

POLICY PAPER

An ambitious EU development policy in support of social justice

Caritas Europa welcomes the timely debate on the future orientations and roles of the EU development policy, in the present context of deep institutional and policy changes in Europe and in the world. Key changes notably include the entry into vigor of the Lisbon Treaty, the creation of the European External Action Service and the adoption of the EU2020 Strategy, while a global and multidimensional crisis is still occurring.

Caritas Europa appreciates the positive outcome of EU cooperation for development and relief. The European Commission and the EU Member States together constitute the biggest aid donor in the world and a major trade partner of developing countries. For this reason, the EU has an immense responsibility: it must demonstrate leadership and use its influence at all levels, in order to promote the core values of solidarity and peace that lie at its foundation.

Inspired by the Catholic Social Teaching, the Caritas organisations in Europe are dedicated to contributing towards the eradication of poverty and social exclusion, the realisation of human rights and peace, and to challenging the structures of injustice and inequality throughout the world. In thousands of projects, Caritas organisations are in daily touch and interaction with millions of people experiencing poverty and hunger worldwide. As an active and experienced actor of civil society, Caritas Europa develops analyses and recommendations to enable the effective influencing of the policies of the European governments and the European Union which impact the living conditions of the poor and vulnerable people in Europe and developing countries. Thus, over the last year, we have notably contributed inputs to the EU's policy processes regarding the Millennium Development Goals, Food Security, EU2020 Strategy and the recent consultations on the Green Paper on "EU development policy in support of inclusive growth and sustainable development" and External Action Funding¹. We also actively contribute to the work of CONCORD and VOICE, our European networks.

The future EU development policy must build on the lessons learned of European and other actors over the last decades, and should focus attention on the means to improve the translation of policy into practice. This policy paper proposes analyses and a number of recommendations to guide the EU policy-makers in this endeavor.

1. The purpose of development policy is to generate sustainable positive impact on poor peoples' lives

- Focusing on poverty eradication

Obligation under the Lisbon Treaty (article 208) sets poverty eradication as the core objective of EU development policy. The Treaty states that the Union's development policy is an EU policy area in its own right and acknowledges it provides the principal framework governing EU cooperation with all developing countries. The Treaty also reinforces the principle of policy coherence for development, according to which other EU policies must help reinforce development policy objectives.

Development policy must remain focused on **addressing the needs for sustainable decent living** of populations in developing countries. It must not be constrained or instrumentalized to achieve political, commercial, security or other European-centric interests.

Caritas promotes the integral human development which considers all economic, social, cultural, environmental and spiritual aspects of the well-being of people. Within this approach, development puts the human person at the centre and goes way further than mere plans for economic development.

¹ See all our policy papers and related documents on <http://www.caritas-europa.org/code/en/deve.asp?Page=209&menuPage=209>

- Addressing both the root causes and the symptoms of poverty and inequalities

Caritas believes that the ongoing food security crisis, the climate and energy crisis as well as the economic and financial crisis are systemic crises that reveal the dysfunction and lack of sustainability of the economic development model, and lifestyle of the richest nations. It also reveals a deep lack of ethical commitment to common good by all actors. Therefore, we expect that the future EU development policy speaks about values and a just distribution of well-being, placing the human being at the centre of the project.

The European Commission's Green Paper on inclusive growth rightly points out that "development assistance can only be effective by addressing the underlying causes of insufficient progress towards the MDGs", not only the symptoms of poverty. Our understanding is that the root causes of poverty are partly systemic, including the way globalization is organized to serve the economic and financial interests of the richest nations, in the pursuit of economic growth. The roots of poverty are fed by political and economic choices in the North and the South.

To overcome poverty, the EU must initiate or **support profound systemic reforms, and a new consensus on how to measure progress**, beyond purely economic growth terms.

- Sharing responsibility

Development is a shared responsibility of developing countries and of the richest nations, such as the EU Member States. People and governing institutions of developing countries must be in the driver's seat of their own development process. National ownership – understood as the ownership of the nation, not only of the government – of development policy must be strengthened. This requires addressing governance challenges with the view to increase governments' accountability vis-à-vis their population.

In the meantime, the responsibility of the EU as a powerful global player in a global system that Europeans have contributed to shape and maintain - which often excludes developing countries – must not be forgotten. The EU policies (trade, agriculture, migration) and EU's positions in global governance bodies (G20, WTO) are geared towards sustaining European society's lifestyle choices and promoting European economic and political interests. But these also impact heavily on poor people in developing countries.

The EU's commitment to fight poverty must be consistently upheld through **an ambitious people-centred development policy but also through the EU's role as a global actor**. As an example, the EU should take up leadership in **regulating the financial system, sanctioning tax havens, ending tax evasion and illicit capital flows**.

- Generating long-term impact

Development impact should be defined as long-term positive change in people's living conditions. But development is necessarily a long-term and a multi-dimensional process. Quick-fixes, short-term results, tangible and "scientific" evidence of progress, captured in statistics or data such as GDP or employment rate are bound to give a wrong picture of development.

The concept of 'value for money' put forward by the EU to justify different policy choices holds the risk to reduce development and poverty to a money issue alone, and overshadow the objective to improve people's lives. Concerns over increasing the EU's accountability to European tax payers and the visibility of EU's cooperation assistance are legitimate, but requires first and foremost heavy investment in development education, with the view to make everyone understand that development is a fragile, long-term and complex process, that is influenced by a multitude of factors. The added-value of EU development programmes cannot be defined by euro-centric considerations, such as visibility or economic returns for EU's firms.

The only way that EU development policy can add value is by aiming at reducing human poverty.

- Adopting a Human-Rights based approach

In the development process, human rights must be understood both as a means and as an end.

To achieve this, a **human-rights based approach (HRBA) must be used systematically** in EU development policies and programmes, and the capacity of staff of the European Commission and the Member States governments should be reinforced accordingly.

2. Aid works but is not enough

- Aid works

It is important to emphasize that aid works and has contributed to achieve progress in some sectors, such as health, sanitation and education in many developing countries: this means that aid has saved lives. Official Development Assistance (ODA) is one of several instruments of development policy (including dialogue and partnership) and one of many financial resources for development (including domestic and international taxes).

For optimal impact of development policy, a **comprehensive development effectiveness strategy** needs to organize the complementarity of these instruments, resources and actors, backed up by a strong political will, focusing on eradicating poverty.

Currently, ODA is the most flexible and predictable source of financing and the most significant revenue for public social spending for many of the poorest countries. Often, ODA is the only finance readily available to respond to the immediate needs of poor people. Amongst the range of financial resources, ODA has the specific feature to have for sole objective to address poverty.

As a matter of principle and according to OECD DAC definition, **aid must not serve other purposes than development**, be it related to trade, security, or migration control.

- Fulfilling ODA commitments

Caritas is convinced that the EU should grant development and humanitarian aid a higher priority in the EU's spending. An expenditure level of 10% of the total EU's budget being attributed to development and humanitarian aid does neither correspond to the dimension of challenges the world and Europe is confronted with, nor to the image the EU wants to create about itself as a global actor which can make a difference in the fight against poverty. Neither the economic slowdown nor the diversification of financial flows for development should become an excuse for reducing ODA. The credibility of Europe is at stake.

Caritas calls on the EU and its Member States to fulfill the EU commitments to reach **0.7% of GNI for ODA by 2015**, by reflecting these commitments in EU and national budget programming laws.

In addition, Caritas calls on the European members of the G8 to also quickly fulfill their **Gleneagles and l'Aquila commitments** to increase annual aid to Africa by US\$25 billion a year and overall aid by an estimated US\$50 billion which was promised by 2010. The European Commission must also deliver their promised €3 billion in support to the l'Aquila initiative over 2010-2012.

- Improving aid effectiveness

EU aid must be made more effective, by complying with the Paris Declaration principles. In particular, conditional aid weakens incentives to recipient governments to be transparent and accountable to their own citizens and undermines their capacity to allocate public resources to the intended beneficiaries: poor people.

Any conditionality to aid must be drawn from the national development framework of the recipient country and agreed upon in a broad and consultative forum including donors, civil society and parliamentarians along with the government. There should be sound justification for the introduction of any new conditions.

Caritas urges that **all conditionalities relating to economic policy be phased out**, and all EU aid to all countries untied. Likewise, conditionality by which ODA would be allocated to developing countries depending on their capacity and/or willingness to collaborate in migration control must be removed.

Allocating funds to countries of transit and origin for migration control purposes (border control, readmission agreements, reception centres, camps) does not contribute at all to solving the root causes and therefore cannot be considered as ODA.

- Mobilising other financial resources

Caritas has been calling for mobilizing additional domestic and international financial resources for development, beyond aid, with the view to reduce aid dependency, increase national ownership and partner governments' accountability, and reinforce global solidarity.

It is desirable to use EU aid to help developing countries mobilize domestic resources, for example through **reinforcing their tax administrations** to improve the collection and management of taxes, and **strengthening their mechanisms for stopping illicit capital flows and tax evasion**. This should go in parallel with reinforcing

corporate accountability and transparency in tax, social and environmental matters. The EU should advocate that **country-by-country reporting by multinational companies** operating in developing countries become a norm in the International Accounting Standard Board framework; something to include also in the EU Transparency Directive.

However, additional funding can be mobilized through other ways, without necessarily using scarce ODA. Indeed, this can be done by further regulating the banking systems, suppressing tax havens as well adopting innovative financing mechanisms, in particular using international taxation.

To start, Caritas calls on all Member States to **adhere to the tax on flight tickets and put in place a tax on change transaction** in Euro and British Sterling. It would both a measure for reforming the financial system and at the same time for contributing to poverty eradication. Likewise, **tax on speculation over commodities**, and food commodities in particular, would not only generate money for development but also serve regulating detrimental practice.

In addition, more domestic fund could be made available by **cancelling all poor countries' illegitimate debts** and put in place a new framework for debt focusing on the mutual responsibility of both parties.

- **Ensuring Policy Coherence for Development**

While the EU is the biggest aid donor in the world, the positive impact of this aid is challenged by the impact of other EU policies, such as trade, agriculture, energy, migration. The lack of coherence is counter-productive, costly and undermines the credibility of the EU towards European taxpayers and partners and populations of developing countries. Policy Coherence for Development (PCD) has become a legal obligation under the Lisbon Treaty. PCD was also identified as an effective tool for poverty eradication and for achieving the MDGs in the EU MDG Action Plan. Caritas Europa strongly holds the view that the objective of international sustainable development must always prevail over narrower, sectoral EU-centred interests.

The PCD principle needs to be better promoted and implemented in the EU through:

- establishing **clear lines of responsibility**, with the ultimate political responsibility being borne by the President of the European Commission, and the Development Commissioner in charge of policy aspects;
- **increased staff capacity, and the introduction of appropriate policy-making tools and institutional mechanisms** in the European institutions, and the Member States;
- a **structured and honest dialogue with Southern partners** on the impact of EU policies affecting developing countries;
- **reinforced accountability of EU policy-makers**, notably through the possibility for the European Ombudsman to deal with requests from any citizens reporting cases of EU policies which are incoherent with development goals.

- **Shifting towards development effectiveness**

Caritas believe that the EU (and the global development community at large) needs to shift from the narrow aid effectiveness framework to a broader agenda on development effectiveness, which promotes the diversity and complementarity of all cooperation instruments (including aid), policies and actors in development, with the view to produce sustainable positive impact in the lives of people, through addressing the causes as well as the symptoms of poverty and inequality.

3. Developing countries are diverse, which requires adapted strategies to the different contexts

Caritas urges the EU to drastically improve the responsiveness of its development assistance, which requires **differentiated approaches** according to partner countries' situation.

It is indeed essential to always contextualize development action so that it matches the specific development needs and strategies of the partner countries, in compliance with the ownership and alignment principles of the Paris Declaration. For example, while promoting inclusive growth could be seen as the most appropriate strategy for poverty reduction in a given country, more traditional cooperation need to continue in other partner countries.

At a technical level, **both single country and multi-country approaches** are legitimate and complementary to each other. Funding for development should be made available along **both geographic and thematic lines**, in

order to promote aid effectiveness and ensure that there are no gaps in aid delivery.

- **Understanding and adapting to the local context**

The primary factor that must drive the decision to operate EU and MS development programmes is that the envisaged programmes are clearly adapted to local needs, aligned with partner country poverty reduction strategies (in compliance with Paris Declaration principle of ownership and alignment) and emerging from a constructive dialogue with partner institutions and beneficiaries. Other conditions, such as those stated in the Green Paper on inclusive growth, namely demonstrable added value, effective EU coordination, perspective of leverage in terms of sound policies and additional funding for development, are secondary.

The European Commission and the Member States must invest in improving their capacity and tools, to better understand the local contexts of poverty and injustice in which they are cooperating.

Stronger monitoring systems must be put in place that enables the EU to continuously improve the relevance and coherence of its cooperation in changing contexts. In line with the EU MDG Action Plan, the EU should use in priority **indicators existing in the partner countries' poverty reduction strategy**, as well as the **MDGs indicators**.

As emphasized in the Stiglitz-Sen-Fitoussi commission's report, policy-makers must be most careful about choosing the right measurements and indicators because what we measure often affects what we do. It must be emphasized that economic growth rate does not provide an accurate measure for the level of quality of individual or societal life, which is the objective of development policy.

- **Reaching out the bottom billion**

In order to fight poverty, Caritas believes that much more needs to be done to support the emergence or strengthening of inclusive and self-supporting societies, which calls for increased efforts to reach out to the poorest and most marginalized people, notably women, children and migrants.

The future EU development policy must clearly place **at its core the special needs of the poorest of the poor**; those who live in extreme poverty. EU aid must be much better targeted: i) to the poor and vulnerable groups, ii) in the regions they reside in; iii) with the view to address the symptoms and causes of poverty.

Thus, we expect that more EU-funded cooperation projects be allocated to **support rural population and small farmers**. EU aid used for **infrastructures** development must aim to benefit the widest possible range of citizens (as positively pointed out in the Green Paper), meaning that it should focus on what really matters to poor people, such as roads to connect them to local and regional markets.

- **Addressing the special needs of post-conflict countries**

In post-conflict countries, development can contribute to security. For Caritas, security goes beyond traditional state-based security and the absence of war and physical violence. It includes that basic rights are fulfilled, human dignity is respected, natural resources are protected, people are protected from avoidable harm, and peace with justice is established.

The EU's focus should be on **comprehensive and coherent policy approaches ranging from conflict prevention to post-conflict reconstruction and long-term development**. 'Conflict-sensitive' approaches must be adopted throughout European projects, strategies and programmes. Thus, the **root causes of conflict**, including poverty and inequalities, can be analysed then addressed.

Nevertheless, Caritas is concerned that "comprehensive or integrated" strategies, as they are increasingly applied and promoted as a solution for conflict or post-conflict situations, are leading de facto to a highly problematic integration of humanitarian actors into a bigger framework of state and military responses and risk to jeopardize the specific mandate of humanitarian aid.

To mitigate against this trend, Caritas calls on the EU to **consistently apply the fundamental humanitarian principles** as laid down in the European Humanitarian Consensus.

Security concerns should not lead to increased political conditionality, diversion of long-term development

resources for short-term security concerns, including the use of security concerns/interests in allocation criteria. Regarding funding, with the view to enable and facilitate the transition between humanitarian aid, reconstruction and development action, **continuity, flexibility and complementarity of the EU and Member States cooperation instruments** must be strengthened.

Moreover, responsibility of the EU in conflict-prone areas should be addressed by **regulating all European, or European facilitated, investments** to conflict sensitive corporate responsibility principles and by strengthening the **European Code of Conduct on Arms Exports** and the delivery and post-delivery controls of EU arms exports.

4. Human and social development is the foundation of growth

- Economic growth can be a tool to reduce poverty

Human and social development is the foundation of growth – including economic growth - not the other way round.

Caritas recognizes the instrumental role of dynamic economic activities, led by a vibrant private sector, in addressing some aspects of poverty but economic growth alone cannot eradicate poverty. Considering the well of historical and most recent experiences abroad (e.g. India, Nigeria) and in Europe itself, we are convinced of the absence of a systematic causal relationship between economic growth and poverty reduction. For example, three quarter of the world's poor live in Middle Income Countries. It appears that the limitation factor of economic growth as a driver for poverty eradication is the fact that the benefits of the growth are not equally shared by all in society; and social inequalities are causes of poverty.

This is why, for Caritas, growth must be understood within a wider framework of well-being and this well-being be measured differently from just its economic dimension. For growth to be good for the poorest and lead to enhancing human capabilities, it must be inclusive, equitable, sustainable, and pro-poor. This requires the right policy mix to tackle economic and social inequality and marginalization, and redistributive growth mechanisms.

Economic growth can only be one of the possible tools to reach development objective, not the objective itself. Therefore, the question should be posed about how growth could boost development and poverty eradication rather than how EU development policy can support inclusive growth. Growth-led development assistance cannot be a one-size fits all strategy. It is critical to clearly identify the enabling factors that would justify the choice of focusing EU development cooperation on inclusive growth in a specific country as the most appropriate strategy to match the needs and situation of the given country.

In Caritas Europa study paper "[Poverty Among Us](#)" published in December 2009, we explain that welfare (i.e. the structural conditions for developing personal and societal well-being) relies on three sources: **paid decent employment in the labour market, solidarity within the family and primary networks, and the wealth-redistributing and correcting institutional mechanisms provided by the welfare state**. Caritas recommends that these three dimensions are priority focuses of a strategy for socially inclusive growth, where most appropriate.

We also believe that, to ensure maximum inclusiveness, the EU need to support efforts to **support growth in areas where the poor earn their livelihoods, such as agriculture and the informal private sector**, and to improve the ability of poor people to connect up to growth, for example by improving occupational and geographic mobility and making infrastructures and markets work better for the poor.

Given the large proportion of young unemployed people in developing countries, **youth should be a privileged target of employment and skills development policies** of developing countries and EU assistance programmes. Within these policies and programmes, a specific strategy could be to mobilize diasporas for strengthening skills, knowledge and know-how transfers.

The migration phenomenon must be systematically taken into consideration in the design EU development cooperation strategies. Measures should be taken to tackle the risk of brain drain, and address the aspirations of some people, especially the youth, to seek better living outside of their country. Only if migrants can travel

legally, safely and freely between their country of origin and country of destination will their potential to contribute to social and economic development be set free.

Therefore, **channels for legal labour migration must be extended, and foreign qualifications should be better recognised** in Europe, enabling migrants to access jobs on the appropriate level of their qualifications. This would enable qualified people from developing countries to improve their skills in Europe, with the future perspective to apply them then in their home countries. In parallel, **the international recruitment of qualified staff from developing countries by the European public and private sector should be regulated**. Additionally, governments should also cooperate to create a system of **incentives for migrants to use remittances for investment in sustainable and income generating activities**, thus contributing to economic growth.

- Promoting social protection

Among the development experts, there is a growing consensus around the view that social protection constitutes an effective response to poverty and vulnerability in developing countries, and an essential component of economic and social development strategies; a view confirmed by the last European Report on Development and upheld in the EU MDG Action Plan.

Strong, sustainable and efficient social protection systems are not just functional to employment and economic growth, but also to protecting human dignity, fulfilling human rights and fostering social cohesion. On this basis, Caritas Europa has identified a set of basic principles for fair and sustainable social protection systems in Europe - which could be a valuable reference for reflecting on social protection models in developing countries.

EU aid and technical assistance are needed for setting up or **strengthening of appropriate and inclusive social protection systems, designing sound financial strategies to ensure sustainability and removing delivery capacity constraints** – for which partnerships with NGOs can be envisaged.

5. Accelerated efforts are needed to achieve the MDGs

Caritas is a long-standing advocate of the Millennium Development Goals. In spite of the numerous references to the MDGs, it is unclear to see how the orientations for the future EU development policy proposed in the Green Paper are compatible with the EU MDG Action Plan adopted in June 2010. On one hand, the EU MDG Action Plan states that EU action must be prioritized in countries where most progress is to be made in terms of achieving the MDGs and in the sectors that are most off-track. This implies targeting EU public aid to social services and to countries where economic growth prospects are pretty slim. On the other hand, the Green Paper suggests to strategically investing EU aid in sectors that could generate economic growth and leverage other financial funds for development. Consequently, it is difficult to understand how and where EU aid will be prioritized in the future.

Caritas urges the EU to continue **supporting the social sector, democracy and the respect of human rights, targeting particularly the poorest and most vulnerable people in society**, as a strategy to empower and offer them the chance to recover their dignity. In line with the EU MDG Action Plan, EU and MS action must **concentrate in countries where need is greatest**. The EU must also better address the **inter-linkages between MDGs, integrating human rights, equality between women and men, and environmental sustainability** as crosscutting issues.

Caritas calls on the EU to **allocate at least 20% of ODA to basic social services**, such as health and education. In the last decades, aid in the health sector neglected measures towards strengthening infrastructures, governance and staff training and working conditions. The EU should take specific measures need to **reduce the risk of brain drain in the health sector**, notably through the adoption of ethical principles, rules and procedures for international recruitment of qualified staff from developing countries, such as the WHO Global Code of Practice for Ethical Recruitment.

With the view to achieve MDG1, Caritas urges the EU to secure sufficient **and long-term investment in agriculture and rural development** in developing countries, back to the levels of the 1980s, which was 15% of ODA on average. EU aid for agriculture needs to refocus on **supporting smallholder farming and family based agriculture** which holds great potential in increasing income for rural poor, stimulating economic growth and alleviating poverty. EU policies and aid should address food security challenges not only from the angle of **food**

production but also by taking into account the **social, environmental and economic dimensions of agriculture**.

6. Social participation and ownership are key to development impact

- The poor are actors of development

For Caritas, poor people are not simply victims and passive recipients of aid: they are actors. In a Christian vision of the world, solutions to crises and poverty reside with the poor themselves, who know better the constraints and difficulties. They need to be listened to. Caritas believes that empowerment and social participation of the poor is the best way to prevent and fight poverty.

- Safeguarding an enabling environment for CSOs

Civil society organisations (CSOs) based in Northern and in Southern countries, with their proximity and understanding of defined constituencies, and their capacity to articulate their specific interests, can make an important contribution at all stages in the processes of humanitarian aid, rehabilitation, reconstruction and development cooperation. It is important that the role of CSOs as development and humanitarian actors in their own right is constantly reaffirmed. CSOs need an enabling environment that includes access to funding, political space, a guaranteed access to the poor and people in need, and adequate protection for their workers, especially in conflict and post-conflict contexts.

Specifically, Caritas calls on the EU and the Member States to:

- **maintain adequate direct funding for CSOs**, and formulate new, more flexible and simplified CSO funding modalities that promote longer term support and sustainability. Notably, under the new multi-annual financial framework, the EU must simplify call for proposal procedures and financial management and reporting systems, in order to ensure that local and grassroots civil society actors are no longer disadvantaged or dependent on international partners. The EU's new financing instruments for development must also allow taxes, including VAT, and losses incurred due to exchange rates to be covered by EU funded project costs.;
- **strengthen multi-actor approaches** in their cooperation programmes, with the view to promote a conducive space for local civil society as an independent countervailing power and to support parliamentary scrutiny of government policy;
- **offer capacity building support to Southern civil society organizations** to enable them to fully participate in both development policy dialogue and programming;
- **identify mechanisms for downward accountability to people** living in poverty and to capitalize on the grass-root linkages of CSOs to strengthen policy approaches to poverty eradication.

Caritas urges the EU to support the process of the **Open Forum on CSO development effectiveness**, and its proposal for **minimum standards of CSO enabling environment**.