

CYPRUS

TOWARDS A SYSTEMIC APPROACH TO SOCIAL PROTECTION

POVERTY WATCH 2024





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POVERTY WATCH REPORT - Cyprus - 2024

TOWARD A SYSTEMIC APPROACH TO SOCIAL PROTECTION?

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1. Introduction

The Poverty Watch reports prepared by the national members of the European Anti-Poverty Network¹ (hereafter EAPN) do not attempt to be comprehensive national poverty research reports. These reports are driven by EAPN's priorities, the experiences of its members and the voice of people experiencing poverty. Above all, our ambition for these reports is to be effective advocacy and communication tools, which define the main developments and developments in poverty, the impact of policies to combat it both at national and European level and identify the key issues that affect people experiencing poverty and social exclusion and propose solutions.

This year we will try not only to see the numbers; We will provide a short analysis of the fiscal government results, and the percentage of government expenditures towards social transfers.

1.2 *Poverty Watch Report – Cyprus 2024*

The Poverty Watch Report is part of a European program of the EAPN. We do not attempt to provide a comprehensive academic report/report on poverty. This Report starts from the reality experienced by the people themselves who are in poverty and the perspectives of the NGOs that support and work with them. The main objectives of the report are:

- i. Monitoring the main tendencies and the policy being developed on poverty and social exclusion at national and European level.
- ii. Raising awareness of priorities and their impact on people experiencing poverty.
- iii. The preparation of specific recommendations and proposals and their submission to the dialogue table.

In this Report, we examine the latest statistical and developmental tendencies related to poverty, contributing to our views on the measures needed to reduce poverty.

The latest available data comes from the Statistical Service of Cyprus and is for 2023.²

¹ European Antipoverty Network, a pan-European network of national and European NGOs, with the common goal of eradicating poverty and social exclusion.

² COPYRIGHT © :2024, REPUBLIC OF CYPRUS, STATISTICAL SERVICE - INDICATORS OF RISK OF POVERTY AND SOCIAL EXCLUSION, 2008-2023, Source: Household Income and Living Conditions Survey, 2008 – 2022, Last Updated 11/06/2024.

2. SUMMARY

The general observation is that there seems to be a yet another year that the levels of at risk of poverty follow a descending pattern. This is the picture when it comes for the general /total population.

There is a significant increase of the at risk of poverty in the male population, from 6.2% to 8.5% (increase of 2.3%). Further, we can see that there is a high increase (almost one third) of the total number of the population over 65 that is at risk of poverty, of 6.2% (from 11.5% in 2022 to 17.7% in 2023). This is a result of an increase in the male 65+ percentage, from 8.6% in 2022 to 17.3 in 2023.

On the other hand, we see a small reduction on the percentage of the female population that are at risk of poverty.

There are specific groups for the population that CONTINUE to face higher risk of poverty, elderly population more than 65+, single parents and or multiple family members (2 parents 3 or more depended children) households. At the same time young people (until the age of 17) are still facing problems. Almost 30,000 young people are at risk of poverty and social exclusion.

The newly created deputy ministry of Social Welfare says that they will work on the assessment and evaluation of the minimum income scheme and other benefits they have under their jurisdiction and propose changes, accordingly. Cyprus Antipoverty Network stress out the need for this to take place as soon as possible.

At the same time the Cyprus Government is bound by the Semester process as well as the Recovery and Resilience plan as this has been approved and is deemed to be implemented.

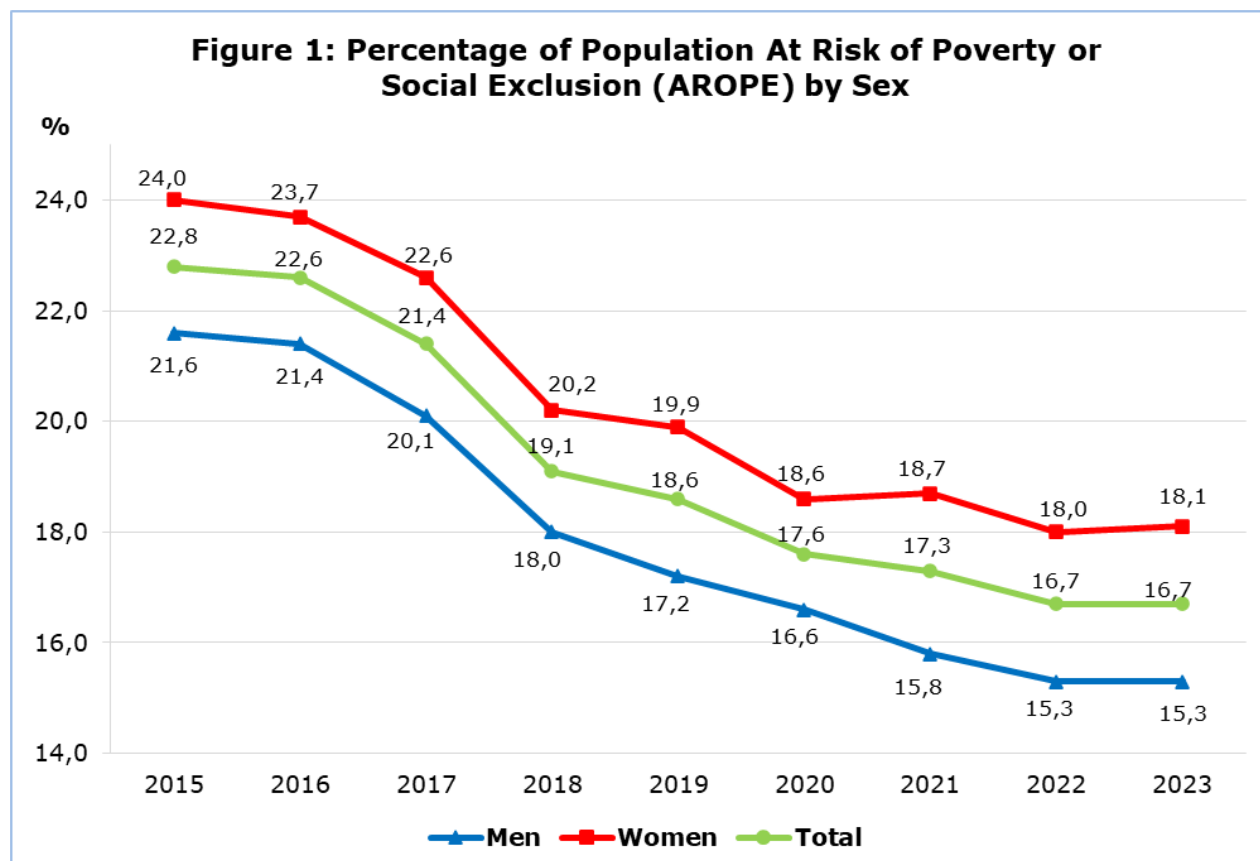
3. The reality of poverty and social exclusion in the Republic of Cyprus 2024³

The annual disposable income of the household for 2023 has been increased to €38.147, from €35.699 in 2022.

3.1 Risk of Poverty or Social Exclusion (AROPE)⁴

According to the results of the Survey on Income and Living Conditions 2023, with income reference period the year 2022, 16,7% of the population or 153.000 persons were at risk of poverty or social exclusion (AROPE indicator, the main indicator to monitor the EU 2030 target on poverty and social exclusion). Namely, 16,7% of the population was living in households whose disposable income was below the at-risk-of-poverty threshold or was severely materially and socially deprived or was living in households with very low work intensity.

The indicator for 2023 remained at the same level compared to the previous year, when it was also at 16,7%. Therefore, the indicator remained unchanged in 2023, after the continuous downward trend of the recent years. Even though the improvement in recent years has been reflected in both women and men, still throughout the years, women are maintaining their unfavourable position in respect to men. In 2023, the relevant indicator for women was 18,1% and for men 15,3%. Figure 1 shows the evolution of the indicator (AROPE) in the years 2015 to 2023.

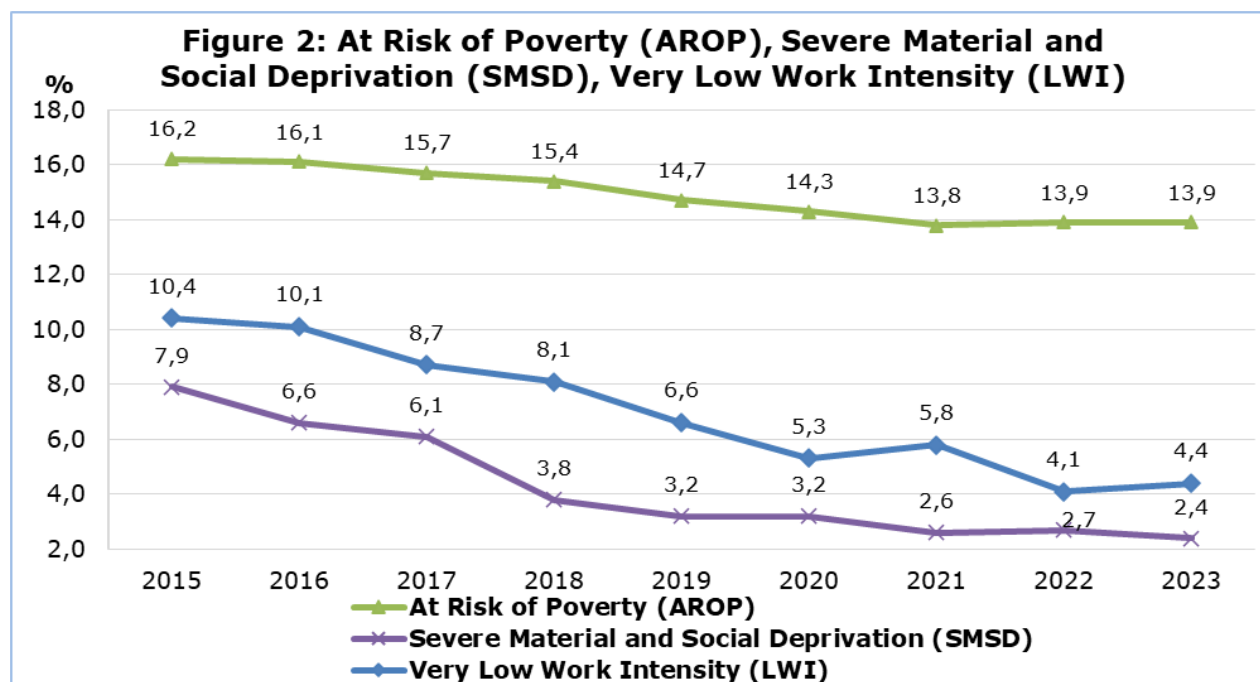


³ Source: Statistics on income and living conditions, 2008-2023. last update 11/06/2024.

⁴ It is noted that for the data and presentation the data for the EU 2030 target will be compared.

3.2 Indicators of risk of poverty or social exclusion in the 3 individual indicators (Risk of poverty, Severe Material Deprivation, very low work intensity)

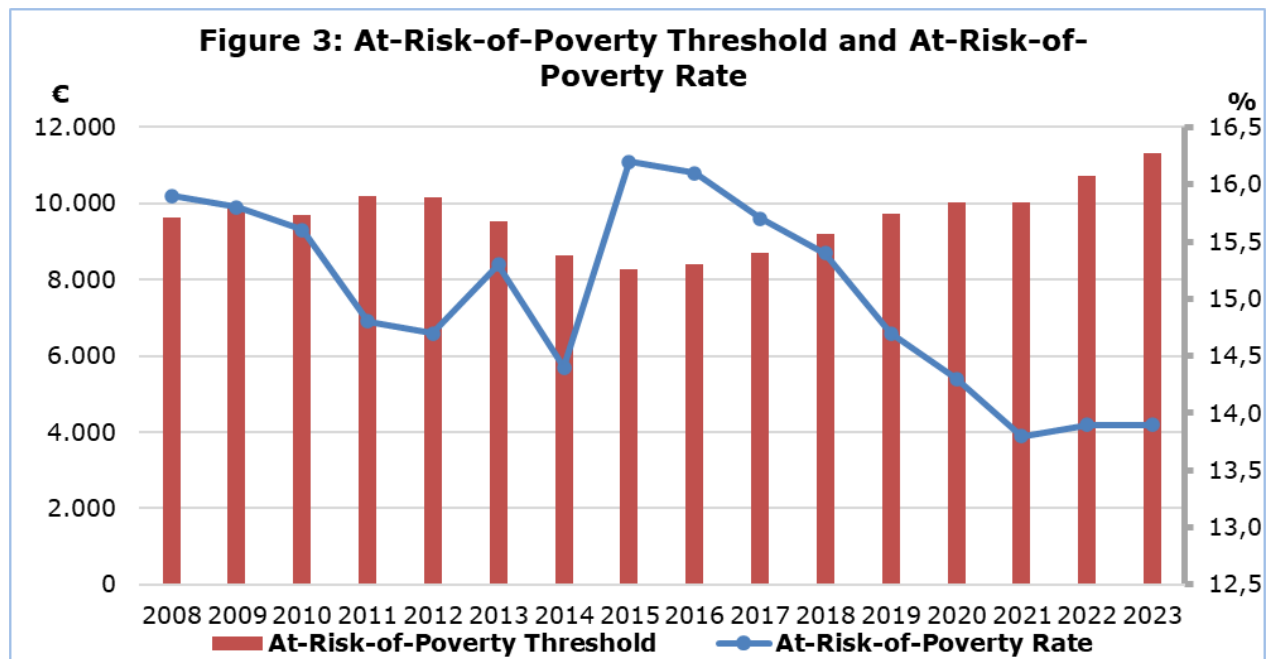
Figure 2, presents the results of the 3 sub-indicators contributing to the computation of the strategic indicator at risk of poverty or social exclusion, (at risk of poverty, severe material and social deprivation, very low work intensity). From Figure 2, it can be seen that the indicator for severe material and social deprivation decreased by 0,3 percentage points (from 2,7% in 2022 to 2,4% in 2023), the risk of poverty indicator remained at exactly the same levels (13,9%) and the indicator for the percentage of the population living in households with very low work intensity showed an increase of 0,3 percentage points (from 4,1% in 2022, to 4,4% in 2023). Based on these results, in 2023 the at risk of poverty or social exclusion indicator remained stable (16,7%) (more information in the definitions in the methodological part).



3.3 Risk of Poverty (AROP)⁵

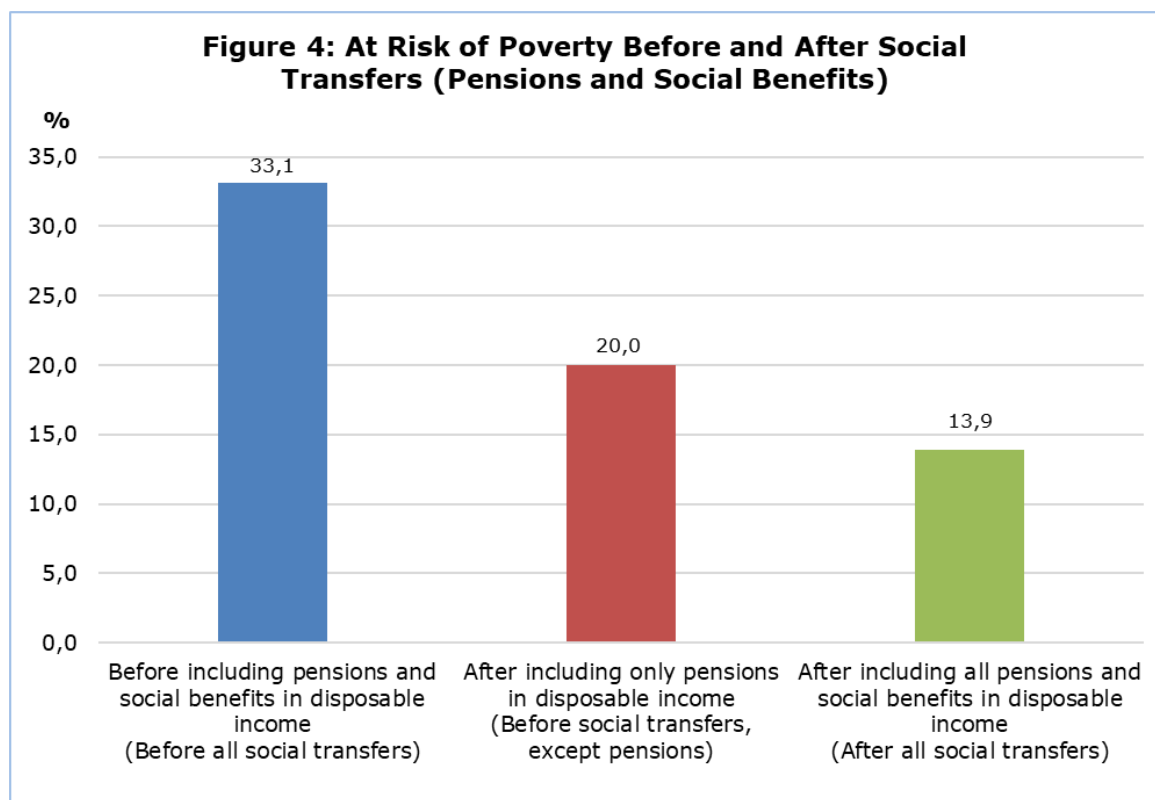
In 2023, the percentage of the population that was at risk of poverty, meaning that its disposable income was below the at-risk-of-poverty threshold, was 13,9% or 128.000 persons, remaining at the same level with that of 2022 (13,9%). The at-risk-of-poverty threshold, which is defined at the 60% of the median total equivalized disposable income of the households, was estimated in 2023 at €11.324 for single person households and at €23.780 for households with 2 adults and 2 children younger than 14 years old, exhibiting an increase of 5,7% in respect to 2022, where the respective thresholds were €10.713 and €22.498. The median equivalized disposable income (one person) in 2023 was €18.873 in comparison to €17.856 in 2022. In Figure 3, the trend of the at-risk-of-poverty rate is presented together with the at risk of poverty threshold from 2008 to 2023.

⁵ After social transfers



3.4 Risk of Poverty Before and After Social Transfers

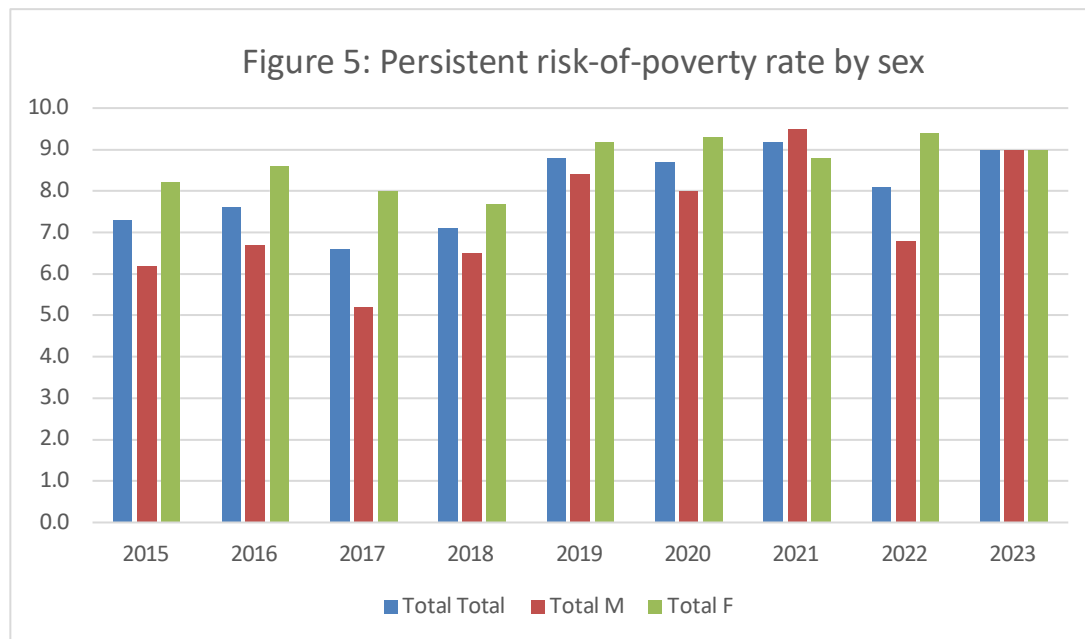
The percentage of the population living at risk of poverty, before any social benefits¹ and pensions² (social transfers) were included in the disposable income of the households, was estimated at 33,1%. When only pensions were included in the disposable income of the households, this percentage was reduced to 20,0%, while when social benefits were further included, the percentage was reduced to 13,9% (Figure 4). Consequently, it is confirmed that social transfers contribute to the reduction of the percentage of the people living at risk of poverty. In 2023, all the social transfers reduced the indicator by 19,2 percentage points, (13,1 pp as a result of pensions and 6,1 as a result of the social benefits).



3.4 Poverty, Gender & Age

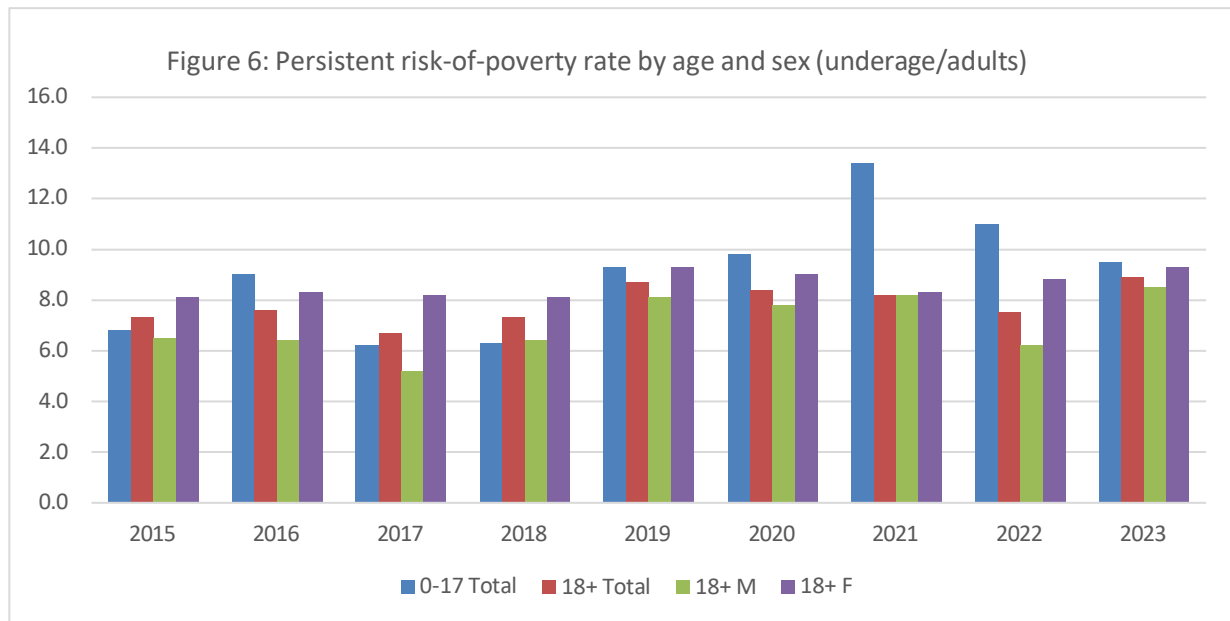
Persistent risk-of-poverty rate is the persistent at-risk-of-poverty rate is the percentage of the population living in households where the equivalised disposable income was below the risk-of-poverty threshold for the current year and at least two out of the preceding three years.

The general evaluation regarding the persistent risk of poverty rate by sex shows an increase in both sexes, and from 8.1% of the total rate, now is 9%, with an increase in the general male population of 2.2% (from 6.8% in 2022). (Figure 5)



When observing the results by age and sex, and separating the adult population versus the under 17th we can make the following observations (Figure 6):

- The percentage of underage population (0-17) at persistent risk of poverty has fallen from 11% to 9.5% (-1.5%).
- The total percentage of adults(+18) population at persistent risk of poverty has risen from 7.5% to 8.9% (+1.4%). Examining the same age range per sex, we observe an increase in the male population, from 6.2% to 8.5% (increase of 2.3%).

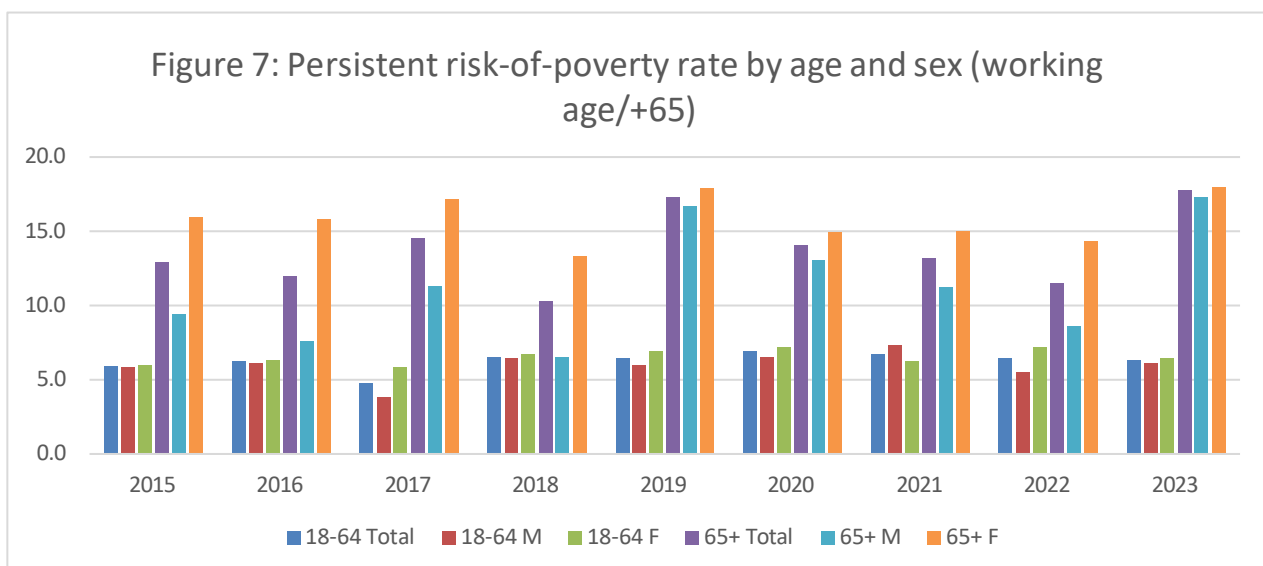


Finally, if we observe the percentage of adults(+18) population at persistent risk of poverty, and we make the distinction between working age and 65+, (Figure 7), we can see that there is a high increase (almost one third) of the total number of the population over 65 that is at risk of poverty, of 6.2% (from 11.5% in 2022 to 17.7% in 2023).

At the same time, if we observe the sex indicator in this category we see that there is an increase of 8.7% of the male population that are at persistent risk of poverty; whereas the increase of the female population at persistent risk of poverty is 3.7%.

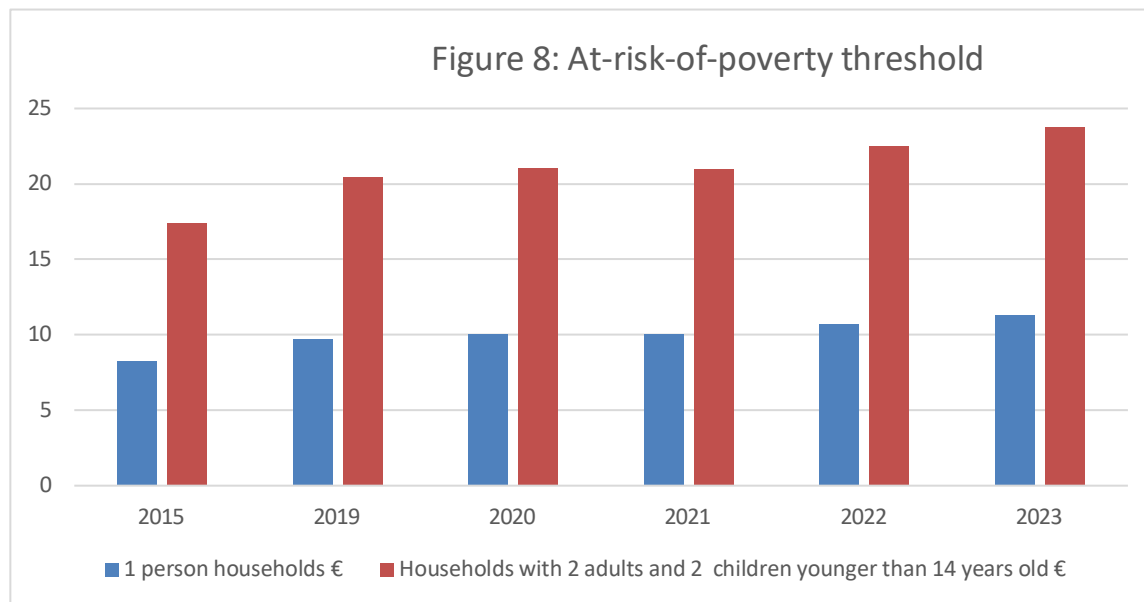
The difference between the male and female population over 65 remained, although in 2023 the gap is closed and is only 0.7%. This is not a result of reduction, rather is a result of the dramatic increase of the percentage of the male population. Specifically, in 2022 the male population over 65 at persistent risk of poverty was 8.6% (to remind us of the total 11.5%), whereas the female population over 65 at persistent risk of poverty was 14.3% (a difference of 5.7%).

In 2023 the male population over 65 at persistent risk of poverty was 17.3% (to remind us of the total 17.7%), whereas the female population over 65 at persistent risk of poverty was 18.00% (a difference of only 0.7%).

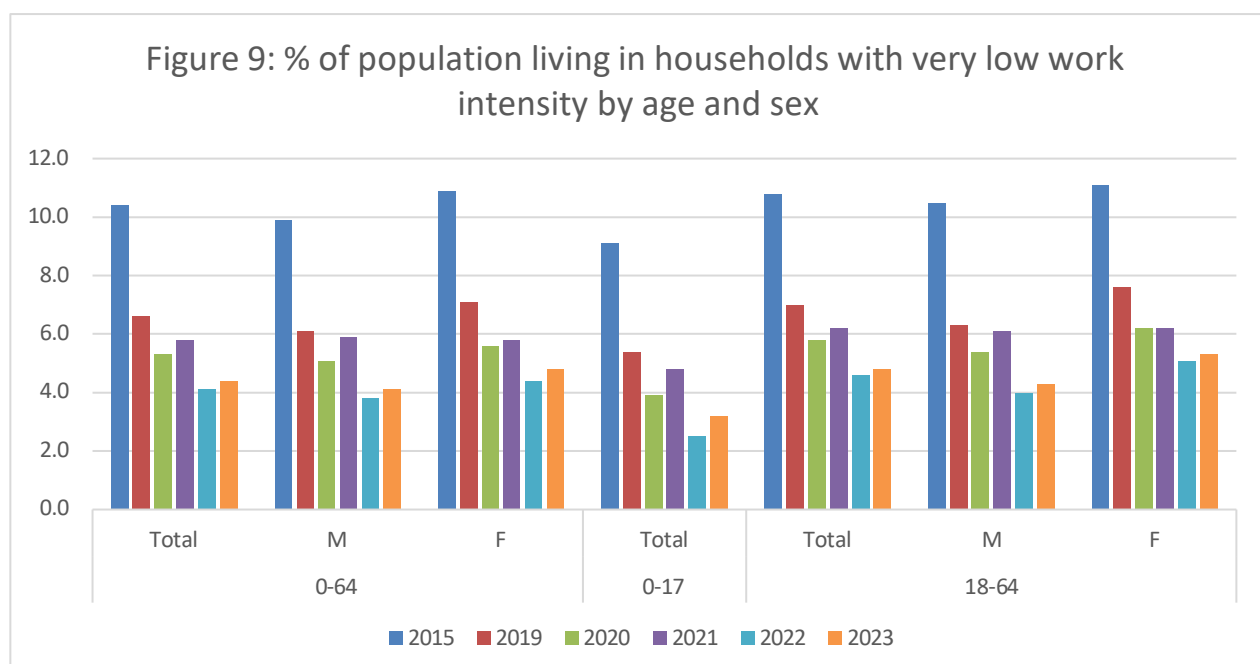


3.5 Poverty threshold & Household Type

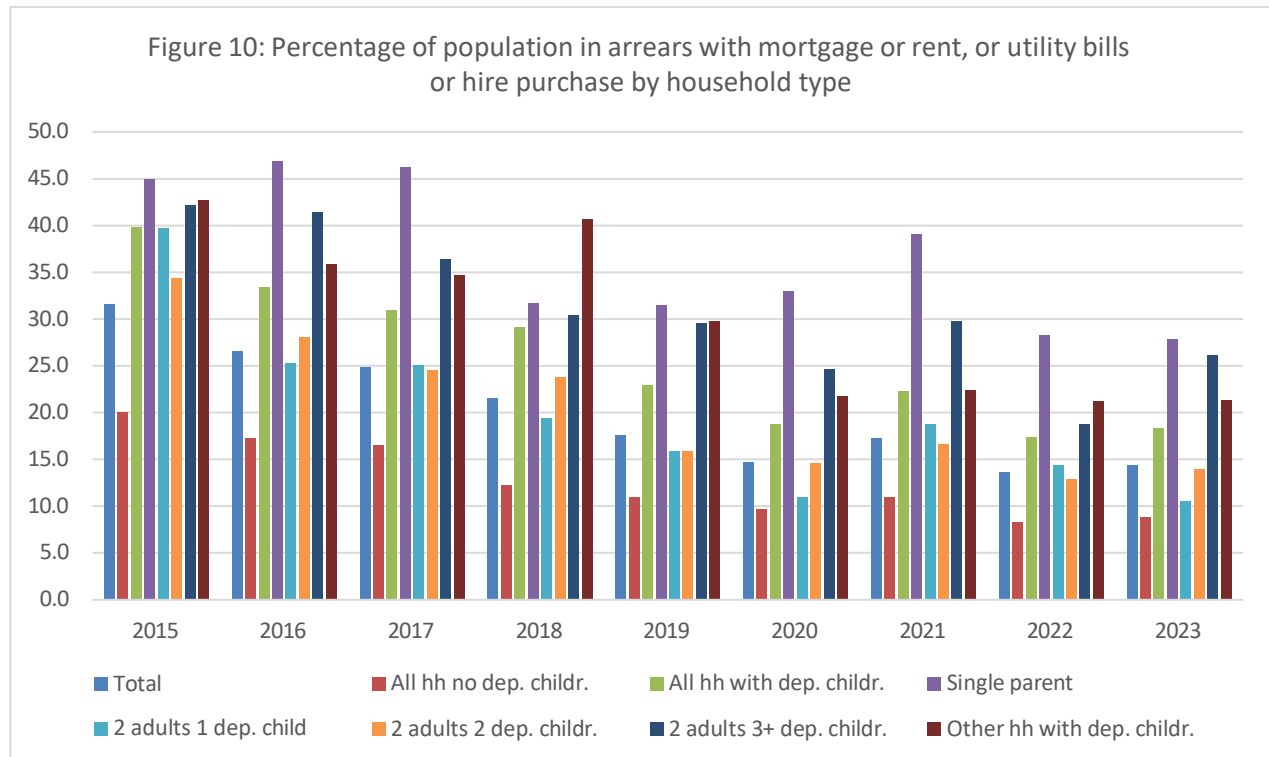
It is interesting to investigate how the risk of poverty evolves with respect to different types of households. The Risk-of-poverty threshold is set at 60% of the national median equivalised disposable income. The single person household risk of poverty threshold is set on 11,324 euros, where as for two adults and two children younger than 14 years old, this is set on 23,780 euros. The increase from the previous years (as we see in Figure 8) is very small.



Regarding the population with low work intensity, since 2015, and the pick of the results of the financial crises, we see that there was a sliding downwards trend, and from 10.4% in 2015 it went down to 4.1 in 2022. However, in 2023 we observe a small increase to 4.4% and this is the same in all categories, with the highest to be observed in the ungerage children (0.7% increase). Thus, the household with very low work intensity are in more danger of poverty.

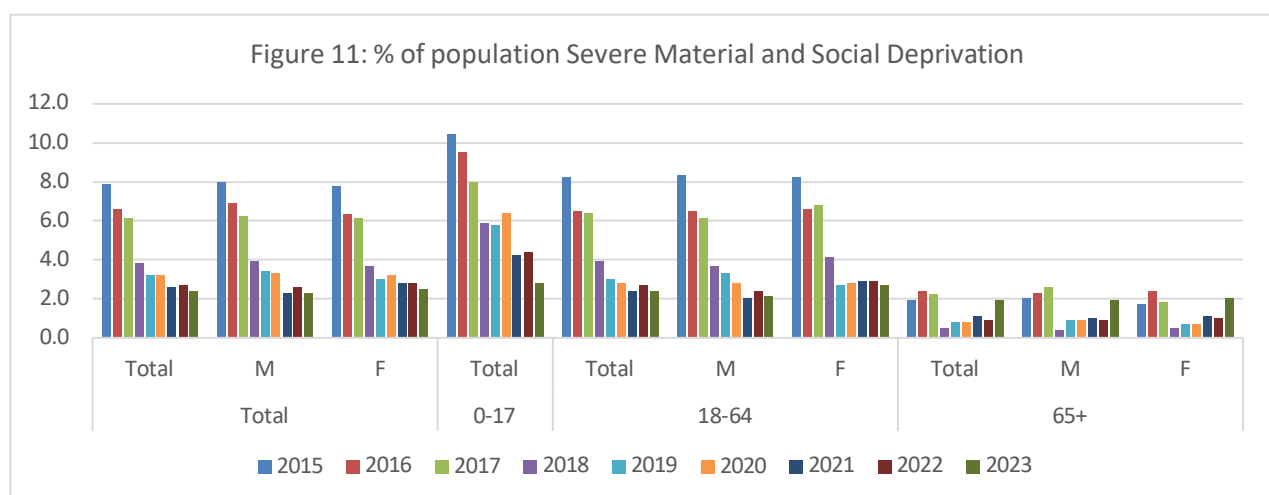


Last but not least the rate of the single parents families is the group of the population that is at risk of poverty the most. Single parents households and families with more than 3 dependent children are at risk of poverty (27.9% and 26.2% respectively) than the families with no dependent children or with 1-2 dependent children. All indicators and categories are following a sliding downward line, but one. The category with 2 adults and 2 dependent children (the most ordinary category) has shown an increase in 2023, of 1.1 % and this shows that the stakeholders and the State should examine this further.



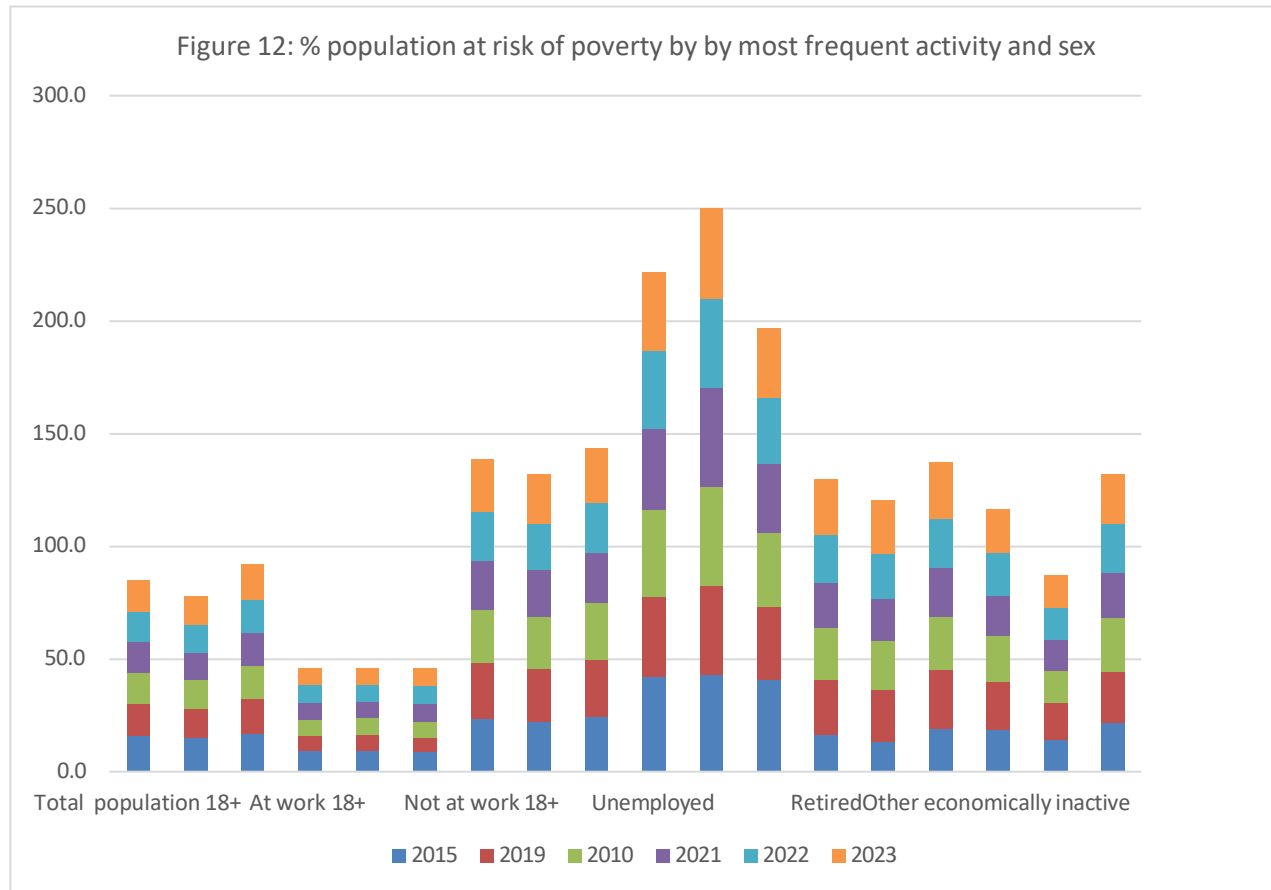
3.6 Index of Severe Material and Social Deprivation (SMSD)

There is a stable digreese of the population with severe material and social deprivation. In Figure 11, we see that since 2020 the total number is near 2%, with specific population groups to have slidely different results. The indicator, also confirms our comment made on figure 7 (seciton 3.4) regarding an increase of th poverty levels of the male population over 65+. This is something that all relevant stakeholders should examin and analise.



3.7 Very Low Work Intensity Index (LWI)

At work population in 2023 was in danger of poverty at 7% whereas population out of work was at risk of poverty at 23.3%, a very important indication for the significant of quality jobs for the population. This number is similar to the retired population, 24.5%; at the same time the unemployed population shows a total of 34.8% at risk. (Figure 12)



4 TOWARD A SYSTEMIC APPROACH TO SOCIAL PROTECTION

4.1 *Are the shortcomings of the social protection systems of structural or systemic nature? How to solve the issue?*

Social protection, or social security, provides benefits to individuals on the basis of risks faced across the life cycle (e.g., unemployment, disability, maternity, etc.) and to those suffering general poverty and social exclusion. Social protection schemes can be financed through contributions from wages (social insurance) or through general taxation (social assistance).

Since the turn of the last century, social protection programmes have continued to grow in every region of the world, and their function in stabilizing the economy and protecting vulnerable groups has been repeatedly demonstrated, including during recent global crises. While their benefits are widely accepted, additional investments are still needed to increase coverage of social protection schemes globally, in particular in lower-income countries.⁶

The nine (9) branches of social security (as those are recognised by the ILO) are

- Health protection
- Sickness benefits (earnings replacement)
- Unemployment benefits
- Old-age pensions
- Employment injury benefits
- Family and child benefits
- Maternity benefits
- Disability benefits
- Survivors' benefits

At the same time, we cannot ignore the challenges and emerging issues. Challenges like the world health crises due to Covid-19 pandemic; or emerging issues such as climate change, migrants and forcibly displaced.

Social protection thus, serves as a safety net for all eras of life, offers assistance to the most fragile population, is a way to redistribute the wealth and action toward justice, and a chance to equal and equity opportunity.

In the previous exercises on Poverty Watch, we were focusing on the sustainability of the welfare state; however, we left open questions which requires a deeper analysis of what the welfare state should serve. This can be summarized in the discussion on what is the difference between structural and systemic and how this relates to the social protection systems.

Systemic, in the case of social rights, will refer to the overall political and economic model in Europe. Therefore, social protection should not be taken out of this dynamic but rather analysed regarding its relations and implications with the single market, a growth-driven model. This would imply a change in the eco-political mode.

Structural will refer to the gaps, inconsistency and violations of right principles in policies and their implementation. This would imply a change in how policies are designed.

IT IS our initial response and approach that social protection systems, are both, systemic and structural. Structural because several pieces of legislation must be changed, and possibly new ones formulated. And systemic because the competent services do not work as they should and some of the practices, we apply [by the services in Cyprus] are anachronistic and ineffective.

⁶ ILO <https://www.ilo.org/topics-and-sectors/social-protection>

We have to clarify that social protection involves a very wide area of legislation and other practices, configured to cover and support the general public and not only the vulnerable ones that are also included. In general all these legal frameworks are characterized by gaps and in some cases distortions, which can be considered as structural and / or systemic.

Examples to showcase the above

The minimum income

We have some examples like the minimum income legislation which is a framework that was not synchronized since the year 2015 (The last amendment of the 2014 legislation). Therefore the money support and the rents are not in line with the real costs and this is only one of the problems. This is not only a structural problem but an inconsistency of the welfare state.

The minimum wage

The minimum wage legal framework has a critical problematic area while it is not referring to the hours of work for the 1000€ salary, giving space to the employers to exploit worker's though the working hours.

The social security system

The social security system is floated with deficiencies and therefore the Government introduced the support for the pensioners who receive pensions below the poverty line. There is an ongoing dialogue between the social partners the last decade for the 12% lifetime actuarial reduction in pensions for the 63 year of age, which was introduced since the year 2013.

Cost of living adjustment

For the Cost of Living Adjustment there is also an ongoing dialogue and the timeframe for the final agreement is set to July 2025.

Of course social protection system includes disability benefits, family and child benefits, unemployment benefits, maternity protection, health care and long term care and many others. Occasionally all these issues are discussed in different bodies, however, the general conclusion is that changes are not applied on time and many people and citizens in need are not protected or supported when they need the protection.

At this moment in time, other than the recommendations already prepared for the minimum income to be reevaluated and reajust based on the what was done, what went good and what failed, we do not have any other recommendations. (poverty watch 2023).

Having said that, Cypriot employees trade unions are members of the European Trade Union (ETUC) and together negotiates and directly represents European workers in the various EU institutions. As a consequence of these efforts and also the political will that now exists from the EU to strengthen a fairer society (against the neoliberal and anti-labor policies that followed until recently) the PILLAR OF SOCIAL RIGHTS through which you try to exist has been adopted since the Juncker period improving the position of workers both in matters of equality, parental care, maternity, paternity and also recently with the 2022 directive on adequate minimum wages and the obligation of states to establish mechanisms so that employees are covered by means of a collective labor agreement in percentage 80%.

Strategic Framework for Fiscal Policy 2022-2024

The Cyprus Government framework for the fiscal policy 2022-2024, indicates that, the largest contribution to the increase in the total expenditure of the General Government (contribution of 6.6 percentage points) was the expenditure on social benefits, which in 2020 showed an increase of 19.3% compared to the previous year. **As a percentage of GDP, this category of expenditure amounted to 17.2% compared to 13.6% of GDP the previous year.** This increase is **mainly** due to increased spending within the NHS, mainly

due to the start of the 2nd phase with coverage and inpatient health care from June 1, 2020 (contribution to the percentage change in this category of spending of 13.6%). The cost of measures to subsidize wages, in the context of measures to deal with the effects of the pandemic, of workers who requested leave for child care or health reasons, as well as for the extension of unemployment benefits, also contributed to the increase in social benefits. The costs from these measures contributed positively to the change in this category of expenses with 2.1%. It is noted that the significantly positive deviation presented by this category of expenses compared to the initial estimate, amounting to 3% of the GDP, is due to the recent change in the methodological handling of expenses within the General Health System in the accounts of the General Government.

General Government Fiscal Balance 2020, estimates 2021

| | | Million euros | |
|----------------|-----------|---------------|-----------------|
| | 2020 data | Estimate 2021 | Annual % change |
| | 1 | 2 | 2-1 |
| Total income | 8,575 | 9,439 | 10,1 |
| Social welfare | 3.619 | 3.926 | 8,4 |
| Total expenses | 9.788 | 10.480 | 7,1 |

General Government Revenue, 2020-2024

| | 2020 | 2021 | % | 2022 | % | 2023 | % | 2024 | % |
|--|---------------------------|------------------------------|------|-------------------------------|-----|-------------------------------|-----|-------------------------------|-----|
| | Final Million euros | Estimate Million euros | | Prognosis Million euros | | Prognosis Million euros | | Prognosis Million euros | |
| | 1 | 2 | 2/1 | 3 | 3/2 | 4 | 4/3 | 5 | 5/4 |
| Total | 8.757 | 9.439 | 10,1 | 9.737 | 3,1 | 10.037 | 3,1 | 10.532 | 4,9 |
| Contributions to Social Security | 2.404 | 2.642 | 9,9 | 2.772 | 4,9 | 2.866 | 3,4 | 3.117 | 8,7 |

General Government Expenditures, 2020-2024

| | 2020 | 2021 | % | 2022 | % | 2023 | % | 2024 | % |
|--|---------------------------|------------------------------|-----|-------------------------------|------|-------------------------------|-----|-------------------------------|-----|
| | Final Million euros | Estimate Million euros | | Prognosis Million euros | | Prognosis Million euros | | Prognosis Million euros | |
| | 1 | 2 | 2/1 | 3 | 3/2 | 4 | 4/3 | 5 | 5/4 |
| Total | 9.788 | 10.480 | 7,1 | 9.935 | -5,2 | 10.013 | 0,8 | 10.129 | 1,2 |
| Contributions to Social Security | 3.619 | 3.925 | 8,4 | 3.953 | 0,7 | 3.972 | 0,5 | 3.994 | 0,6 |

5 Key challenges

For the Cyprus Anti-Poverty Network, the challenges are very specific. We believe that to have any chance in our efforts to eradicate poverty and social exclusion, we must work in several directions. The need for social protection becomes even more critical in times of crisis, whether economic (austerity memorandum and troika, COVID-19 pandemic, energy crises) or other local or global disasters. In these circumstances, it is generally accepted that there is a better understanding of the impact of a welfare state and even more so of minimum income schemes, not only on poverty and social exclusion, but also on other benefits and the labour market.

We need a comprehensive social protection strategy that includes an effective, efficient and competent EU institution, together with a strategy for fair wages and decent work (combating undeclared work and work poverty), access to a package of basic services and a modern, effective education system, which takes into account the needs of people and the economy and builds on it, taking into account the rapidly changing skills required for the future, and does not live behind the need for continuous and lifelong learning training and education.

The above must always be considered, when formulating the needs of groups that are at a higher risk of poverty such as women, people over 65, young people looking for their 1st job, the unemployed, people with disabilities, the single parents, the children.

Therefore, there is a need for a structural dialogue that will not only include trade unions (of workers and employers); there are other stakeholders, such as NGOs representing people experiencing poverty and social exclusion, that are crucial to be included in the dialogue. The voice of the people that are directly affected by the various issues, policies and measures needs to be heard by the policy makers.

There is also necessity to stay focus and for the Government to show political will for the implementation of the National Reform Program; the transformations and changes will impact the lives of people in excessive scale; thus, it will need to show accountability, transparency and correct the corruption matrix as well increase the faith of people in the government structures and public authorities.

The minimum income scheme needs to be evaluated and based on the results to be amended in order to be able to fulfil its role, in the new era. Since 2014 that it was enacted, we had many changes, we had a word health pandemic crises, we are now facing the consequences of wars, climate change, and increase of the prices of goods and services.

6 Conclusions

Numbers prosper. However, this is not enough for people to prosper as well. Political will is needed so that necessary and necessary reforms take place. Reforms in social policy, in the public sector, but also in the way revenues are allocated. Citizens and especially the people themselves who experience poverty and social exclusion are important as they are part of the public debate. The challenges are significant. Regional and global developments, regional conflicts, and wars as well as climate change are factors that must be taken into account and the state machine can react immediately to changes so that citizens remain protected from the effects they cause.

Cyprus faces several challenges, according to the indicators of the social scoreboard supporting the European Pillar of Social Rights. Youth unemployment gender employment gap to name two of them. The universal minimum income scheme has helped reduce income inequalities. Further efforts should be made to develop digital skills and encourage upskilling and reskilling as well as skills that will be needed for the green transition.

Social transfers once more are important for a large percentage of the population to avoid falling into poverty and social exclusion, since **social transfers reduced the risk by almost 20% from 33.3% to 13.9% for the entire population.**

Further analysis of the systemic and structural issues in the social welfare system needs systematic, and more experience approach.

7 ΠΗΓΕΣ

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- Cyprus Recovery and Resilience Plan 2021-2026. Ministry of Finance
- Strategic Framework for Fiscal Policy, 2022-2024, Ministry of Finance, <https://www.gov.cy/mof/en/documents/strategic-framework-for-fiscal-policy/>

8 Acronyms

| |
|--|
| AROPE: At risk of poverty or social exclusion |
| AROP: At risk of poverty |
| CAN: Cyprus Antipoverty Network |
| CRP Cyprus Reform Program |
| CyStat – CSS: Cyprus Statistical Service |
| EAPN: European Antipoverty Network |
| EFTA: European Free Trade Association |
| ERRP Recovery and Resilience Plan |
| EPSR: European Pillar of Social Rights |
| EU: European Union |
| EU-27: European Union 27 Member States |
| GDP: Gross domestic product |
| UMIS: Universal Minimum Income Scheme |
| LTC: Long Term Care |
| NEETs Employment, Education and Training |
| NGOs: Non-Government Organizations |
| NHIS: National Health Insurance System |
| PAB: Public Assistance Benefit |
| RoC Republic of Cyprus |
| SDG: Sustainable Development Goals |
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