



28 August 2006

Mr James Elles MEP
Committee on Budgets
European Parliament
ASP 13E 107
Rue Wiertz 60
B-1047 Brussels

Dear Mr. Elles,

Subject: Budget 2007 Chapter 19 10 Co-operation with Developing Countries in Asia - Concern on the proposed decrease of aid to Asia

Together with our partner network South Asia Alliance for Poverty Eradication (SAAPE) - a network of like minded people and civil society organisations committed to the cause of poverty eradication, peace and development in South Asia – Eurostep would like to express some serious concerns about the proposed decrease in the 2007 budget for developing countries in Asia. Asia is home to 65% of the world's people living in extreme poverty, yet the level of aid provided by the European Union accounts for less than 10% of the total. We urge you, therefore, to ensure that the level of aid made available within the 2007 Budget for use in Asian countries is increased to at least € 635 million.

Proposed decrease of aid to Asia

In 2006 the adopted budget of the European Union provided € 813.879.500 in commitment allocations for Asian countries. This included an extraordinary amount of € 180.000.000 intended for reconstruction actions following the devastation of the tsunami of December 2004. Without this additional tsunami allocation the 2006 budget provided € 633.879.500 in commitment allocations for Asian countries.

In the 2007 Preliminary Draft Budget, the Commission proposed a commitment allocation of € 625.048.000, a decrease of € 8.831.500 on the adjusted level of the adopted 2006 budget. Subsequently, in establishing the Draft Budget for 2007 the Council has decreased the level of commitments by a further € 12.850.000, resulting in a potential decrease of € 21.706.500 on the 2006 budget, excluding the additional tsunami allocation.

We believe that this cannot be justified, and in the current context will be taken as an indication of reduced interest in the fight against poverty in Asia.

Extreme poverty in Asia

Asia is the most populated continent in the world. Two out of every three people living in extreme poverty can be found in Asia. Unfortunately, we see that one-sided development of economic growth, as we see in parts of Asia like in India, is leading to growing inequalities and un-balanced development, when the poverty issue is not addressed at the same time. The challenge of meeting the Millennium Development Goals in Asia requires a concerted effort by the international community as a whole, where the EU and other donors invest in social sector spending which is at the core of the goals. Historically, the EU's aid spending towards Asian countries has been disproportionately less compared to other parts of the world, and insufficient to meet their needs. Less than 10% of the EU's total aid has been directed towards Asian countries. In the PDB the proposed commitment to Asia represents some 8.9% of the total of € 7 billion of aid programming by the Commission for 2007 (including EDF resources for ACP countries). We therefore fully support the comment from rapporteur Jürgen Schröder from the Development Committee's Working Document on the Budget 2007: *"Your rapporteur notes that these countries [developing countries in Asia] are home to the majority of the world's poor and is extremely concerned that any cut is contemplated where basic needs are so great. Any cut in funding for Asia runs contrary to the aim of reaching the MDGs in this region."*

We also would like to underline your own statement that you made as Rapporteur for your background paper on development co-operation, when you stated that *"Poverty is the parent of revolution and crime"*. This is no less true of Asia than anywhere else. Lack of priority for addressing the poverty issue in Asia would be short-sighted from a political point of view. It could lead to polarisation and an increase in conflicts. In South Asia alone, we see civil strife in Sri Lanka and Afghanistan, growing state repression in Bangladesh, India and Pakistan and continuing repression in Bhutan. At the same time we see the rise of fundamentalist forces in Afghanistan, India and Bangladesh. There is a clear need to promote secular values of democracy and human rights in the region. Nepal is an extremely poor country where a successful, but fragile change of regime is slowly taking place. Already burdened with a massive foreign debt exacerbated by high levels of military spending, it has been a breeding ground for Maoist-fed discontent resulting in violent conflict, the destruction of infrastructure and the deterioration of the socio-economic fabric. There is thus an urgent call for reconstruction, rehabilitation and reconciliation that is key to strengthening inclusive democracy and lasting peace in Nepal.

Even a small decrease of aid to Asia in the 2007 budget would be seen as a negative sign from Europe by the poverty trodden people, civil society actors and governments in Asia who are seriously committed to the issues of poverty eradication, peace and democracy. As 2007 is the first budget in the new Financial Perspectives a decrease in aid for Asia would also set the wrong trend for the future.

We believe that the proposed amendment of Jürgen Schröder from the Development Committee to increase the commitment allocation under budget line 19 10 01 by some € 10 million over the Commission's Preliminary Draft Budget for 2007 is not only justified but necessary. We also believe that given the importance of aid in supporting the necessary investments on social services to provide accessibility to people living in abject poverty, especially for primary

education, basic health care and freedom from hunger and malnutrition, the proposed amendments of Mr. Schröder for prioritising the financing of social sector spending are also important. We would ask you, therefore, to support the proposed increase in financing of actions in Asian countries, and the benchmarks for social spending, and to work to facilitate its adoption within the first reading of the Parliament.

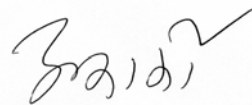
We also take this opportunity to inform you that a delegation from SAAPE will be coming to Brussels in September or October of this year. We believe that this will provide an opportunity for civil society from South Asia to meet and discuss with you their aspirations and hopes for efforts to address poverty in their region. We will contact you again to see if such a meeting can be arranged in due course.

Looking forward to hearing a very encouraging response from you,

Yours sincerely,



Simon Stocker
Director
Eurostep



Arjun Karki
Coordinator
SAAPE

c.c.: Mr. Jürgen Schröder, MEP, Draftsman for Committee on Development on Budget 2007
Mr. István Szent-Iványi, MEP, Draftsman for Committee on Foreign Affairs on Budget 2007
Ms. Neena Gill, MEP, Chairwoman of the SAARC Delegation