions in their overall portfolio.

A priori one cannot be against measurable impacts of social investments, all the more if they appear positive. In part IV, we try to sketch the measurement methodology of the capability approach, which in itself is neither confined to the public or the private. One of the main concerns, however, of the Commission is the possibility to develop a social investment market. Any market needs to standardise evaluation. To choose where to invest, investors need to compare the available opportunities. Comparability, to be secure, requires the use of strictly identical methods of measurement, hence standardisation (see Part III).

To conclude Part II, connecting the Communication on Social Investment commented in Part I to the Regulation n°346/2013 on European Social Entrepreneurship unveils (to a large extent at least) the main rationale at work in the Communication. It confirms what we previously believed this rationale was. The EU concept of 'social investment' is linked to the will of the European authorities and the actors of financial markets to open the social domain to private investors interested to make profit also on this sector and to build upon it a market. Both the Regulation and the Communication are centred on vulnerable or marginalised, disadvantaged or excluded persons, which, all, are politically legitimate targets. To these ends, they modify and enlarge the traditional definition of social enterprises to open for the private investors ready to invest in social investments the possibility to make and to justify a profit. As the EU no more makes a distinction between the private and the third sector, the third sector is also invited, through a kind of indirect incentive, to undertake social investments susceptible for them of a financial return. They could, if they want, participate in the corresponding market. But they would have to satisfy the constraints we have listed above. Not a small issue, for it will transport them in a financial universe from which any concern about the common good is disqualified.

Public administrations, too, are already accustomed and progressively converted to such conception and management. If we leave apart the cooperation between public administration of the social and the third sector, there are today, depending of the country, more and more public subcontracting of social services delivery to the private sector, on-going privatisations or public-private partnerships. Such arrangements require negotiations, the recourse to expertise or consulting firms that help management by quantitative performance to penetrate the public.[30] They also induce a changing conception of social welfare. Instead of durable procedures, schemes and rules, it favours the development of a project's culture, hence of short term and flexible programmes, supposed to be more precise and measurable.

It is difficult to know the extent such conception of social welfare following a social investment approach is currently achieving. But, as Alix and Baudet (2013) recall, the Commission has the ambition to develop a 'common European framework' that will design for the 10-20 next years the action frameworks of social enterprises, as defined by the EU, at the European level and in Member States. An expert group has been launched by the Commission in 2014 to define this common framework, the Commission Expert Group on Social Entrepreneurship (GECES). A first report appeared in 2016, untitled 'A Call for Action' at which one should look. Significantly, the foreword that introduces the Report has been signed, respectively (in this

30 See Suleiman E., 2003, Desrosières A., 2008, Salais R., 2010a, 2010b.

order), by the Vice-President for the Euro and Social Dialogue (also in charge of Financial Stability, Financial Services and Capital Markets Union), by the European Commissioner for Employment, Social Affairs, Skills and Labour Mobility and the European Commissioner for Internal Market, Industry, Entrepreneurship and SMEs.

3. At the edge of the front, from ‘evidence’ to social impact measure

Beyond putting incentives in direction of the third and public sectors to convert themselves to market perspectives, another aspect of the proposed reforms is the purpose to generalise social impact measures. Not only do they intervene in evaluating the performances of service providers or builders of social infrastructures and favour the creation of a market, in the most advanced instrument, the Social Impact Bonds (SIB), they must also provide the ‘evidence’ required for justifying the paying back by the State of the initial investment and of an additional rate of return for the invested capital that achieves its targets. Quantification activities become in charge of producing evidence for the achieved performance that will serve as profits’ justification.

One of the main issues to disentangle is to apprehend the biases that the social and political contexts, in which they are embedded, are producing in quantification practices and in evaluation. For such contexts develop rational bargaining between the State, the investors and the providers (or builders). As the example of the OMC demonstrates, all the parties have incentives for trying to manipulate in their favour the quantification procedures and rules. For instance, to choose the most favourable indicators of performance (that define the targets to achieve), which can differ for the public administration and the investor, or to directly maximise the indicators instead of truly improving the social situations of the beneficiaries.

We will look first at this notion of ‘evidence’ and then try to disentangle the ‘social impact’ methodology.

3.1 What does evidence mean?

The notion of ‘evidence’ is at the core of the political approach of social investment-based reforms of social policies in Europe. ‘Evidence’ belongs to the English tradition of scientific thought since the 17th century with the seminal works of Francis Bacon[31]. For him any knowledge is not ‘fact’. In a nutshell, data are considered as evidence by Bacon and his successors, when they meet two conditions. They should be detached both from the variety of the contexts of observation and from theoretical controversies (that are relegated to the rank of ideologies). If so, such facts and data could be said as objective. It means that such facts become entirely self-sufficient as indisputable truths. They owe nothing to the turbulence of ideological debates or the specificities of the fields of observation. So these facts and the corresponding data must prevail, without any discussion, in the debate. They become evidence; this is precisely what the European Commission claims in fixing and using sets of indicators to assess what is the truth of the situation; it builds its conclusions and recommendations on them.

Quantitative evidence is therefore a powerful political tool. It has in practice nothing evident when transported in the social domain, especially if one takes into account that, whatever they are, quantitative measures are always based on statistical conventions which by essence, are socially and historically built.[32] The truth is that European evidence must be interpreted as fabricated normative statements. In three dimensions: first, the selection of indicators is not neutral, but vehicles normative choices; second, much depends on the manner indicators are defined and evaluated; third, there is a subtly rational game between the political guidelines for Member States to apply and the monitoring indicators supposed to measure the progress they make or not in their implementation.

31 Daston L., 1994; Bonvin J.-M. and E. Rosenstein, 2009; Salais R., 2015; Bonvin J.-M., Laruffa, F and E. Rosenstein, 2017.

32 Desrosières A., 2002 ; Desrosières A. and L. Thévenot, 1988 ; SalaisR., Baverez N and B. Reynaud, 1986.

The next paragraph will look at the Open Method of Coordination, as example of a systematic, although specific, monitoring of national social policies and schemes through quantitative indicators of performance. One will take as an illustration the European Employment Strategy, for it shows the biases which threaten the social impact measurement of social investments as defined by the EC.

The last paragraph describes the Social Impact Bonds (SIB) to which the 2013 EU Communication is referring[33]. This financial innovation, still in experiment, concentrates all the new trends that, following the EU, social investments should meet. So whatever the future of the SIB, their analysis sheds light on the ultimate goals that are searched for social expenditure and conception.

3.2 From the open method of coordination (OMC) to social impact measurement

In its very beginning (first paragraph, page 1, line 7), as we have seen, the Communication reminds that: 'The Open Method of Coordination on social protection and social exclusion has contributed to steering Member States' structural reforms in these areas'. It is thus worth to remind (or to explain to those who have not yet understood) what is the Open Method of Coordination and how it works. It appears in many respects as the ancestor, within the European process, of social impact measurement even if the latter has other sources and applications. Both share many characteristics.

The OMC has been developed for the first time in the framework of the European Employment Strategy (EES) in the 2000s[34]. Three aspects have to be considered: the normative dimension embedded into the indicators, the way they are computed, the governance (relationship between political guidelines and measurement through indicators).

A guideline and its indicator (EES 2006)

- Guideline "Ensure inclusive labour markets": asks the Member States to develop "active and preventive measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of the furthest away from the labour market and contribute to the eradication of poverty"
- Wonderful in ethical terms, is not it? But what does it truly means? The answer is provided by the tool and its real use: the corresponding monitoring indicator
- Monitoring indicator "New start": "Share of young/adults becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure"

One will take the example of the guideline 'Ensure inclusive labour markets' from the 2006 European Employment Policy[35] (table above).

The normative dimension comes from the conception of the functioning of the labour market, embedded in the set of indicators. What matters for employment policies is not only the numbers, but also the

33 COM/2013, p. 4, footnote 17.
34 Salais, 2006.
35 On activation policies viewed from the point of a capability approach: Bonvin J.-M. and M. Orton, 2009; Bonvin J.-M., Moachon E. and J. Vero, 2011.

quality of jobs offered, especially with regard to their durability and security. The number of unemployed people depends on the confrontation between supply and demand of jobs. It is thus the outcome of several flows, with unemployed people finding a job, which depends on their employability; and employed people losing their job, which depends on their vulnerability. So, simply put, the higher the employability, the more unemployment decreases. The higher the vulnerability, the more unemployment increases. The problem with European indicators is that they take into account only one side, the employability of people, letting unexplored the other side, the vulnerability to lose their job. The only task of employment policies is to 'activate' people. Basically, it means that, as according to the principle guiding labour markets, workers should adapt to the jobs offered whatever their quality and not the reverse that jobs should be adapted to the people.

The second dimension is how main monitoring indicators are computed. The main EES indicator is the employment rate, i.e. the number of people having a job, related to the size of the working age population. The main objective fixed to European and national policies is to maximise the rate of employment, which at first glance appears as a good choice. But it depends on the way it is computed. The computation of the 'monitoring' indicator (the only one taken in consideration by the Commission) is to consider that any task lasting at least one hour during the week of observation has to be considered as a job. No criteria of employment quality are used. Such a wide definition of a 'job' artificially increases the rate of employment and, most importantly, provides a strong incentive for national governments to deregulate their labour market and, by so doing, increase their quantitative performance. A full-time job counts for one; divided into four precarious jobs, it counts for four. The Commission makes a political use of the ILO definition of 'employment' that the ILO recommends to its members for producing statistics. It is a remarkable example of transforming statistical tools in political instruments.

The third dimension, more sophisticated, is the governance aspect, i.e. the relationship established in the process of implementation between the political guideline and its monitoring indicator. Basically the EC puts into equivalence the <u>qualitative improvement</u> of the situation that is explicitly pursued by the guideline (at least in its wording) with the <u>quantitative increase</u> of the indicator. The more, the better. But for whom: the administration managing the scheme or the people in search of a good inclusion into the labour market?

The Guideline 'Ensure inclusive labour markets' used in the 2006 EES illustrates the (political as well as methodological) bias introduced into politics in the case of inclusion into labour markets. This Guideline asks the Member States to develop 'active and preventive measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of the furthest away from the labour market and contribute to the eradication of poverty'. One cannot but approve the objective and the way it is framed in political as well as ethical terms. The problem is its monitoring indicator.

Its monitoring indicator 'New start' is: 'Share of young/adults becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure'. This indicator implicitly collapses a variety of schemes of different nature (early identification of needs, job search assistance, guidance and training, personalised action plans, provision of necessary social services, etc.) which, certainly, are of help for the persons, into <u>a single number</u>. And this number does not refer to the quality and intensity of help provided for each, for instance the level of expenditure or the number of days people spend in these schemes. It refers to the <u>speed at which people are expected to leave the scheme</u>. The underlying idea is that the more people get offers, whatever they are, the earlier people will leave the scheme, the better it is. The list of services is replaced by a list of eclectic proposals that, for a large part (for instance work experience, other measure of employability) risk being far away from a true and durable inclusion into the labour market. National administrations and private providers will quickly understand that their performance will be measured not by the quality and efficiency of their work, but by the percentage of people leaving the soonest possible. So they will put incentives and pressures on the unemployed or excluded, for them to take any offer and the first one if possible. There has been a debate between national administrations on how to measure exits from the schemes. The French one pleaded for counting as New Start beneficiaries only the people who have explicitly accepted the offer, the British one for counting as New Starts all the people who have received an offer, do they accept it or not.

One can expect similar phenomena and biases for social impact[36] measures. Except the concerned people who desire to have the best impact for them, all other actors, from the administration, the private provider to the investor are primarily interested by the maximising of the measured social impact. Are there any studies looking at the very detailed implementation of social impact measures in real cases? Looking not at the theory, but at the practice and implementation, there is some urgency here. One normally can guess that, due to its non-profit character, as provider of social services (even when contracting with the public administration) the third sector (cooperatives, mutual organisations, associations) has few incentives to maximise its score, independently of the quest for true improvement of the situations under review. It has not waited for such financial innovations to develop on its own evaluation tools to enlighten its stakeholders on the realisation of its objectives, to try to demonstrate its social utility and impact, as well as its capacity to meet social needs.

However reforms advocated by the European Commission situate themselves in another world, the building of social investment markets, ruled by the search for profit and by the standardization of evaluation procedures. As we have seen before, the EU Regulation imposes for investors to be accepted in such markets to exhibit social impact measures. The problem is to be able to standardise methodologies for the purpose of comparability. If this is not the case, such markets will not function. Private capital will be uncertain about the expected returns and would have worries with regard to insufficient market liquidity (that would impede easy portfolios adjustments). To standardise in such markets is very difficult to achieve. Their manipulated objects are not products or services, but human beings entered in social schemes with all their diversity, unpredictability, fantasies and freedom. The social schemes and services are themselves very diverse, differently designed according to social risk, type of service offered and so on. It is quite impossible to use the same methodologies and indicators for all. Third sector organisations have not such problems. Being, in principle, out of market they can develop idiosyncratic methodologies of their own and dedicated to their specific services. No need to compare with other providers, except as they are expected by the Commission to compete with private providers.

3.3 At the edge of financial innovation the Social Impact Bonds (SIB)

The European Commission, international organisations like OECD or the World Bank are working hard, as well as actors of financial markets, to find satisfactory market solutions. Proposals and experiments are more or less advanced. We will mostly focus on the SIB. The European Commission correctly defines SIB[37] in the following way: 'With a social impact bond (SIB), typically a private investor funds a social service provider to implement a social programme in return for a promise ('bond') from the public sector to reimburse the initial investment and pay a rate of return if the programme achieves predefined social outcomes'.

SIBs are still in a phase of experiment, mostly in the USA, some in the UK. Experiments are planned in France and Germany. Experiments are around sixty cases. Nevertheless, the literature is expanding very quickly, mostly for advocating and finding more and more arguments in their favour: for their efficiency, their indisputable objectivity of the measurement of their quantitative impact, even their ethical quality[38]. The initial frame comes from the French economist Esther Duflo in her research and policy advice for the American government. Her proposals met the favour of Obama and the US administration. Even the G8 has found enough time in 2014 to hold a special session on social impact investment in London[39]. A

36 On the views on social impact investing of diverse actors, see Confrontations, 2015.

37 COM/2013, footnote 17, page 16. For a survey, Confrontations, 2015.

38 For instance, see the abundant literature on the website of the US Federal Reserve Bank of San Francisco; on http://www.frbsf.org/community-development/publications, search 'Community Development Investment Review'.

39 See the Report of the Social Impact Investment Task Force, established under the UK presidency of the G8, 15 September 2014, 'Impact Investment: The Invisible Hand of Markets. Harnessing the power of entrepreneurship, innovation and capital for the public good'.

conference[40] has been organised by the Vatican (Roma 15-17 June 2014) to make the Vatican and the Catholic Church aware of the virtues of social impact investment, especially for the poor. The first sentences of the account of the Conference are significant of the ambitions of its promoters: 'Pope Francis has called the world to find ways to use money to serve people. IMPACT INVESTING – investments made with the intention to generate measurable social and environmental impact alongside financial return – holds great promise as a tool to serve the poor'[41].

The SIB cumulate all the properties required by EU Regulations: private funding of the social; exhibited intention to go beyond the only search for profit; prefixing targets on quantitative indicators, negotiated with the public administration; objective measurement of the social impact along these indicators; the use of a comparative group not involved in the scheme; independent assessors to establish and test the method; justification of profit made objectively indisputable; if goals are achieved and more, reimbursing by the public budget of the initial investment plus payment of a rate of return.

To our knowledge, the only report on measurement of social impact concerns a British SIB experiment, the HMP Peterborough, for the private provision of a prison[42]. The SIB was signed between the Ministry of Justice and an investor (called the Social Impact Bond partnership) in March 2010. At mid-turn, the Assessor Report concludes that, despite a 8.39% reduction in the number of reconvictions[43] in Cohort 1 [of released prisoners] when compared with the Comparison Group, the reduction was insufficient with regard to the terms set out in the contract between the Ministry of Justice and the Social Impact Bond partnership to be considered an Outcome, thus did not trigger payment. Of course one example is not enough to draw conclusions. And in the UK the secret imposed on business affairs makes impossible for researchers, to have access to the terms of the contract and its negotiation, especially on indicators of performance taken as targets.

However, a failure is not a good sign for the promoters, all the more if it would last and risk discouraging private investors who, above all, want their money back. It underlines the complexities of the learning processes to which all actors are confronted in such schemes: not only public administration, private investors and service providers; but also assessors establishing the list of indicators, their precise definition and measurement methodology in specific contexts, and also the staffs of the provider and of the scheme (in this case the prison staff) and, not to forget, the beneficiaries (in this case the prisoners). It seems evident that for truly working and expanding the market, SIB should achieve 'satisfying' outcomes for all stakeholders, not always successful with regard to their targets, but not too often failing. Contrary to the European Commission expectations on standardisation, it is likely that, for the SIB, wide multi-actors and maybe multi-levels negotiations should be necessary, depending of the type of social services and type of investment. The matters to discuss are several, complex, technical and at the same time highly political. For the purpose of such negotiations is, definitively, not to achieve outcomes that could be said as objective (in terms of scientific adequacy) and just (in terms of social justice). It is to find ways to satisfy the interests of all these actors, which means to find, if possible, workable compromises between several different interests.

Is it possible? One will see. However, whatever the answer, this will not impede the general on-going process we have tried to explain in this working paper. For the SIB represents only the forefront of the movement. Many other simpler financial instruments already exist, even if they are not so 'innovative'.

40 Whose title was 'The First Vatican Conference on Impact Investing'.

41 In «Investing for the Poor :How Impact Investing Can Serve the Common Good in the Light of Evangelii Gaudium', *https://www.viiconference.org/.../Impact-Investing-Overview_June*

42 Jolliffe D. and C. Hedderman 2014.

43 All prisoners have received custodial sentences of less than twelve months ('short-term prisoners'). The reconviction rate (in French récidive) among the first cohort of male prisoners leaving the prison was used as the required target (called 'Outcome', i.e. the minimum required social impact) for investors to receive a payment. The target was fixed at 10%. The reconviction rate is calculated two years after the release.

4. In such European context what about human rights and capability approach?

We have seen, in Part I, that in its Communication on social investment, the European Commission makes a reference to the concept of capability. But it misunderstood the concept by assimilating it with individual productivity. The EC makes also a reference to human rights: 'The Charter of Fundamental Rights of the European Union provides that EU institutions, as well as Member States when implementing the EU law should respect personal, civic, economic and social rights' (Part I, p.1). But later, p. 12, when commenting the Recommendation 'Investing in Children: breaking the cycle of disadvantage', it affirms that it is 'a clear illustration of how targeted social investment can be part of a rights-based policy funded on universality'[44]. Such affirmation, again, reveals the intellectual confusion and the way the European novlanguage reinterprets concepts at will. In its contribution, the EC understands targeting (especially 'the better one') as conditional upon criteria of poverty, income, effectiveness and so on (see Part I). Remind the above quotation: 'What is needed? Focus on simple, targeted and conditional social investment'[45]. Targeting does not belong to the sphere of rights, no more does it meet the criteria of universality.

This is not to say that a human-rights and capability approach cannot be the support of social investments. The contrary, we hope, may be true. But the hope that one can confidently rely on the benevolence and interest of the European authorities as they are cannot but be deceived. As we demonstrate in this part, it is impossible to follow the lines they defend. One could, strategically, remind its references to capabilities and human rights, with the condition of achieving severe critique and rectification as we are trying to do in this paper.

More precisely: what are in the EU welfare reforms the obstacles against implementing a human-rights and capability approach? These are, in our view, neither the will to supplement public by private funding, nor to allow the search for profitability, although they pose their own difficulties to be tackled. Two obstacles are diriment: 1. the targeted, conditional, effective, efficient, sustainable, etc. welfare conception (which also underlies activation policies, one should not forget), a conception for which the European authorities militate; 2. the implementation of a methodology based on evidence and social impact measure of performance.

We will first look at the respect of human rights, and then present what should be a capability approach to social investments.

4.1 Does the EC targeted[46] approach respect what it claims to respect, namely the personal, civic, economic and social rights?

It's a hard question on which we can only at this stage put some pieces together.

The rationale that, in practice, underlines the EC targeted approach seems to be that everybody who 'benefits' from a welfare or activation scheme, project or policy, whatever they are, must accept the first proposal or offer made to him/her. Remember the EES guideline commented above. More generally, the incorporation of a social impact measure in any social scheme brings with it the pressure over the people involved that will animate its implementation. Implementation characteristics will become designed in order

44 Our emphasis.

45 COM/2013, p. 6.

46 I will no more repeat the other qualifications added by the EC: conditional, sustainable, effective, efficient and so on.

to put pressure on the beneficiaries to leave the scheme the fastest as possible. So the margin for individual and collective freedoms – that the respect of human rights implies – is severely denied. It concerns several freedoms, to choose, to have one say, to participate, to escape from want. When violating personal freedoms, it risks not truly preserving the dignity of the person, especially that of the most in need upon whom it is easy to make pressure. Dignity is the object of the first article of the Charter of Fundamental Rights of the European Union: 'Human dignity is inviolable. It must be respected and protected'. One can already assess that, in such a practice, even if the EC may claim that human rights are not legally violated, these rights are more formal than really effective for most of the people. We join here the statement made by Olivier de Schutter that fundamental rights have been imported by the EU: 'They have been added from the external to the institutional architecture of Europe, but this architecture has not been revised to really take them on board'[47]. Furthermore this European Charter is especially weak for the rights to work and to social security.

4.1.1 Coming back to the Charter of Fundamental Rights of the European Union

To go further, it is worth looking at the Charter of Fundamental Rights of the European Union[48] that the EC claims to respect, and even more to compare it with the 1948 Universal Declaration of Human Rights[49]. For two reasons: 1. the European Charter largely follows the plan of the 1948 Universal Declaration, 2. while remaining different, especially, but not only, in the areas that interest us here, work and social security. Most social actors and researchers ignore (or do not take at its true value) the fact that the European authorities, following an 'opinion' of the Court of Justice of the European Union, has not accepted the easiest solution (and overall better for European citizens), which would have been to sign the existing international charters or declarations of fundamental rights[50]. In its opinion 2/94 the CJEU[51] states that the European Union has its own legal personality, different from the other international organisations and, thus, has no a priori obligation to adhere to their Charters (in contrast to the Member States). The EU engaged itself in a tortuous and highly political elaboration of its own Charter, from 2000 to 2004. The result is, indeed, important in that the Charter could be used as a basis, not only for legitimate claims to fulfil the corresponding rights, but also for CJEU judgements with regard to their respect.

A very recent example (February 2017) is the mobilisation of Article I.4 of the Charter by the general attorney of the Court in a prejudicial question regarding the delivery of entry visas for migrant people (in the case a family from Syria to whom Belgian authorities refuse to deliver a visa)[52]. This demand of visa had been formulated directly at the embassy of Belgium in Beirut (Lebanon). The refusal had been motivated by what one should call quibbles, because the true reason was difficult to publicly enunciate: allowing people to enter in Belgium (for embassy territory is a national one) and accepting to deliver them even a short term tourist visa would open the Belgian frontier to a flow of migrants. Such refusal, in practice, exposes this Syrian family to risks of torture or degrading treatment, if coming back to their country.

No more, no less, Article I.4 stipulates: 'No one shall be subjected to torture or to inhuman or degrading treatment or punishment'. Referring to this article, the general attorney has considered that: 'Member States must deliver a humanitarian visa when serious and documented motives exist to believe that a refusal will expose people in quest of international protection to torture and inhuman or degrading treatment'. The Court, finally, in its judgment of 6 March only one month after, refused to follow the general attorney. Such

47 De Schutter, 2005, p. 284.

48 See the text in Official Journal of the European Union (2012/C 326/02) or in the website *eur-lex.europa.eu; it should not be confused with the European Convention of Human Rights, adopted in the framework of the European Council (first version 1950).*

49 See the text on www.un.org/en/universal-declaration-human-rights.

50 Salais, 2013, p. 329-330 ff.

51 Court of Justice of the European Union.

52 See https://www.rtbf.be/info/belgique/detail_visa-a-une-famille-syrienne-l-avocat-general-de-la-cjue-en-desaccord-avec-le-raisonnement-de-theo-francken?id=9523616

a judgment opens the way, by justifying them, to arbitrary and degrading treatments of the migrants everywhere in Europe, at least to refusals of any migrant's entries.

4.1.2 But what is the case for social rights as stated by the Charter?

In social and employment matters, the situation is brilliant. The Charter of Fundamental Rights of the European Union lets aside two key fundamental rights, the right to work and the right to social security that, by contrast, the 1948 Universal Declaration of Human Rights puts at its core. Such statements could appear as too strong. In fact, the Charter is using formulations which seem close to these rights, but are, after scrutiny, false pretences[53]. There is here for the EU process an ethical (hence political) problem that undermines it. We will look at the respective wordings[54]. The comparison confirms the abandonment of these rights by the European Union.

Right to work

1948 UN Universal Declaration (Art. 23.1):

> *'Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment'*

European Charter of Fundamental Rights (Art II.15):

> *'1. Everyone has the right to engage in work and to pursue a freely chosen or accepted occupation.*
> *2. Every citizen of the Union has the freedom to seek employment, to work, to exercise the right of establishment and to provide services in any Member State.'*

Comment: There is an abyss between 'right to work' and 'right to engage in work', that risks no to be seen due to the confusion, entertained by the European Charter, between them. The 1948 Declaration affirms the right to work and the freedom to choose his/her work, in terms close to the capability approach. The EU only speaks of the right to engage in work, in other terms the freedom to search and have a job. Such a statement is close to a joke (but a sad one), except in countries where interdiction to work is or was used, like in the Nazi Germany. Freedom to enter the labour market is the very least that can be expected from a society that claims to be free! The second part of the statement 'to pursue a freely chosen or accepted occupation' in practice weakens the strength of the UN reference to freedom of choice. What does 'accepted' mean for people submitted to unequal power relations? Have they another option than accepting the occupation? Here one finds a rhetorical justification (ethically wrong) to all types of activation measures.

Right to social security

1948 UN Universal Declaration (Art. 22):

> *'Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.'*

European Charter of Fundamental Rights (Art. IV.34)

1. *The Union recognises and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Union law and national laws and practices.*

53 In French, faux-semblants.

54 My attention has been drawn by Ian Eschstruth (2004) who makes a comparison between the 1948 UN Universal Declaration of Human Rights and a preliminary version of the Charter of Fundamental Rights of the European Union. Here we quote the final and official text of this Charter in English.

2. *Everyone residing and moving legally within the European Union is entitled to social security benefits and social advantages in accordance with Union law and national laws and practices.*

3. *In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices.*

Comment: The UN Declaration is firmly supporting the right to social security and, even further, judges this right 'indispensable for his [the human being] dignity and the free development of his personality ' to which everybody 'is entitled to [its] realisation', a statement also close to the capability approach. The European Charter never speaks of the right to social security. It only 'recognises' and 'respects' entitlements to the social benefits and services that are already provided in Member States. This is the reason why the EU lists only examples of social benefits and services, for such a list differs across Member States. There is no obligation to create such benefits and services when they do not exist, or to maintain the existing ones.

The leitmotiv 'in accordance with the rules laid down by Union law and national laws and practices' confirms not only our statement, but reminds that the EU does not feel itself constrained to respect the universal declarations of rights set up by international organisations. Worrying is the restriction of access to 'everyone residing and moving legally within the European Union' (paragraph 2), which excludes migrants that move within the European Union 'illegally', i.e. 'not in accordance with Union law and national laws and practices'. By contrast, the 1948 UN Declaration stipulates (Art. 2): 'Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status[55].' It is true that at the end of the Second World War massive refugees flows had to be solved; but more and more experts express the view that, today, migrant flows toward Europe will last in the long run.

So written in employment and social domains, the Charter sends a very bad message to new Member States, especially those from the Central and Eastern Europe, whose political leaders well understood it. Furthermore it introduces a dissolvent ferment in the old Member States, where (some) political leaders were ready to favour such abandonment of social rights in their country. To be honest and balanced with regard to the European Charter on these social matters, the most plausible assumption is that this has happened, due to the concomitance of two processes functioning toward conflictual and opposed goals: the process of establishing an European agreed conception of fundamental rights and, in the reverse direction, the already engaged process of reforming European social policies in the direction of activation, the substitution of the rate of employment to full employment, the move towards financially sustainable and management by performance thanks to the Open Method of Coordination, and so on. The second process has probably been the engine of the writing of the social articles of the European Charter (written from 2000 to 2004), not the reverse. It would be worth looking at the process. If it were true, it would mean that, consciously or not, the European authorities were eager to include human rights, not as effective guides for their policies, but primarily as simple political justifications of what they were doing.

Our conclusion in relation to a human-rights approach in our domains under research (employment and social domains) is that one should come back to the 1948 Universal Declaration of Human Rights as the basis of our approach and of the ways to implement it. That would mean, first, criticising the European conception, secondly, introducing the universal human rights conception as the guide for designing and implementing social policies, thirdly, assessing which modifications are to be made in the European law and policies.

But what about the capability approach?

55 Which shows that the courageous trial of the CJEU general attorney we mentioned before, nevertheless, remains a drop of water compared to the seas in which so many migrants are drowning.

4.2 To what extent is the capability approach in contradiction with social impact measurement?

In this ultimate paragraph one regroups and makes a synthesis of all the preceding analyses with regard to implementing a capability approach on employment and social domains. We will comment Diagram 1 below for that purpose.

Diagram 1. How to conceive policies? Two conceptions of the relationship between public policy and evaluation

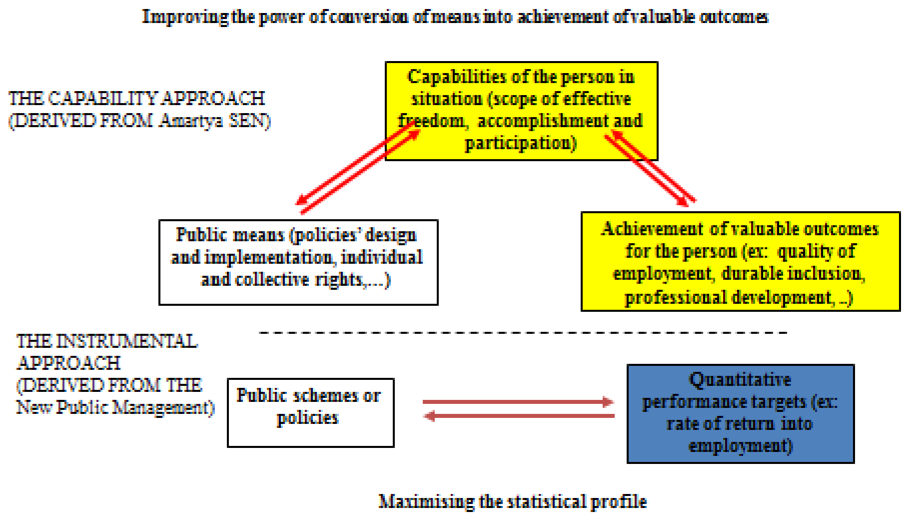

Diagram 1[56] opposes two conceptions of public policies, with regard to the relationship they establish between implementation and evaluation, and to their dynamics and adjustment to situations: below, the instrumental approach in which public policies (or schemes) are guided by the maximisation of performance targets; above, the capability approach in which policies (or schemes) are guided by the achievement of valuable outcomes for the people concerned by these policies. The instrumental approach is the one chosen by the European Commission in its conception of social investment; it focuses on maximising the 'social impact', which is precisely the performance with regard to quantitative indicators. The dynamic feedback, signalled by the arrows, between the scheme and the performance leads to search for scheme modifications, whatever they are, that increase the performance; which, inevitably, orients managers towards the search of the best statistical profile of the scheme, i.e. the one which ensures better and better quantitative performances.

The capability approach (CA) of social investment would be basically different in all respects. In Diagram 1 above, one discovers a triangular combination between 'means' and 'valuable outcomes' mediated by the 'capabilities of the person in her/his situation'. It constitutes also a dynamic feedback between means and outcomes, mediated by the capabilities.

Our view is that social investments in Europe (in the sense of investing in the social domain) should be conceived along such triangular conception and dynamics. The open question to be dealt with in future research is to appreciate how far they could also be implanted by firms in their investments[57].

56 It could be read either as ways to build the relationship between policies and evaluation, or as a methodology to analyse existing policies with possible compromise or not. Here we choose the first reading.
57 Which poses questions on how to use extensive concepts of capital and profitability.

4.3 What are the characteristics of a capability approach?

So what are the characteristics of a capability approach when applied to social investments[58]? Its main concern is to convert human rights into real outcomes for people which, as far as possible, help them, as Sen states, 'to live the life they have reason to value'[59]. So there is a close connection between a human rights approach and a capability approach. The CA complements the human rights approach in that its purpose is to ensure that these rights become a reality. Not anyhow, but in improving as far as possible for everybody his/her capability of living the life he/she has reason to value. The concept of 'reason to value' has opened a wide discussion in the field; schematically, it refers to objectives leading to personal accomplishment. These are not any whim or desire of the person, but those that the community to which the person belongs considers, by mutual agreement or convention, of value[60]. For instance self-esteem, participating to the community, to be fairly treated, having a good housing and so on.

1. The CA speaks, not simply of policy schemes, but of public (or collective) means at the disposal of the persons. As the list in brackets indicates, the basic question addressed to the providers or managers of the scheme is to define and implement true means for the people, true means in that they effectively help them to develop their capabilities, and not to increase global quantitative scores.
2. The finality of the scheme is that its beneficiaries can have access, not to anything whatever it is, but to valuable outcomes, in other terms to a real improvement of their situation. This improvement, again, is not anything, but must focus on outcomes that are of value for the beneficiaries. Outcomes can be considered as valuable if and only if they effectively allow people to make progress towards living 'the life they have reason to value'. So doing, people make also progress in access to the effective freedom to realise such a life.
3. Effective freedom to choose and to act is a key concept of the capability approach. For the capability of a person can be estimated by the degree to which she can achieve the outcomes she has reason to value, in other terms her effective freedom to choose and to act. This degree is closely connected to the features of her situation of life and work, not all the possible features or variables, but only those that have an impact, negative or positive, on her effective freedom. Sen calls them the 'focal features' of the situation of the person. Such features can be material, institutional, social or personal. For instance, young people living in stigmatised parts of their city will have more difficulties to find a job than other youth, mostly due to their living place.
4. The relevant means are those which have a real influence on these focal features, either to weaken or impede the impact of the negative ones on their capabilities, or to strengthen the impact of the positive ones. For instance, the minor capability for work of women with young children is not linked to their lack of training, but to the lack of crèches, that are close to their house, not expensive and with opening hours adapted to their conditions of life and work.
5. It follows from the preceding items that evaluation of policy schemes should start from the effective situation of the beneficiaries in their diversity of valuable outcomes they achieve thanks to the scheme. It is the only process of evaluation that can be just empirically and ethically speaking.
6. Democratic participation of the beneficiaries in deliberations on the best choice and the outcome evaluation for them are thus pillars of the capability approach. Their voice should be heard, at the same level as other stakeholders, in evaluation processes. Democratic participation is particularly important for the dynamic feedbacks between outcomes, capabilities and means, as assessed by the arrows in Diagram 1.

58 See, for the capability approach applied to employment and social domains: Salais R., 2003; Salais R. and R. Villeneuve, 2004; De Munck J. and B. Zimmermann, 2008; Bonvin J.-M. and N. Farvaque, 2008; Salais R., 2011.

59 Sen A., 1999.

60 A hot debate between Amartya Sen and Martha Nussbaum!.

4.4 The dynamics of a CA implementation

Dynamic and iterative feedbacks proceed as follows: they start from the evaluation of outcomes for the people.

The 'benchmarks' to evaluate outcomes for the beneficiaries are not global quantitative indicators, but what each of them considers as a valuable outcome for her/him in the field operated by the scheme. For instance, in the case of inclusion in the labour market, such valuable outcome will have regard to the type of job (profession, durability, working conditions and so on). The evaluation process will have as its object the 'gap' between this personalised benchmark and what the scheme is achieving. This gap is an indicator in the meaning of indicating (but not to measure, only an information among others to deal with) the lack of the capabilities people suffer to achieve their ends; it helps to go to the next step of the feedback, the capabilities. It does not replace the deliberative inquiry (see below).

How to objectively evaluate such a gap if the benchmarks are personalised, hence a priori subjective and dependent of each person? Here the deliberation on outcomes enters on stage. The deliberative process should be designed as a process, both of discussion, reflexivity and emergence involving beneficiaries, scheme staff and personnel and presumably other stakeholders. Among them, one can think of local employers, associations defending people, for instance unemployed or handicapped people, possibly municipalities. The aim - fixed and known by the participants - would be to help emerge a common statement concerning the effectiveness, the scope and the nature of these gaps. A common statement is not necessarily an agreement; more often, it will include disagreements. Beneficiaries themselves, probably, would have the possibility to revise their benchmark (in a way, their ambitions); they could, in the other sense, discover possibilities, competencies that they previously ignored. The same for the staff which could revise its opinion on the people they have in charge, positively or negatively, and as a consequence, adjust their support.

Implementing such deliberative processes and for them to be effective raises a series of issues: how voices will be heard and taken into account; how to achieve equality to deliberate between the participants. They begin to be addressed by the literature[61]. The main concern is about the beneficiaries of the schemes who are in a dominated position; hence the importance of collective actors in charge of defending their interests.

Having evaluated the individual gaps, it becomes possible to come to the inquiry about the capabilities required to fill these gaps. The objective of such inquiry is to discover the focal features of the life and work situations of the people, i.e. the variables on which to act in order to weaken or to strengthen their impact on the capabilities of the people. The question most often, though it could be, is not just about individual lack of competencies. It also has to do with material features of the situation. For instance, take a lone mother with a low-age child who has difficulties to find a satisfactory child minder. So her capability to find a good job is severely reduced. The solution is to help her find a crèche that accepts her child at full time, possibly at a low cost[62].

Exploiting the results of the inquiry may, more largely, reveal – this is the last step - that the means provided by the scheme are badly designed and should be adjusted for more efficient action on the focal features of situations on which to remedy. For instance the duration initially chosen along which people are involved in the scheme may be too short for many of them, or the ways by which the staff and personnel establish relationships with the people are not adequate. In such cases, one must adjust the nature and type of means, or the design and organisation of the scheme. And so on, the taking into account of feedbacks induces an approach of social policies in terms of on-going revision with the participation of the interested people, and not in terms of short-term projects, be they publicly or privately funded.

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61 See for the literature on deliberation, Bohman J, 1994, 1999, 2004. For attempts to apply to a capability approach: Salais R., 2009; De Leonardis O., Negrelli S. and R. Salais, 2012 ; De Munck J., Didry C., Ferreras I. and A. Jobert, 2012.

62 Such example underlines the necessary coordination at the local level between public agencies in charge of specific issues; which again contradicts the idea that temporary projects are more efficient than durable policies.

Examples of such iterative feedbacks can be found in several studies: Farvaque and Salais, 2003, regarding a French scheme (local missions for the employment of young people[63]), on vocational training within firms (Lambert M. and J. Vero 2007), on marginalized youth (Bonvin J.-M. and M. Dif-Pradalier, 2011). Such iterative processes implying several 'appointments' between the interested parties are already well documented in management and decision theory literatures. There is nothing extraordinary here. See, for instance, in Callon, Lascoumes & Barthe, 2001, the contrast they make between two models of decision-making, a one shot model descending from the top; and a model with several 'rendez-vous' within a set of actors, diversified by their responsibility. The advantage of the second is the possibility of reversibility of the decision-making process, which remains open to new information or to new formulations of the issues at stake.

4.5 Is it possible to correct the social impact methodology?

The fact that the 1948 UN Declaration is close to the foundations of a human-rights and capability approach strengthens and justifies the RE-INVEST lines of research. At the same time the distance between the UN Declaration and the European Charter of the European Union, resulting from the EU conception of the social embedded in its very peculiar notion of social investment, demonstrates the necessity for us to go the furthest and the deepest possible in putting the concept[64] of social investment on its right foundations and in configuring what its implementation should be.

The social impact methodology, based on maximising the global quantitative performance, claims to rely on and to achieve better efficiency, effectiveness and financial sustainability. There is no reason to disqualify the search for performance in social investment design and implementation, human rights–capability approach included. The question is the type of performance searched for, the way to implement it, to measure it and to conceive its feedbacks towards policies.

Social impact methodology has several failures in terms of performance. First it is short-term oriented. The global social consequence is that many beneficiaries will not profit of durable improvement of their state and will quickly come back to the same scheme or to another one. Maybe it is good for investors, because they are insured not to lack of a sufficient clientele and to have an objective basis for their financial claims. Secondly, for the State and the society, the long-run costs are likely to overcome the short-term financial advantages. Thirdly, as evaluation is oriented towards satisfying the short-term interests of bureaucrats and investors, in practice it does not care of the long-run expectations of people with regard to their future, which feeds heavy long-run ethical and political costs. All this taken into account, it is likely that the true global performance will be low, and even negative in some cases.

Partisans of people's activation criticize the human rights – capability approach for its excessive benevolence, if not weakness in favour of human beings. For them the approach lacks of penalties (mostly) – incentives systems and, so doing, will attract and reward undeserving poor. The human rights – capability approach has not such a pessimistic conception, although it is not unaware of the issue.

First, there are incentives and penalties in that people cannot stay for ever in the scheme, allowances have a limited duration. Most important, the whole process, through active participation and engagement into deliberative procedures, is conceived, as we said before, as a process of collective learning based on discussion and reflexivity. Both sides try to bring their views of what is at stake, closer and compatible.

Secondly, the human rights – capability approach is a long run approach. In favouring successful and durable social improvements for as many people as possible, it leads to less social expenditure, public or private. It thus leads in the long run toward both financial and social effectiveness and efficiency; and to financial sustainability. The reason is simple. Having more and more capabilities, people enjoy an effective freedom to choose and act by themselves. In addition they become more responsible of their own future

63 In French missions locales pour l'emploi des jeunes.

64 I sharply distinguish here between notion (whose interpretation is vague) and concept (firmly rooted in theoretical debates and in the history of thought). It is key in European affairs to reestablish the true meaning of words.

and are able to anticipate part of the hazards they risk to meet. The true issue is that people risk not being ready to take any job, whatever its quality and perspectives, and to be more selective. Is it a threat for the economy or a chance?[65] It deserves in-depth research to be sure. It depends on the way the State and employers act in such a capability framework. Some employers will discover that offering stimulating jobs would result into a gain for them; other will be against it or sceptical. It is up to the community to widely spread good practices.

TO CONCLUDE, many things have to be studied in-depth: the design of public policies, the conception of state intervention, the multiple-level governance and the respective responsibilities of these levels, the democratic procedures apt to insure that voices can be heard, especially those of the citizens and, among them, of the most in need; and so on. One of the key issues is about private investors and the social investment markets. How to set rules and adequate surveillance procedures which help them to engage in a human rights and capability approach? Is this conceivable and possible?

However the investigation we develop in this paper does not condemn the concept of social investment and the search for its implementation. But it calls for another conception, design, procedures, and implementation, along the line followed by the European Research Project RE-INVEST, namely the human rights – capabilities approach. At the minimum, that will require:

1. Another fundamental rights foundation in the social domain, not the Charter of Fundamental Rights of the European Union, but the 1948 UN Universal Declaration of Human Rights;
2. A measure of social impact based, not on prefixed quantitative performances, but on common democratic processes of measurement of the valuable outcomes achieved by the people concerned. Such processes do not exclude the search, among other sets of data, for indicators. But their use would be limited to 'indicate' some issue or question to be tackled by the establishment of a valuable 'informational basis of judgment on justice' (IBJJ), that is a correct and fair statement of the social situation to be dealt with. And not to pilot undemocratically the process toward the maximisation, by any means, of a prefixed set of indicators.

65 As noted in a more pessimistic tone, by René Lehwess-Litzmann in his dissertation, page 270.

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