

Brussels, 15 April 2008

**Caritas Europa Contribution to the
Consultation in View of the 2008/2009 Budget Review
Reforming the Budget, Changing Europe
SEC(2007) 1188 final**

Caritas Europa welcomes the opportunity to contribute to the review of the EU budget that the Commission was invited to undertake in the framework of the May 2006 Inter-Institutional Agreement.

Created in 1971, Caritas Europa is one of the seven regions of Caritas Internationalis, the worldwide confederation of 162 Catholic relief, development and social service organisations working to build a better world, especially for the poor and oppressed, in over 200 countries and territories. Caritas Europa is the umbrella organisation of the European network of 48 Caritas member organisations, working in 44 European countries. Caritas Europa focuses its activities on policy issues related to poverty and social inequality, migration and asylum within all countries of Europe as well as on the coordination of actions of the members with regard to emergency humanitarian assistance, international development and peace throughout the world.

In thousands of projects and institutions our member organisations are in daily touch and interaction with millions of people experiencing poverty and social exclusion in Europe and worldwide. Based on this vast grass-roots experience we would like to take the opportunity of this budget review consultation to bring forward points that are of particular concern for us.

This paper is based on a broad consultation within our member organisations.

We very much welcome the European Commission's expressed intention to prepare this review in a very open manner with "no preconceptions." The EU budget accounts for only less than 1% of each Member States' GNI. However, the importance of EU money spent is much higher if we consider the money that is spent under shared management with the Member States. Therefore we sincerely hope that the European Commission will not only go through this consultation process with "no taboos", but will also apply the same open-minded approach in the decision on, the design and implementation of the future EU budget.

Executive Summary

Social issues are not sufficiently addressed in EU spending. Looming social challenges call for a higher priority and for a higher visibility of the social dimension in the EU budget. This refers to social cohesion within the EU, but also, given the EU's global responsibility, to any EU policy that might affect poverty levels in countries outside the EU. Policy coherence and poverty proofing have to be strongly reinforced. Special attention should be given to ensuring gender-sensitive policies.

The solidarity principle within the EU has to be strengthened, in particular on the revenue side, i.e. NO to any correction mechanisms in collecting EU revenues. The EU has the obligation to finance public goods that are beneficial for all EU citizens. Participation in EU budgeting has to be increased. Bureaucratic procedures have to be simplified.

1. Make social cohesion a clear priority in the EU budget

Caritas Europa underlines that the EU budget spending priorities focus too strongly on purely economic issues. The argumentation that social inclusion quasi automatically goes hand in hand with economic progress falls short of reality. While progress may have been made in recent years as regards jobs and growth, this has not resulted in greater social cohesion. Economic growth and high-quality jobs are not a guarantee of social progress and social cohesion. On the contrary, the lack of priority and visibility of the social dimension in the EU budget and its policies is in contrast to alarming, persistent and growing, social challenges in society, notably:

- Poverty is a persisting challenge that constantly calls for policy action. It is not resolved yet! On the contrary, the at-risk of poverty rate has been rising over the last couple of years in most EU Member States. Currently, more than 79 million people in the EU live in poverty or are at risk of falling into poverty.¹
- The difference in income between the rich and the poor has widened within most Member States over the last decade.² The focus on growth in the EU budget spending priorities neglects any notion of who benefits from this growth and who doesn't. Though employment is one key element in the EU spending priorities, the situation of people without employment, who are predominantly people experiencing poverty, is severely neglected.
- Child poverty is ever more evident in the EU: One in five children in the EU live below the poverty line.³ These are truly alarming figures given their impact on the level of persistent poverty. Giving children a good start is essential for their further lives. Losing out on it at this stage has long-lasting effects on the individual and, in both social and economic terms, the society as a whole.
- Globalisation and an accelerating pace of technological development increase the pressure on the individual as to job security, keeping pace with new skills, psychological capability to face ever faster changes and so on. A rise in the number of people who suffer from mental disorders has been evident and a further increase is expected over the next decades. This development particularly affects poor and deprived people who have a higher prevalence of mental and behavioural disorders.⁴
- Migration poses challenges for countries of origin, countries of transit and receiving countries. The share of EU money spent on migration issues has been increased over the last couple of years (e.g. integration fund). However, far most of the budget dedicated to migration under DG JLS is spent on management of migration, rather than on integration. The budget for integration, even taking into account the spending on integration under DG EMPL, remains limited.

Given the alarming challenges the EU has to face, Caritas Europa expresses its deep concern that the social dimension in the EU budget remains so limited. Caritas Europa therefore strongly supports the integration of a social cohesion pillar in its own right resulting also in a higher share of the EU budget. This would help the EU - in its coordinating function in social policy - to encourage Member States to better address these social challenges and - in its funding policies - to directly respond to them.

The social dimension should obtain a clear visibility in the EU budget.

¹ Eurostat figures

² Eurostat figures

³ European Commission (2008): Child Poverty and Well-Being in the EU - Current status and way forward

⁴ World Health Organisation (WHO): The World Health Report 2001.

2. Make EU policies poverty-proof and gender-sensitive

However, the introduction of a pillar for social cohesion in the EU budget is not enough. Policies that are not directly linked to social cohesion in the first place might have deteriorating effects, especially on the situation of people experiencing poverty.

Therefore, EU spending should be consistently analysed and monitored in view of the effect it might have on the reduction or increase of the relative poverty level. When designing, implementing and monitoring policies, the leading principle should always be the focus on the situation of people experiencing poverty and social exclusion as they are the most vulnerable. The effects EU policies might have on the relative poverty level of any grouping (unemployed, lone parents, children etc.) in any geographical locality in the EU and elsewhere have to be consistently assessed and EU policies - if necessary - have to be modified accordingly. This poverty proofing principle should apply equally in all EU policies and in all EU funding in view of its impact on poverty levels in the EU and outside.

Caritas Europa welcomes the double approach of gender mainstreaming and positive measures for men and women in EU policies as an instrument to address specific gender-related phenomenons such as the feminisation of poverty. However, we think that policies still need to respond better to particular vulnerabilities of either women or men. An example of this is that, so far, little attention is paid to the feminisation of migration. Migration often leaves particularly women severely exposed to violence, including sexual violence, health risks and, often as a consequence, to poverty. Poverty is also often a cause for migration.

Regarding the effects on developing countries and their potential adverse effects in other parts of the world, Caritas Europa very much welcomes the introduction of the Policy Coherence for Development (PCD) instrument, established in 2005, as a valuable instrument that should be maintained by all means and strongly reinforced. Issues of concern include for example subsidies to the agricultural sector in the EU or the promotion of bio-fuel within the EU that may have adverse effects for farmers and peoples in the South.

In order to ensure effectiveness of both poverty proofing and PCD, the EU should clearly show every year how the EU budget does have a positive impact on the reduction of poverty in the EU and in developing countries or, at least, how it does not have a negative impact. The EU, in its coordinating function in social policy, should also strongly encourage the Member States to use these instruments in the design, implementation and monitoring of their national policies.

3. The EU has to live up to its global responsibility

In a global world, the EU cannot turn its back on global issues like sustainable development and the fight against poverty. It is expected that over the coming years global development and humanitarian aid needs will increase. Aid needs to improve quantitatively, as well as qualitatively, hence the principles for aid effectiveness.

- It is widely recognized that achieving the Millennium Development Goals by 2015 requires increased aid volume as well as improved country governance systems and institutions.
- Cumulative effects of climate change, land use pressures and demographic change (including urbanisation) increase the vulnerability and exposure to natural disasters. Various recent reports forecast an increase in number, frequency and intensity of

natural disasters and the consequential large-scale destruction of property and livelihoods.⁵

- There are growing tensions and vulnerabilities from inequities within state borders (lawless armed groups and criminalization), and mobile population groups crossing national borders because of globalised economic change particularly in employment.
- Human disease pandemics have expanded (with the top three killers being HIV/AIDS, malaria and TB) with an associated cost in human and socio-economic terms. There may be a growing number of animal diseases ‘crossing’ to humans as it was the challenge with avian influenza.
- Humanitarian aid is also solicited in increasingly complex man-made crises over limited resources.
- Hunger and malnutrition due to climate change will mostly affect those already poor, malnourished or dependent on local food. Climate change is likely not only to put an additional burden on the already food insecure, but also to increase the vulnerability of poor people everywhere.⁶

The EU has the obligation to counter these scenarios by granting development aid and humanitarian assistance a higher priority in the EU spending. It is essential that a long-term rather than a short-term approach is pursued and that the highest degree of aid effectiveness is ensured. This means ensuring higher national ownership⁷ over the development process by the partner countries receiving aid. Participation of civil society in development planning and budgeting remains fundamental. Donor harmonisation and coordination will help reduce costs and administrative burdens borne by the partner countries; these principles call for a simplification of budgetary procedures. Mutual accountability and transparency, including of the budgetary processes, are other key elements of aid effectiveness.

4. Recreate a strong sense of solidarity

Solidarity is a key principle in the functioning of the EU. Without solidarity the European project is deemed to failure. Redistributing finances is an essential part of the European project. Solidarity should be ensured between member states, between regions and between individuals including between generations. It should be tangible for every individual so as to foster social cohesion in every part of society and on every level - the European, national and the local level.

Therefore Caritas Europa welcomes the solidarity principle the cohesion and structural funds policies involve, aiming at reducing disparities between regions, territories and individuals.

It is essential that solidarity is ensured also on the revenue side of the EU budget. Correction mechanisms are against the principle of solidarity and have to be abolished. The current

⁵ CSIRO-Australia: Climate Change in the Asia/Pacific Region, Dec. 2006; UN – UN Climate Change Conference, Nairobi, November 6-17, 2006; Red Cross - International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva 2006: Strategy 2010; British Government – The Stern Review Report on the Economics of Climate Change, HM Treasury, 30 October 2006; EU-ECHO: ECHO Annual Reports, 2005 and 2006; ECHO Operational Strategy 2008

⁶ Food and Agriculture Organization of the United Nations (FAO): Climate Change: Implications for Agriculture in the Near East, Report for the Twenty-Ninth FAO Regional Conference for the Near East, 1-8 March 2008

⁷ The concept of ownership should be understood beyond just government’s ownership. Ownership of the country refers to national ownership, which will involve the country’s civil society, the Parliament, local authorities etc.

correction mechanisms create a sense of injustice and lack of solidarity among EU citizens. This has a deteriorating effect not only on its (social) cohesion. It also challenges the credibility of the EU's core principles.

Any form of compensation - if executed within the budgetary policy - should be related to the social or environmental principles the EU stands for such as incentive measures for a significant contribution to social cohesion or for eco-friendly behaviour.

5. Make the EU an added value for all

The EU budget should ensure that the EU finances public goods. Public goods are goods that are beneficial for every citizen. In defining what public goods are people experiencing poverty are often left behind as they are less likely to voice their concerns and their concerns are much less likely to be heard. There has to be a broad public debate on what public goods are and it is essential that this public debate has a clear and strong participatory element. Civil Society Organisations can serve as key actors in this process.

6. Enhance participation in the design and spending of the EU budget

EU spending is often publicly debated and frequently a source of frustration undermining any sense of solidarity. There is a considerable lack of participation in EU budgeting. In this respect, participatory budgeting can be a useful instrument to enhance participation of EU citizens and thus bring EU spending closer to the needs of the people.

7. Simplify bureaucratic procedures

Often, bureaucratic procedures that need to be accomplished before receiving project funding are too long and too complicated. They swallow a considerable part of resources available. Therefore, cutting red tape, especially for NGOs who, in general, have less financial resources than private industries, is essential in proceeding towards effective EU budget spending.