

APPENDIX 1

METHODOLOGY FOR PRODUCING THE OVERVIEW REPORT FROM THE 'TROIKA' TASK FORCE

Participating networks

These were Greece, Ireland, Portugal, Romania, Spain, and the UK, one person from each network.

Objectives of the Task Force

The brief from EAPN's EU Inclusion Strategies' Group (EU ISG) was quite broad, requesting us to further a common understanding in EAPN of the impact on poverty of the situation in the 'Troika' Member States. The Troika consists of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF).

'Troika' states are those undertaking economic adjustment programmes as a condition of disbursement of loans by the 'Troika' to their sovereign governments, which are locked out of open financial market borrowing due to their severe debt and/ or budget deficit following the financial crash of 2007. Appendix 2 of this report summarises the types of European institution-led financial assistance available to Member States and the size of the disbursements made.

The earliest Troika programmes date from 2009 and even the Balance of Payments assistance available to non-Eurozone Member States dates only from 2008, therefore comparable data from Eurostat is very limited. Much of it still relates to the situation in 2010 and therefore it is difficult yet to ascribe any developments to the impact of the Troika programmes rather than the earlier financial crisis or even earlier domestic problems.

Therefore our Task Force's assessment of the impact of the economic adjustment programmes is mainly prospective. It identifies the likely impact of the measures implemented through the Memoranda of Understanding, which govern the loan conditionality.

Tasks and resources

Our overview report of the Troika sub-group aims to answer at least some of the following questions (even if only implicitly).

1. Why did the 'bail-out' states need it – what were the types of unpayable debt and why?
2. Is 'bail-out' what is actually happening?
3. What is the likely impact on states' capacity to combat poverty, of economic adjustment programmes?
4. Internally, are we all 'in it together' or are some groups suffering more from the crisis and response to it?
5. What is common and what different in the austerity responses of the states and why?
6. What difference to policy options does it make being a member of the Eurozone?
7. What is the role of the European Commission in the nature of the policy frame in which states may act?
8. What are the likely outcomes for poverty in 2020?
9. What are the next steps for EAPN in addressing the potential impact on poverty and to whom should they be addressed?

In answering these questions, we wanted the sub-group to help inform EAPN in its ongoing process of reaching a common understanding of the crisis and response to it. We hope our report can assist EAPN's decisions on what are the priorities for protecting people who are poor and disadvantaged and to whom EAPN should address its concerns.

The EAPN Task Forces are tightly time-limited and resource-limited. We had three meetings in 2012: July 13, September 22 and November 15, in which to get from refining the nature of our work, to producing a product. We had an additional Skype meeting on January 21st, 2013. This report is based on the input from the first two meetings' draft country fiches and other documentary sources.

Each participant was responsible for preparing a country fiche for their Member State, covering macroeconomic context; labour market; social protection; poverty and services, particularly health and education. Descriptively, the fiches aimed to identify the main lines of the austerity programmes in each country and the social, especially poverty impact.

Three of the network participants' states - Greece, Ireland and Portugal – are Eurozone members and under Economic Adjustment Programme (EAP) conditions in return for 'Troika' (and some bilateral) loans to their sovereign governments.

A fourth state, Romania, experienced similar sovereign debt and intervention conditions in 2008 – just one year after it joined the European Union, but it is not a Eurozone member. Its support under Balance of Payments assistance (BoP) intervention is focused on stabilising the exchange rate. But assistance was also conditional on macroeconomic adjustment.

Spain is in the Eurozone and is not under Troika conditions, but has accessed financial assistance for recapitalisation of financial institutions and may still need to access EAP loans.

The UK is not in the Eurozone and is not currently at risk of seeking Troika loans. In the commonly used parlance, it is the only "northern" or "non-periphery" state in the Task Force. It has a global banking role and its banks were at the centre of the 2007 world financial crash. It has bailed out its own banks and is experiencing some similar economic problems and similar austerity responses to the other states. It helps the group understand what aspects (if any) of "austerity" response are specific to Troika Member States.

We were a self-selecting Task Force with a limited membership on cost grounds; we would have liked to have a larger group of states to share experience. For example, many Baltic and Balkan states were hit hardest first (in 2008-2009) by the financial crisis. The three Baltic States suffered GDP and real wage collapse - Latvia lost 18% of its GDP in 2009 alone. They are still from 6%-18% below pre-crisis GDP. Hungary, Latvia and Romania (a member of Task Force) were the first to apply for IMF and EU programmes – in 2008/9.

We would have liked also to have Germany in our Task Force, for its economic strategy and its central role in the response to the Eurozone crisis; also Cyprus and Italy, as currently most at risk of "bail out" or speculative attack. This kind of mix might have enhanced dialogue and learning on external factors, Eurozone integration and the political dimensions of the adjustment programmes. Greater participation from EAPN members in Central and Eastern European Member States would have helped us to gain a better understanding of the longer term impact, as some of these states have experienced more than twenty years of almost continuous structural adjustment intervention.