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ANNEXES TO THE
COMMISSION STAFF WORKING DOCUMENT

accompanying the

Proposal for a

COUNCIL REGULATION amending Regulations (EC) No 1290/2005 on the financing of the common agricultural policy and (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) as regards food distribution to the most deprived persons in the Community

Impact Assessment

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ANNEX 1
ACRONYMS USED IN THE REPORT AND ANNEXES

CAP	Common Agricultural Policy
CLWP	Commission Legislative and Work Programme
CMO	Common Market Organisation
DG	Directorate General
EAGF	European Agriculture Guarantee Fund
EC	European Community
EP	European Parliament
ESSPROS	European System of Integrated Social Protection Statistics
EU	European Union
FAO	Food and Agriculture Organisation
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
IA	Impact Assessment
ISG	Inter-service Steering Group
MDP	Most Deprived Programme
MS	Member States
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
PPS	Purchasing Power Standard
SMP	Skimmed Milk Powder

ANNEX 2:

OVERVIEW OF MODIFICATIONS TO COUNCIL REGULATION NO 1234/2007 AND COMMISSION REGULATION NO 3149/92 (IMPLEMENTING RULES)

Council Regulation (EC) No 1234/2007

<p>Article 1</p> <p>Amended by :</p> <p>Council Regulation (EC) No 2535/95 of 24 October 1995</p>	<p>Where a product is temporarily unavailable in Community intervention stocks during implementation of the annual plan referred to in the first subparagraph, to the extent necessary to allow implementation of the plan in one or more Member States, the product may be mobilised on the Community market. Mobilisation on the Community market may take place also where implementation of the plan would involve the transfer between Member States of small quantities of products in intervention in a Member State other than that or those in which the product is required.</p> <p>When beef is unavailable in intervention stocks, purchases on the Community market may be undertaken by mobilising any other meat product.</p> <p>The conditions of mobilisation on the Community market shall be laid down in accordance with the procedure provided for in Article 6 (ref. Article 26 of Regulation (EEC) No 2727/75)</p>
<p>COUNCIL REGULATION (EEC) No 1234/2007 of 22 October 2007</p>	<p>Incorporation of Council Regulation No 3730/87 in the "Single CMO Regulation" (Council Regulation (EC) No 1234/2007, article 27</p>

Commission Regulation (EC) No 3149/92 (implementing rules)

<p>Art. 1</p> <p>Application of the measure</p>		<p>3. Who are the most deprived people? Definition is now given. No definition was provided before. ‘The most deprived persons’ means physical persons, either individuals, families or groups composed of such persons, whose social and financial dependence is recorded or recognised on the basis of eligibility criteria adopted by the competent authorities, or is judged to be so on the basis of the criteria used by charitable organisations and which are approved by the competent authorities". (30/10/2004)</p>	<p>1. MS wishing to apply the plan shall inform the Commission no later than 1 February (no longer on 15 February). Budgetary simplification (29/9/2007)</p>	
<p>Art. 2</p> <p>Adoption of the plan</p>	<p>1. Adoption of the plan</p> <p>"Before 1 October" (instead of "before 30 September) each year the Commission shall adopt an annual plan for the distribution of food for the benefit of the most deprived persons, broken down by Member State concerned (14.2.1996)</p>	<p>3. Purchases on the market</p> <p>Purchases on the Community market are allowed for products temporarily unavailable in intervention. (New Paragraph added following the Council Reg. modification)</p> <p>The grant is established for each product taking account firstly of the quantity indicated by MS, secondly of the quantities not available in intervention stocks and thirdly of the products applied in intervention stocks and thirdly of the products applied for and allocated during previous financial years and the actual use made of them.</p> <p>A grant can be also allowed for intra-community transfers for the purchase of product not available in the MS where they are required (for quantity equal or less than 60 t) (14/2/1996)</p>		
<p>Art. 3</p> <p>Plan implementation period</p>	<p>1. The plan implementation period shall begin on 1 October and finish on 31 December of the following year (instead of 1 Oct - 30 September). (30/10/2004)</p>	<p>2. Time limit introduced on product to be withdrawn from stocks</p> <p>(i.e. 70% of the quantities must be withdrawn from stocks before 1 July in the year of plan implementation, except for quantities equal to or less than 500 t). Any quantities that have not been withdrawn from intervention stocks by 30 September in the year of implementation shall no longer be allocated to the MS to which they were assigned under the plan in question. (30.6/2007) Exceptions are considered for butter and SMP (corrigendum 4/10/2005 and 27.1.2006)</p> <p>If the time limits are exceeded, the costs of storing the intervention products shall no longer be covered by the Community 29/9//2007</p>	<p>3. Where substantiated changes concern 5% or more of the quantities or values entered per product in the Community plan, the plan shall be revised. (30.10.2004)</p>	<p>4. The reallocation to other MS, in case of unused resources is carried out on the basis of their application and their actual use of products made available and allocations made during previous financial years (30.10.2004)</p>

<p>Art. 4</p> <p>Implementation of the Plan</p>	<p>1. Products mobilised on the market must belong to the same product group as the product temporarily unavailable in the intervention stocks. But, rice and cereals are fully exchangeable (29/9/2007)</p>	<p>2. Calls for tender</p> <p>The invitation to tender shall specify precisely the nature and characteristics of the product to be supplied (14/2/1996)</p> <p>The product to be supplied shall be either the product withdrawn from intervention stocks in unprocessed form or after packaging and/or processing, or a product mobilised on the market by withdrawing a product from intervention stocks in payment for the supply (31/12/2003)</p> <p>In case of exchange of withdrawn products, the foodstuffs that can be get should incorporate at least an ingredient belonging to the same group of products as the intervention product supplied as payment (no minimal quantity demanded) (29/9/2007)</p> <p>Details have to be provided in the invitation to tender when supply concern cereals or cereals products or milk products (31/12/2003); or rice or rice products in exchange for cereals (or the contrary) withdrawn from intervention stocks (1/10/2005)</p> <p>Where the supply involves the processing and/or packaging of the product, the invitation to tender shall refer to the obligation of the successful bidder to lodge a security (29/9/2007)</p> <p>Same provisions apply for agricultural products or foodstuffs to be mobilised on the Community market (14/2/1996)</p> <p>A security deposit equivalent to 110% of the amount of the tender is established in the name of the intervention agency (29/9/2007)</p>	<p>3. Transport costs shall be determined by an invitation to tender. Transport costs include the transport of products to the depots of the charitable organisation. Tenders are submitted in monetary values, no payments in products are accepted. (14/2/1996)</p>	<p>4. Equal access to all operators shall be guaranteed (14/2/1996)</p> <p>5. Competent authorities can apply reductions in the payment when supply does not correspond exactly to what was stipulated, but does not prevent the goods from being accepted for the intended use. (23/12/1999)</p>
<p>Art 5a</p> <p>Distribution of food</p>	<p>New Paragraph: Charitable organisations are deemed to be the final recipients of the distribution (being those performing checks and directly looking after the beneficiaries) (30/10/2004)</p>			
<p>Art 6</p>	<p>Transport costs from storage depots of the charitable organisation to the points of</p>			

Reimbursement	distribution to the beneficiaries shall be reimbursed (23/12/1999)			
Art 7 Transport		3. MS receiving the products (intra-Community transport) shall publish an invitation to tender to establish the most favourable conditions of supply (23/12/1999)		
Art 8a Request of payments by competent authorities	Introduction of time limitation to be respected for requests of payments (4 months following the completion of the operation). Reduction (20%) when the limit is not respected. No payments after 10 months. (16/10/1993) Exceptions introduced in case of serious flaws. (29/9/2007)			
Art 9 Checks	1. The words "EC aid" on the goods delivered is accompanied by the EU flag (29/9/2007) More precise rules are added about accounts and supporting documents to be kept by the designated charitable organisation and penalties to apply when products are not withdrawn in the due period. (30/10/2004)	2. More precise rules are included about checks to be performed by the competent authorities. They have to cover at least 5% of the quantity of each type of products and be performed throughout the plan implementation period (29/9/2007)	3. MS have to take the necessary measures to ensure that plan is properly implemented (29/9/2007)	
Art 10 Report	The report is due by 30 June (and no longer by the end of May). It should also include transport and transfer costs and administrative costs (27/1/2006) The report should also mention the type and number of checks carried out and, when applied, the penalties imposed. (30/10/2004)			

ANNEX 3

MEMBER STATES' VIEWS ON THE IMPLEMENTATION OF THE PROGRAMME SINCE 1987

This note summarises the comments of the MS, who were asked to give their views about the implementation of the Programme since it started, in the context of the Expert Group of the Cereals Management Committee on 24 April 2008. The aim was to collect the technical expertise of the MS on the implementation of the MDP.

Several MS gave oral presentations or written contributions. It was difficult to focus solely on this issue and MS opposed to the scheme – in particular DE and NL – expressed a political position. The main views are described below.

- *Position of MS "opposed" to the Programme*

The first group (DE, NL, UK, DK, SW) stressed that the measure was defensible when based on intervention stocks. Except SW, they all participated in the Programme initially, but have subsequently left it.

DE left because it considered the implementation as too burdensome and costly. Also, there was the risk that fraud detected after the distribution obliges the MS (or charity) to reimburse the funds. According to the German delegate, the German charities themselves refused to take this risk¹.

DE indicated that the CAP budget should not be used to resolve social problems. DK and SW agreed with this position. NL, followed by the UK, thinks that social policies should not be enforced at EU level; it remains to be proved that the issue could not be better solved at national level. Notably, evaluations should be carried out on the efficiency of a European programme. DE and NL consider that their national social aid system is more efficient in providing support to the most deprived.

DK proposed that the budget currently granted to the MDP should be reallocated to the School Fruit Scheme.

DE raised the problem of the conversion rate (when an operator processes and delivers products to the charities) in the event of withdrawals from intervention, because this rate varies considerably from one MS to another, resulting in inefficiencies in implementation.

- *Position of MS "supporting" the Programme*

On the contrary, Member States replying that currently participate in the Programme (PL, BG, HU, BE, ES, IT, FR, PT, FI, LU) recognise its positive results and wish it to continue.

ES noted that the Programme's objectives are still worthwhile, even if the legal basis has to be modified; its social effects must be preserved. IT highlighted that the positive aspects outweigh the negative. In particular, thanks to the scheme, the basic needs of the deprived are met. FR

¹ This does not correspond to the view expressed by the German Food Banks representative during the stakeholder meeting.

explained that the Treaty contains provision for the CAP to *ensure the supply and offer reasonable prices* to consumers.

HU noted that implementation in Hungary is becoming better organised and wider each year, making it more efficient.

PL said that, because of the appreciation of their exchange rate, they register losses when payments in euro are changed against national currency. BU stressed the problem of price market predictability and transportation costs. BU and HU consider that VAT paid by the agencies should be reimbursed.

This group of MS recognised the need to no longer link distribution to the intervention product's "family" (currently, it is not possible to distribute products not covered by the intervention). This would enable MS to better adapt the distribution to the charities' requests and also make sure that nutritional balance is respected. ES explained that the range of products available under the scheme should mirror the eating habits of the country where products are distributed.

For IT, financial distribution based on vouchers would be less efficient than food, because of the risk of fraud. PL explained that the system of calls for tender allows economies of scale, saving up to 50% as compared with retail prices.

IT thought that the charities should have more responsibility in choosing the category of deprived people to target. BE stressed the impossibility of checking whether a recipient benefits from different food banks.

All the MS recognised that the 5.5% granted for administrative and transport costs is not enough. The system should be more flexible, even if FR noted that there is necessarily a trade-off between food purchases and the reimbursement of logistical costs.

LU asked for an increased of the budget. It proposed to double it.

Often, due to the low number of offers received in response to tenders, the conditions proposed by the operators are not always competitive, in particular with the current increase in food prices. The securities paid by the operators should be higher to avoid abuses on their part.

All the MS participating in the scheme complimented the good image and positive publicity it gives for the EU.

BE and HU expressed the wish that a future programme should continue to be managed by DG AGRI.

ANNEX 4

MEMBER STATE INFORMATION ON FOOD AID PROGRAMMES

A questionnaire was sent to the MS in order to get an idea of initiatives currently undertaken in the field of food aid to the most deprived. This questionnaire has no official value and has been used as a working document by Commission services in the context of work on the Impact Assessment. This Annex summarises the main replies received from MS authorities.

Contributions were received from 16 MS: IT, IE, HU, CY, SE, PL, AT, FI, DE, EE, ES, MT, CZ, UK, DK and FR. The information provided cannot be regarded as exhaustive, in particular as regards private initiatives, which national authorities do not always know about.

In many Member States charitable bodies are supported to varying degrees by public funds.

• **Answers from MS not participating in the EU Most Deprived Programme**

Six of the MS that replied do not participate in the MDP (CY, AT, SE, UK, DK and DE). CY, DE and SE report state aids in favour of the deprived population, as part of the welfare system. CY notes that this distribution is in money, whereas SE explained that this aid is not a competence of the Swedish Ministry of Agriculture. The Danish authorities directly support charities involved in providing aid for the deprived. In DE, monetary state aid is specifically calculated to ensure that the amount granted covers an adult's food needs.

CY explains that two organisations distribute food to known poor families or persons, but not on a daily basis.

AT lists two charitable initiatives, 100% financed by private funds. One provides homeless people with free food, whereas the other has several "social groceries" where people with low incomes can buy food more cheaply – but they must provide proof of their low income. Both initiatives are limited to certain towns only.

DE reports the existence of soup kitchens and a food bank ("die Tafeln"). No specific populations are targeted and the eligibility criteria vary from "proof" delivered by social services to none, in the case of obvious and apparent need.

UK implements a scheme based on vouchers to purchase milk, fresh fruit, fresh vegetables and infant formula ("Healthy Start" programme). Pregnant women or women with children under 4 years old in disadvantaged and low income families are eligible, plus any pregnant women under 18 years old, regardless of their financial means. The aim is to provide nutritional support for this category of the population. The scheme operates throughout the UK and is entirely managed and funded by public authorities. Concretely, £3 vouchers are provided weekly, to be spent in shops participating in the programme. In addition, vitamin supplements are provided by the health service on request to women eligible for receiving vouchers. The whole programme represents £100 million (€125 million) of which £90 million is for the purchase of products.

• **Answers from MS participating in the EU Most Deprived Programme**

Answers were received from IT, IE, FR, HU, FI, EE, ES, MT, CZ and PL.

IT and IE report no other food aid apart from the EU's MDP.

– *State Programmes or funding complementing the EU Programme*

France has complemented the MDP since 2004 ("Plan National d'Aide Alimentaire", PNAA). Its management is identical to the MDP's and its budget corresponds to 19.6% of the envelope received by France for the MDP. It allows the charities to buy protein-rich food (meat, fish) or fruits and vegetables.

– *Other public initiatives*

FR and PL have specific state aid programmes:

FR also has a Plan for Nutrition and Health, operating on a 5-year basis, with a specific action intended for the most deprived populations. This action aims at reducing the risk of nutritional deficiencies.

PL has set up an independent 4 year programme (2006-2009). The total budget for this period represents PLN 2 900 millions (€855 millions, i.e. €213 million a year). This programme is an extension of a previous scheme running between 1996 and 2005 and specifically targets school children. In Poland, a town's public authorities are responsible for distributing food aid to people in need. Applications to receive aid are determined by various institutions (school authorities, public social care centres, social assistance centres, NGOs).

MT reports soup kitchens managed with state funds for illegal immigrants.

HU and EE have no state initiatives, although HU reports that municipalities provide aid in kind for one programme (e.g. provision of refrigerators for storing food).

– *Private initiatives*

HU, PL, EE, FI, ES, MT, CZ, IE and FR have networks of charities involved in providing aid to the most deprived. The initiatives target deprived and low-income populations, through soup kitchens or the distribution of food parcels. Depending on the MS, this aid is more or less underpinned by the MDP, which supplies them. In PL and HU, specific programmes focus on children. In HU, a charity provides food on the days the schools are closed. Indeed, public catering in kindergartens and schools is sometimes the only source of food for certain children. In FR and CZ, social groceries exist, where people can buy cheaper food.

FI reports the use of food vouchers by a charity. Maltese charities distribute the equivalent of food for amounts spent on electricity and water bills and rent.

In CZ, PL and FR, these charities are partly subsidised by the national authorities, for specific programmes or for their daily operation. In this MS, funds are said to be very insufficient to cover all the needs. Fund raising and food collections are also an important source for the NGOs.

Eligibility conditions to benefit from aid vary according to the situation. Whenever possible, income is the main criterion. Certificates issued by official social bodies are used as a priority. However, a case by case flexibility is allowed for "emergency aid", when the beneficiary is illegal, underfed, disabled... In this case, no "official" proof of income is required and the distribution is at the discretion of the charities, especially when dealing with the homeless and people with no legal status.

Actions sometimes concentrate on specific periods of the year - generally winter - as in ES, where a nation-wide collection of non-perishable foodstuffs is made at Christmas.

ANNEX 5
STAKEHOLDER WORKSHOPS

**The future of the European Programme of Food Distribution to the
Most Deprived Persons in the Community**

Stakeholder Meeting, 11 April 2008

Centre Borschette - Meeting Room AB / 4B
36 Rue Froissart, 1040 Bruxelles, Belgium

AGENDA

Morning Session

**Twenty years of European Programme of food distribution to
the most deprived persons in the Community**

- 9:30 Welcome
- 9:45 **Twenty years of European Programme of food distribution to the
most deprived persons in the Community**
 DG Agriculture
- 10:00 **Between agriculture and food: the ethical implications for the
CAP**
 Mr Dominique Vermersch, Agrocampus, Rennes, France
- 10:20 **Ethics and sustainability of free food distribution – the
experience of the University of Bologna's Agriculture Faculty
and the Last Minute Market project**
 Mr. Matteo Guidi, University of Bologna, Italia
- 10:40 Coffee break
- 11:00 **Presentations by NGOs of their experience with the food
distribution programme:**

 Mr P. Decoopman, Resto du Cœur, France

 Mr J. Espinosa, Federation of Food Banks, Spain

 Ms J. Kukauskiene, Caritas, Lithuania

Ms R. Kabi, Red Cross, Estonia

Ms K. Sekuła, Caritas, Poland

12:30 **Some lessons from 20 years of implementing the Programme:**

Mr J. Lecointre, European Federation of Food Banks

Mr L. Henskens, Red Cross Europe

13:00 Lunch break

Afternoon Session

The future of the Programme

14:30 **The future of the Programme: the Commission's reflection process**

Introduction by DG Agriculture

14:45 **Possible scenarios for the Programme's future**

Presentation by DG Agriculture followed by discussion

15:30 Coffee break

15:45 **How could the efficiency and effectiveness of a possible future Programme be ensured?**

Introduction by DG Agriculture followed by a discussion around the following questions:

Improving distribution logistics

Targeting aid beneficiaries

Financing for a new programme – what form should it take?

What controls are necessary?

17:45 **Summing up**

18:00 End of meeting

SUMMARY OF THE PRESENTATIONS AND DEBATE

A number of charities (NGOs) participating in the distribution in the MS as well as several academics were invited as experts. The morning session was dedicated to the results and consequences of the MDP, after 20 years of implementation. NGOs presented their experience with the programme.

During the afternoon, the debate focused on the programme's future. After a presentation about the revision process, DG AGRI C1 described the different options considered by the Inter-Service Group. Afterwards, an open discussion allowed the charities to express their views and preferences for the future of the programme.

The NGOs expressed their satisfaction about the possibility DG AGRI gave of testifying to their experience and the attention given to their wishes for the future.

A summary of the seminar as well as presentations made during the day is available on DG AGRI's website: http://ec.europa.eu/agriculture/markets/freefood/docs/index_en.htm

- **Administrative and transport costs**

The NGOs stressed the issue of reimbursement of transport and administrative costs. The amounts paid are not considered to be sufficient. The NGOs do not always have the logistical means (vehicles, machines, storage facilities, staff wages and training...) to proceed correctly with the management at their level, in particular in the new MS.

However, the reimbursement of additional costs should be on a different budget line to the distribution itself, to avoid competition between both uses.

- **Recent participation by the new MS**

Participation in the MDP has been seen as a direct advantage of accession to the EU and a favourable "equal and fair treatment" of their situation, in respect to the older MS. NGOs from the new MS have considerably increased their activities and the number of beneficiaries thanks to the European scheme. According to the organisations present at the meeting, no other state-wide programmes existed before their accession.

- **Link with agricultural policy**

All NGOs have good contacts with the national agriculture ministries, and most are also in contact with the social affairs ministries. In the recently participating MS, new links have thus been created between national agriculture authorities, local authorities, NGOs and the local communities (e.g. parishes...) thanks to the programme.

The NGOs stressed the usefulness of the link between the MDP and agriculture policy. It was mentioned that the budget for the MDP budget represents less than 0.5% of the CAP's budget, so it does not call into question direct support for agriculture. However, the creation of links with other policies should be encouraged.

- **Range of available products**

Several of the NGOs highlighted the need to offer a balanced diet to the deprived, which is not always possible with the current programme, based on intervention stocks. Important categories of product are not available (e.g. oil). Rather than a problem of hunger, it could be appropriate to refer to the poor nutrition of low-income citizens.

- **Controls**

The choice of NGOs to implement the scheme is made in consultation with the local authorities, taking into account their experience and reputation. According to the NGOs there is no major problem with fraud at their level. More controls are welcome but this should not lead to an increased workload for them. The situation with fruit and vegetable withdrawals should be avoided; these are no longer distributed to charities because the requirements are too burdensome.

- **Targeting the beneficiaries**

An important question concerns the targeting of potential beneficiaries. The definition of "deprived" varies from one MS to another and MS authorities allow more or less flexibility in the selection of the deprived. But some NGOs are not against the fixing of "minimum requirements" by the Community. In the debate, the difference between food kitchen and food package systems was stressed.

- **Financial (vouchers) vs. food distribution**

It was recognised that food aid plays the role of an income support, allowing savings for other purposes (housing...). However, distribution should remain in kind, for several reasons:

- difficult to restrict the use of the funds to food and so there would be a risk of fraud;
- the "social" value of help in kind, which is perceived differently from a financial allocation from the state;
- soup kitchens provide the NGOs with a first link with the deprived, who can then be aided in terms of health care, illiteracy, retraining, social support...

- **Embedding the MDP in other policies or initiatives**

Some NGOs stressed the need to strengthen a horizontal approach to fighting poverty, involving other actors and also other areas of action. They recognised the need for a wider involvement of the private sector, through sponsoring and technical assistance, in particular by private companies. The question was *how* to increase the inclusion dimension of the Programme. Any change in the current framework could not, in any case, be implemented in the short-term (i.e. 2009) because it would require an adaptation time for the NGOs. Other NGOs would prefer to remain on the current basis, to keep the specific added values and interest of the food distribution.

Second Stakeholder Meeting – 15 July 2008

A selection of charities (NGOs) participating in the distribution in the MS as well as several European "umbrella" organisations were present for this second stakeholder meeting. In addition Dr Merbis, from the Centre for World Food Studies, Amsterdam was invited to speak.

Following a presentation by AGRI C2 of the new measures for making fruit and vegetable available to charities, the discussion focused on the NGOs' expectations for 2009. The chairman informed the meeting about President Barroso's speech to the EP on 18 June 2008 and in particular his intention to propose a two-thirds increase of the available budget.

A progress report was made on the current revision process being undertaken by the Commission. The results of the internet consultation launched on DG AGRI's website with the aim of collecting opinions from a wide public were presented. Following a presentation by DG AGRI C5 on the issues of poverty and poverty measurement in Europe, Dr Merbis gave a talk about governance and the organisation of social security in the MS. Finally, there was an open debate on the issue of controls and monitoring that could be undertaken at NGO level.

A number of specific issues arose in the course of the day's discussions:

- *Products distributed in 2007*

Some NGOs reacted to the presentation of the volumes of products distributed in 2007, as reported by MS. Quantities have sometimes fallen in parallel with a greater quality and variety of foodstuffs provided. In particular in the new MS, while during the first year of implementation raw products were provided (flour, sugar...) increasing experience has allowed more processed goods (pasta...) to be supplied.

- *Organisation of deliveries to the charities*

Over the year MS encountered some difficulties with operators. Because of the increase in food prices, some have preferred to break their contracts for supplying NGOs, which has resulted in delays and irregularities of supply. NGOs have not been supplied according to the planned schedule, which has resulted in a less than optimal distribution. Deliveries were intermittent and sometimes too high quantities arrived at the same time to the distribution centres.

NGOs expect the same problem with operator failure in 2008. In France, for example, the volumes delivered might be down by 10 000 t, on a planned total of 55 000 t.

- *Beneficiaries*

An increase in the number of beneficiaries was reported in several MS, probably as a result of food price inflation. It was suggested that for some people requesting food aid, it represents an income support compensating the fall in purchasing power. This generally concerns people at the limit of the poverty threshold, facing short-term difficulties. They are not the priority of the NGOs, but it is a fact that they are coming more and more often to the distribution centres.

- *Free distribution of Fruit & Vegetables*

Even if the new Regulation is welcomed, it was stressed that some elements still have to be clarified and improved, in particular as regards the question of subsidies for conditioning, packaging and transport expenditure.

- *Monitoring indicators to be recorded in the frame of the new Programme*

The Commission proposed to the NGOs a set of indicators that could in future be measured by the NGOs themselves. This would enable the yearly follow-up of the programme's results and its continuous improvement, through a common evaluation framework.

NGOs already monitor several of these indicators. The 4 French charities running the scheme had drawn up a common framework, listing relevant indicators, which was not substantially different from the Commission's.

The need to improve the dialogue with national authorities was highlighted. In particular, if an additional effort is asked of NGOs in the field of monitoring, this should be done in cooperation with the national boards or agencies in charge of managing the scheme at MS level. Transparency must be the rule and the national report must be made public.

The NGOs welcomed the development of rules and monitoring of their activity. However, the Commission should bear in mind that this increases the burden on charities' small distribution units, in particular when they are composed of volunteers who may not be familiar with this kind of administrative requirement.

Finally, the need was stressed to clearly define the Programme's mission, in order to give relevance to the collection of data and to understand what the objectives for it are.

- *Enhancing partnerships with private companies*

Linked in particular with the issue of food waste, some NGOs underlined the need to provide incentives for private companies to be involved in partnership agreements with charities. Very often, such partnerships are seen as "single shot actions" by the firms, as no institutional framework exists to promote long-term and wide cooperation. It would be a good idea to introduce specific financial incentives for the companies willing to participate in such schemes.

ANNEX 6
RESULTS OF THE PUBLIC INTERNET CONSULTATION
- BREAKDOWN AND ANALYSIS OF REPLIES

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1.

INTRODUCTION

1.1. Background

The scheme to distribute free food to the most deprived persons in the Community (referred to here as “the MDP”) was launched in the exceptionally cold winter of 1986/87, when the European Community's surplus stocks of food commodities were given to Member State charities for distribution to people in need. Following a positive response, the measure was formalised.

With the subsequent CAP reform process intervention stocks, on which the Programme is based, are increasingly a thing of the past, making it necessary to examine options for the programme's future and propose a renewed regulation.

In line with the Commission's approach to better policy and law making, the legal proposal must be accompanied by an Impact Assessment, with the aim of examining options for the scheme's future. In order to ensure input from everyone concerned by the measure, the Impact Assessment process has included a broad consultation process with experts from charitable organisations and Member State services, as well as a public consultation. These consultations and meetings held during the assessment are an integral part of the process.

The public consultation took the form of an internet questionnaire asking for feedback on a number of key questions. It was open to everyone and available in the 22 EU languages, from 14 March to 14 May 2008, the closing date of the consultation.

In addition to the questionnaire, a functional mailbox was opened, where organisations or individuals wishing to contribute more detailed comments on the scheme and its future could send their observations. These more extensive comments were taken into consideration in the final report of the IA and are summarised, where appropriate, at the end of this document.

1.2. Questionnaire representativeness and limitations

The questionnaire aimed to give all stakeholders (citizens, NGOs, national administrations or agencies) the possibility to express their opinions and concerns. 12,522 responses were received, which represents a very wide participation.

There are important limitations in the representativeness of the answers. Respondents obviously had to be aware of the consultation and had to have internet access and the ability to fill in the questionnaire. However, the consultation was announced on the Europa website "Your Voice in Europe"² and by a press release³.

A particular caveat is that the background of the respondents cannot be checked (e.g. a respondent could claim to represent an organisation without this being the case). Moreover, it would in theory be possible for one person to fill in the questionnaire several times.

An important bias is the different number of answers coming from each Member State. 74.7% of the answers come from Italy and 13.3% from France. The remaining 12% of the answers are

² http://ec.europa.eu/yourvoice/index_en.htm

³ Reference: IP/08/462, date: 19/03/2008.

shared between 25 MS. In order to ensure that this bias does not radically change the outcome of the questionnaire, disaggregated results are presented in the analysis.

A conscious effort was made to keep the questions relatively simple. No explicit allusion was made to the technical options and scenarios evaluated in the Impact Assessment. As a result, the rate of "Don't know" answers was very low (0 to 2% of the respondents for each question). This can be regarded as a positive outcome of the questionnaire.

1.3. Remarks on the report

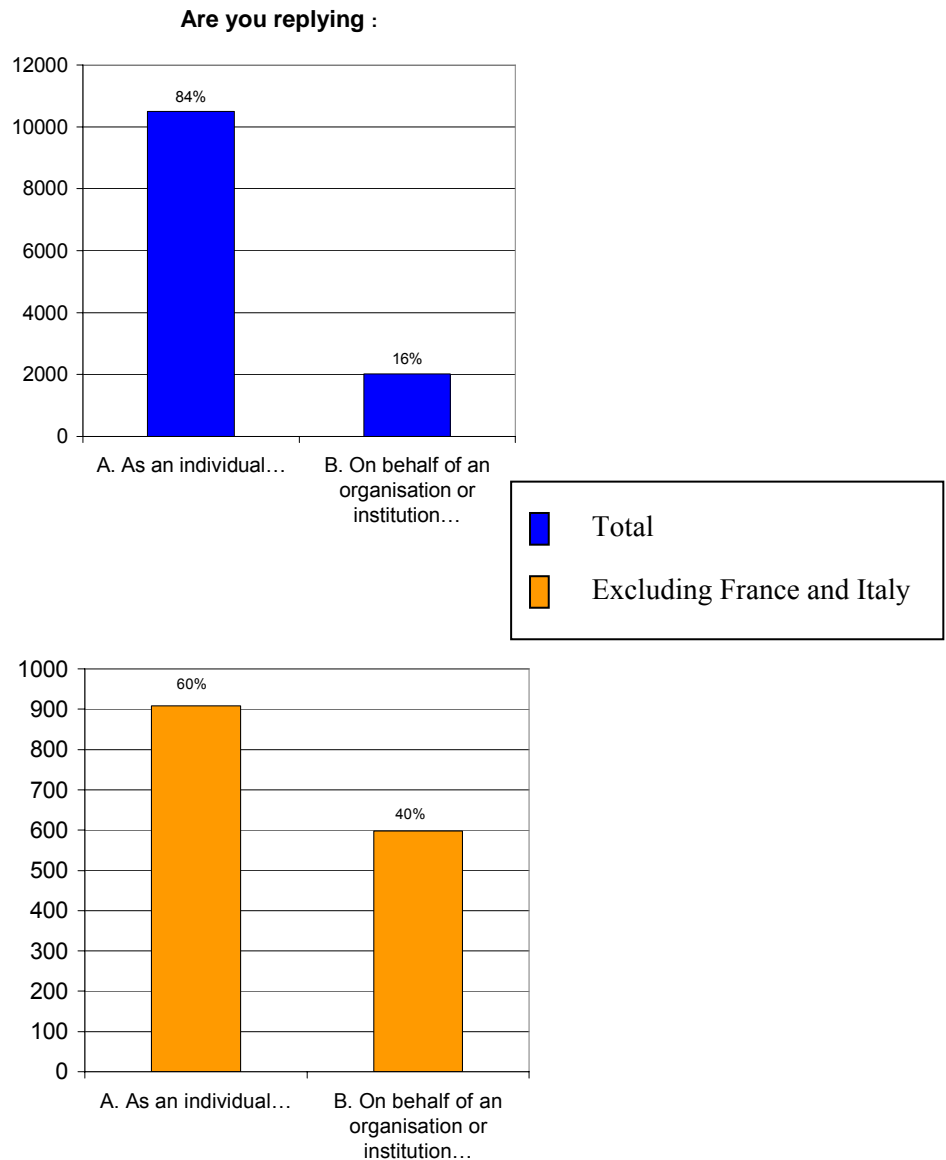
This report sets out the views of the organisations and individuals who answered the questionnaire; it does not comment as to whether the Commission agrees or disagrees with the answers. It represents one of a number of documents resulting from the overall consultation process of stakeholders concerning the review of the Food Aid Programme for the Most Deprived. The report's aim is to highlight the main tendencies and concerns of each category. In view of the various limitations described, the report avoids any over-interpretation of the results.

All the questions were "closed". The responses are described in the following section by graphs which show the relative share of each different possible answer.

2. THE RESPONDENTS (QUESTIONS 1-5)

2.1. Background of respondents (type - organisation)

In total there were 12 522 replies to the questionnaire.

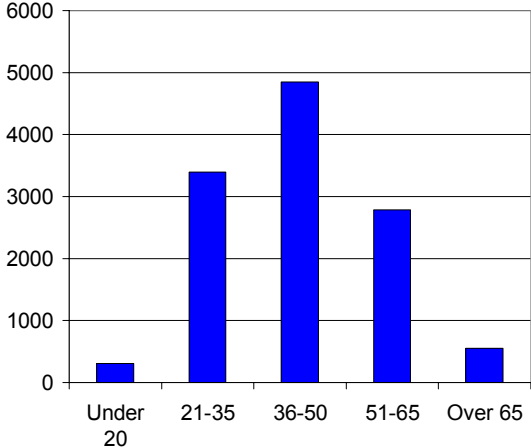


More than 2000 people replied on behalf of an organisation or institution. In a number of cases different answers came from the same organisation, as many large social NGOs can have up to several thousand centres in the same MS (Red Cross, European Federation of Food Banks...).

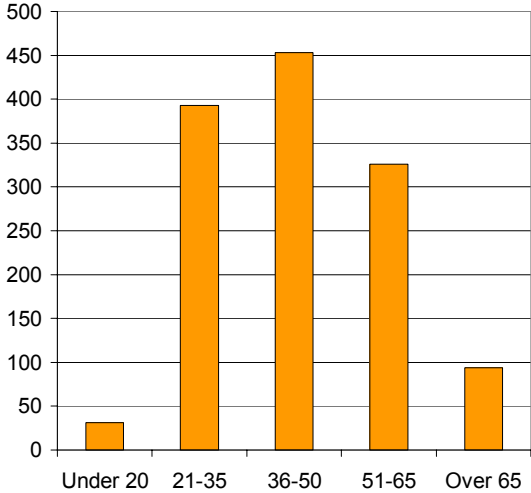
When France and Italy are excluded, the proportions are relatively different: the rate of answers on behalf of organisations increases to 40%.

It appears that in most MS it is mainly the NGOs and the institutions more or less concerned by the Programme that have replied to the questionnaire, whereas in Italy and France a wider public has participated, maybe as a result of more extensive publicity and mobilisation by stakeholders.

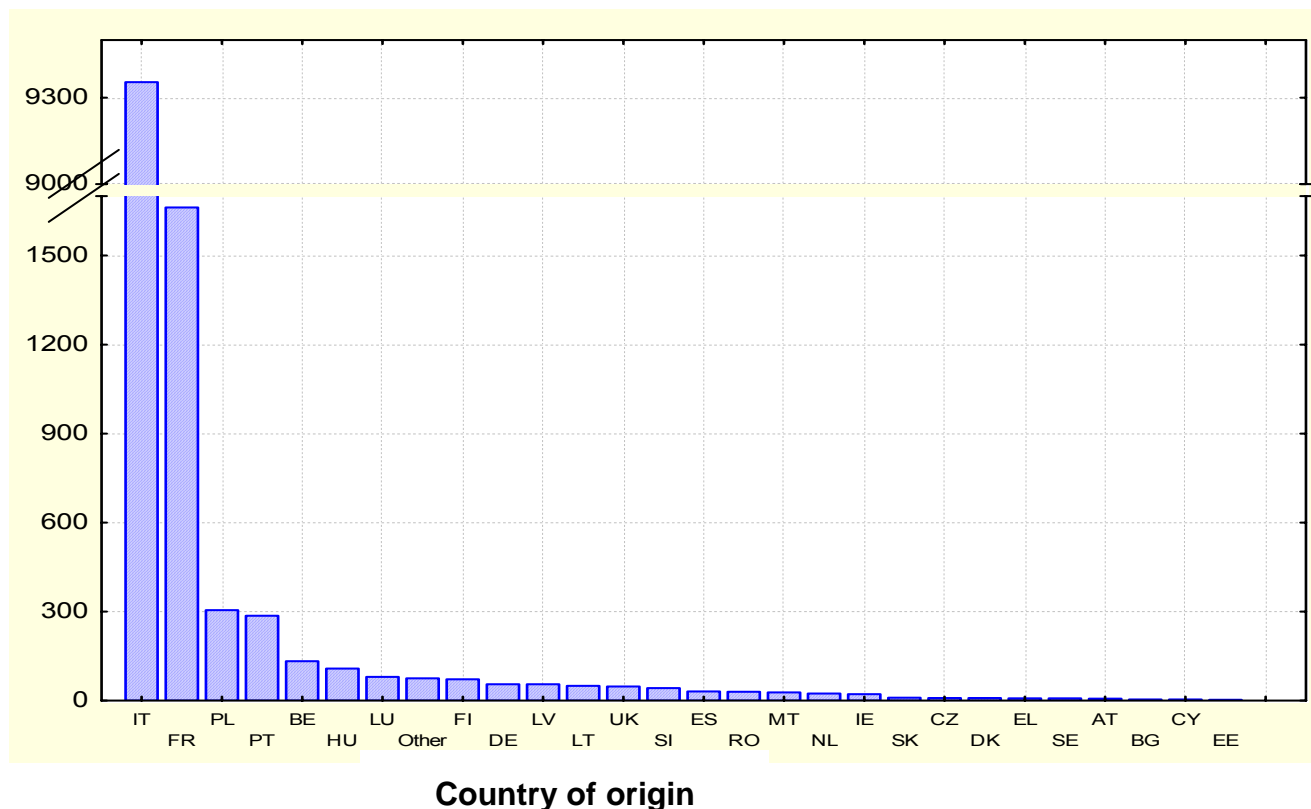
What is your age group?



What is your age group?



2.2. Nationality of the respondents



The majority of the respondents are from Italy (nearly 75% of the total) and France (more than 13% of the total). The other main countries of residence of the respondents are Poland (2.4%), Portugal (2.3%) and Belgium (1.1%). 75 answers were received from respondents residing outside the EU, 19 of which replied on behalf of an institution.

It is noteworthy that the MS with the highest participation in the online consultation are also the main recipients of the EU budget (with the notable exception of Spain and Greece). Only 165 replies were received from MS not participating in the scheme (i.e.1.3%).

2.3. Respondents' connection with the Programme

To the questions:

- *Have you heard of the European Union's food aid programme for the most deprived people living in the European Union?*

73.3% of the respondents answered **YES** (9176 replies)

12.1% of the respondents answered **NO** (1517 replies).

The respondent's nationality has no bearing on their awareness of the Programme's existence.

Most of the respondents are familiar with the scheme. It can be assumed that they are in some way involved in social initiatives or active in the social sector, as the current Programme is not widely known by the general public. However, the number of people who did not know about the Programme before answering the questionnaire (more than 1500) is significant.

- *Have you, or has the organisation you represent, ever benefited from the European Union food aid programme for the most deprived persons?*

Total:

75.3% of the respondents answered **NO** (9429 replies)

21.7% of the respondents answered **YES** (2722 replies).

Without France and Italy:

52.7% of the respondents answered **NO** (793 replies)

44.3% of the respondents answered **YES** (667 replies).

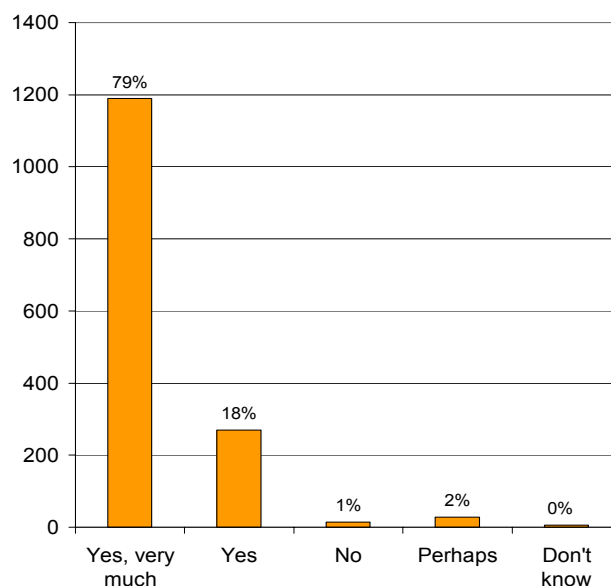
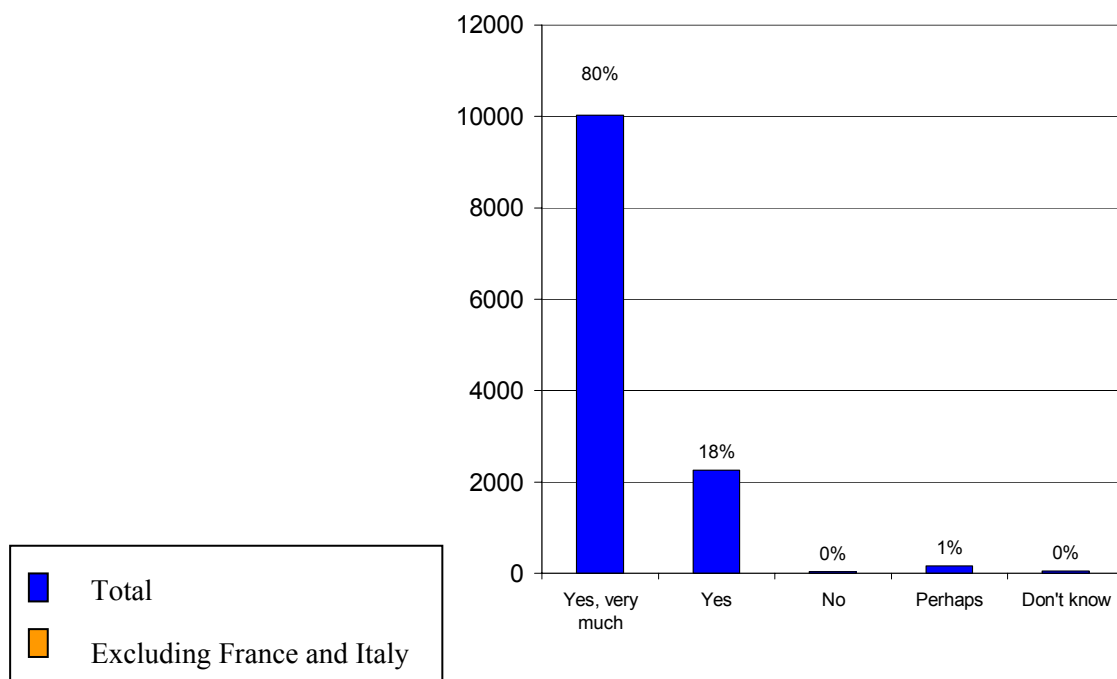
A high rate of people claimed to have already benefited from the scheme, which confirms the previous assumption of a wider participation by people active in the social sector. This can be regarded as normal, as this kind of public consultation always mobilises first the people concerned by the policy in question.

This is even more relevant when France and Italy are excluded. It confirms the impression that in these two MS a more diversified public participated compared with the other MS.

3. KEY QUESTIONS

3.1. Question 6:

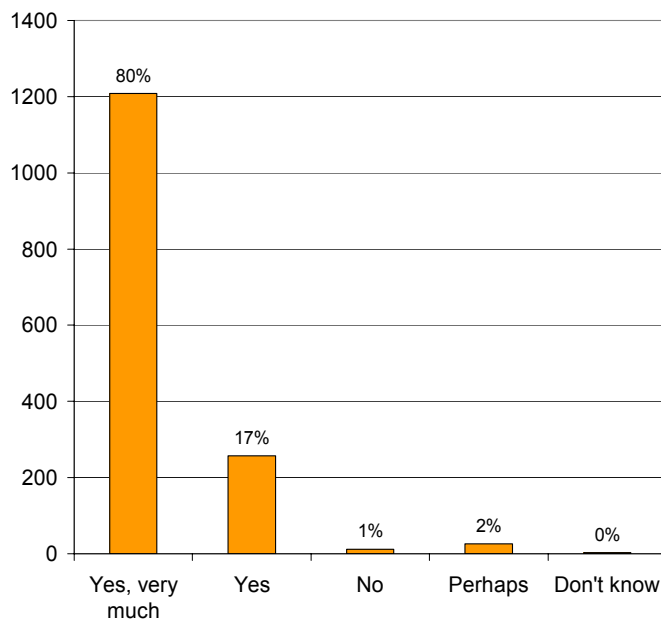
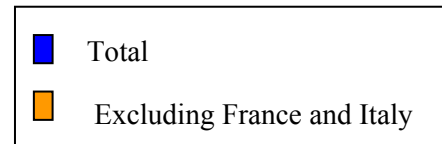
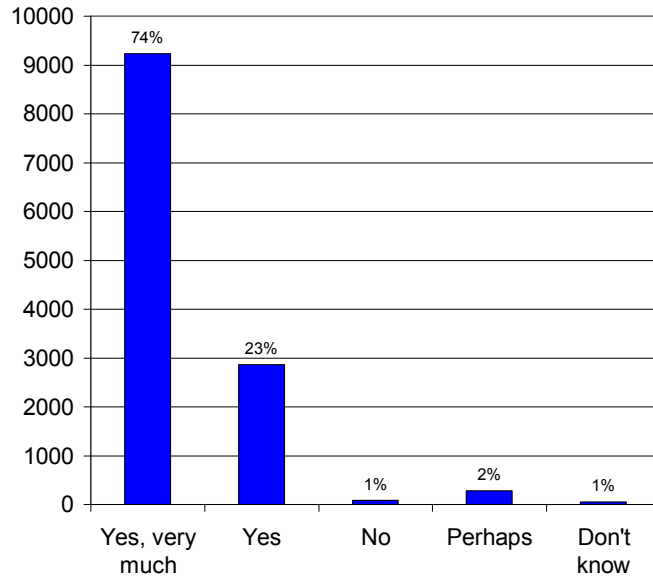
The European Community is committed to supporting and complementing the activities of the Member States in "combating social exclusion" and "improving public health". Do you agree that these are important tasks for Europe and that food aid to the most deprived people in Member States can contribute?



The replies are very homogeneous: about 98% consider that social inclusion and the improvement of public health are valid objectives for Europe and that the Food Aid Programme for the Most Deprived can contribute.

3.2. Question 7:

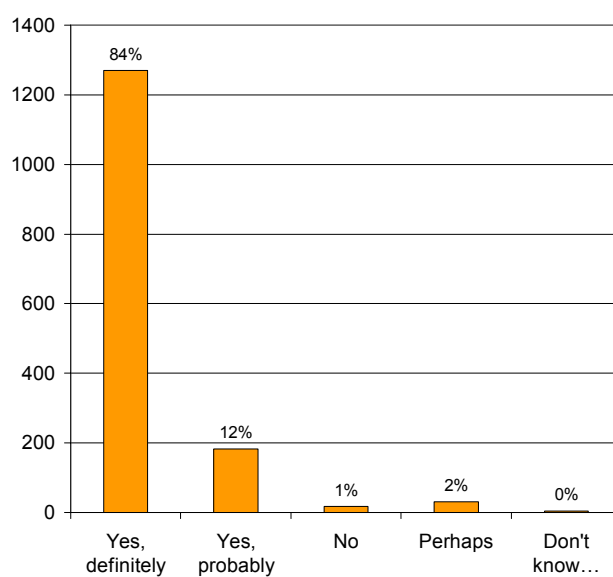
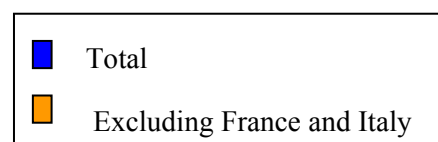
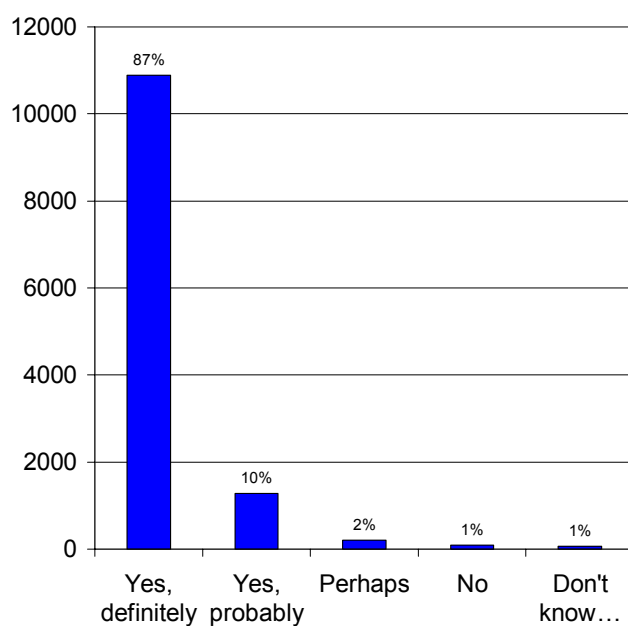
It has been said that "Food security is the most vital of all basic needs. Food insecurity undermines people's ability to learn, work and make progress on other fronts" (L.J.A Mougeot). Do you agree?



Once again, the quasi totality of the respondents agrees. They recognise the importance of ensuring food security for everybody.

3.3. Question 8:

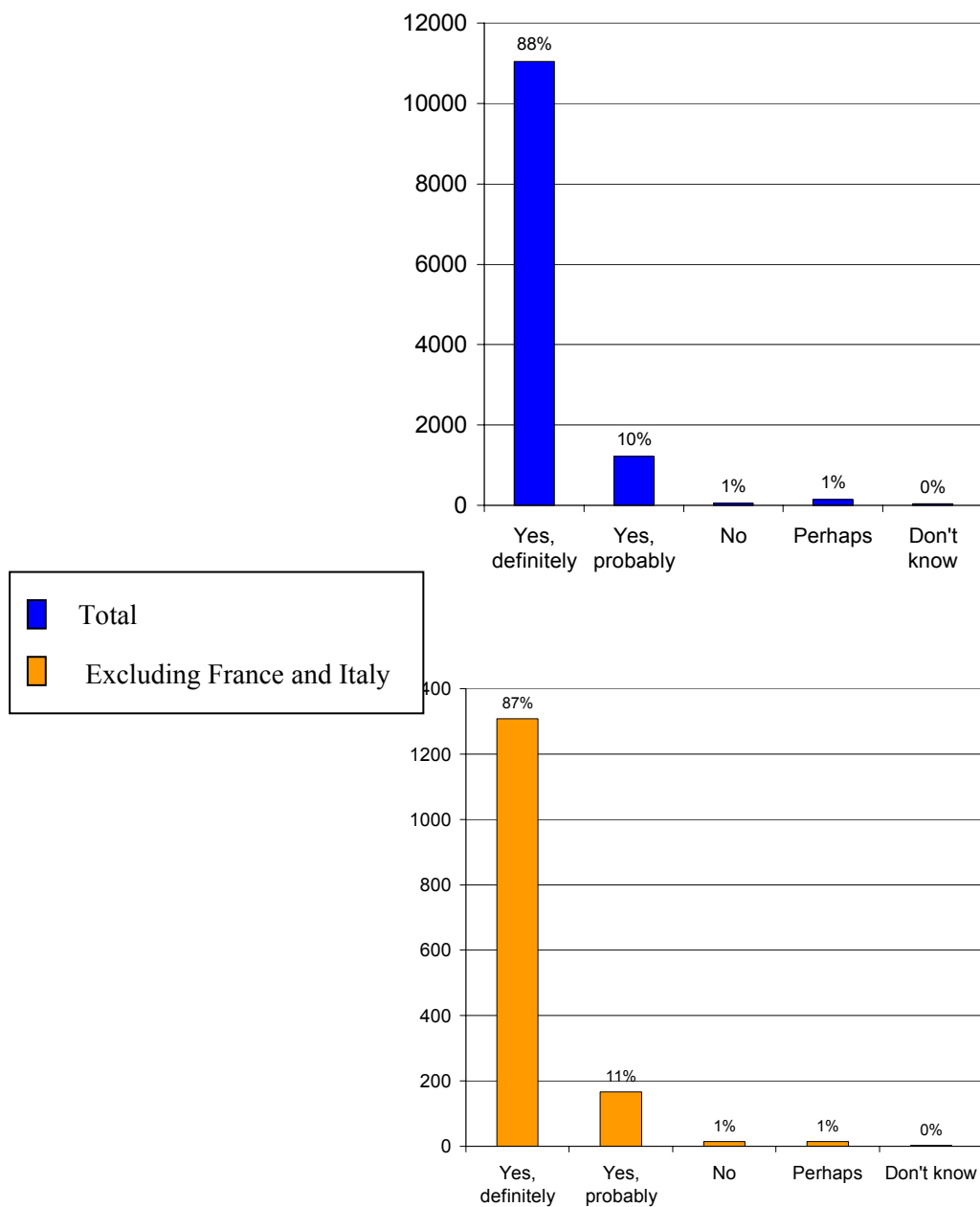
Do you think public administrations in each Member State have a duty to ensure that all their citizens have adequate food?



Following on from the previous question, 97% of the respondents consider that ensuring an adequate supply of food to all their citizens is a basic need that must be guaranteed by each MS.

3.4. Question 9:

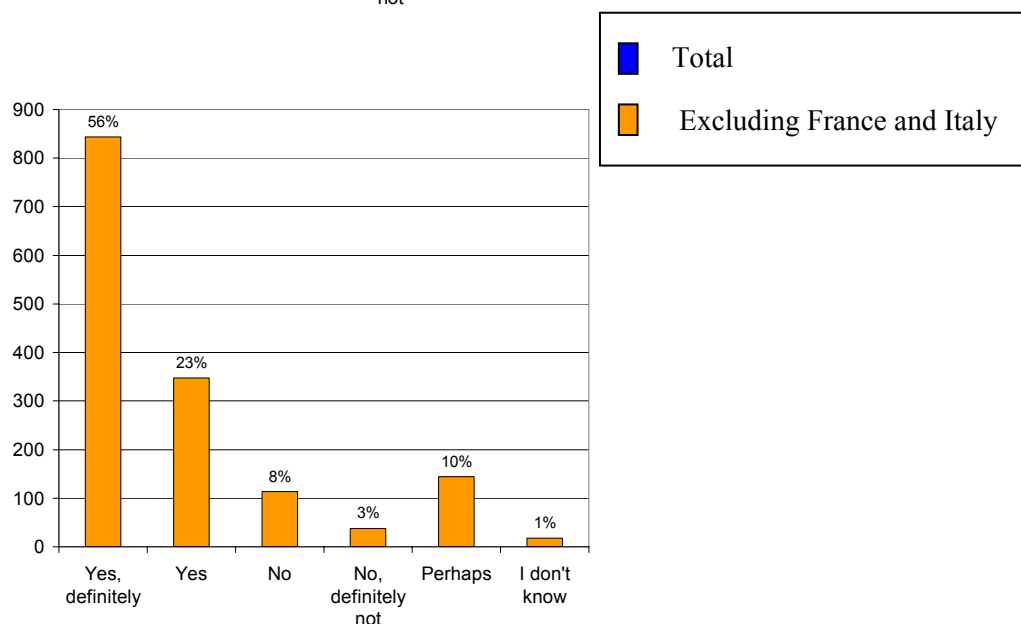
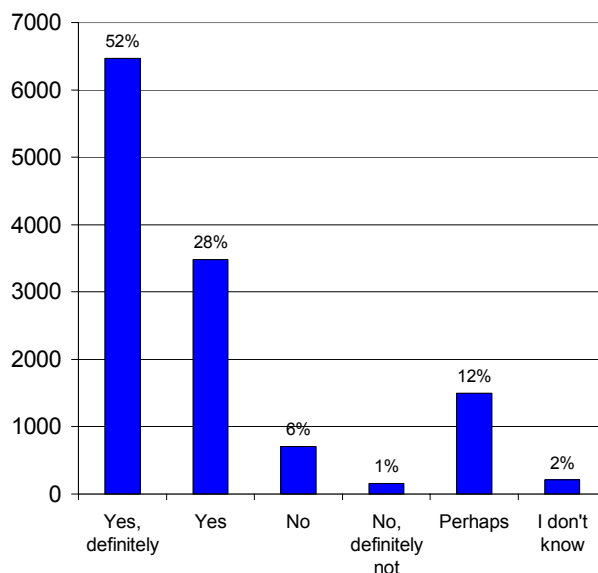
Is it appropriate for the European Union to support Member States in ensuring that all EU citizens have enough to eat?



98% support EU action to complement MS food supply initiatives and policies.

3.5. Question 10:

In view of the growing problems of obesity and unhealthy eating habits, should a future Food Aid Programme for deprived people pay special attention to the nutritional value of the food provided by the Programme?

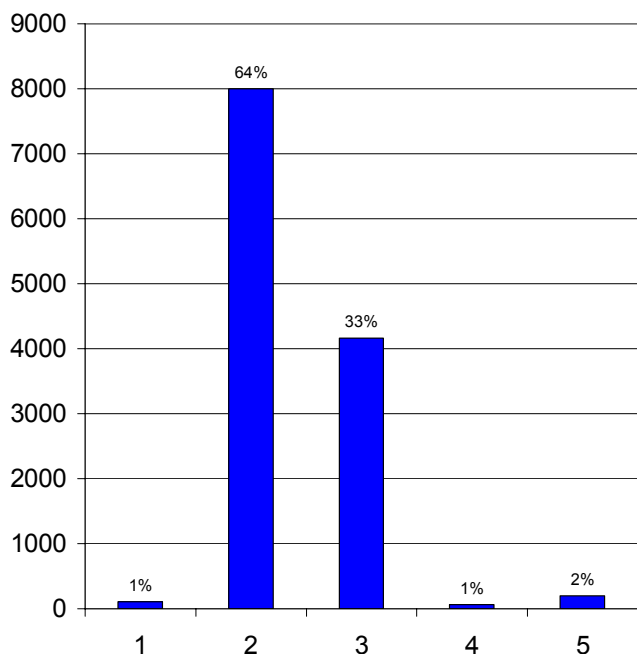


Though a large majority (about 80%) agreed that food distribution should have a nutritional dimension, about 7% of the respondents expressed reservations or opposed this idea. There could be a number of explanations:

- They might consider that the quality of the distribution comes after the quantity, particularly in the context of food deprivation.
- They might consider that it is not the responsibility of an administration to choose the appropriate food distribution.
- They might be afraid of potential discrimination against some products under the pretext of food quality choice.

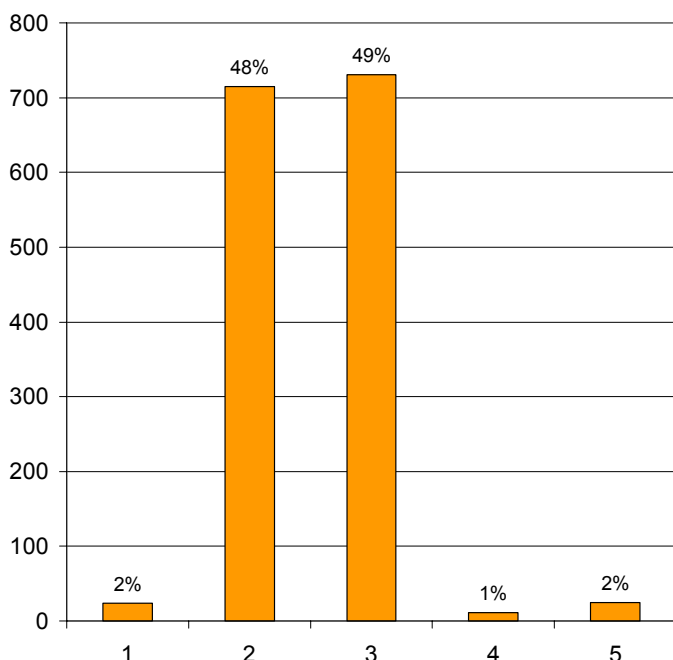
3.6. Question 11:

Up to now, the EU's food aid programme for the European Union's most deprived people has depended on surplus food stocks. Thanks to the reform of the Common Agricultural Policy, surplus stocks have practically disappeared. Therefore, do you think the programme should be:



1 : Phased out gradually as intervention stocks disappear
 2 : Continued but on the basis of food purchases
 3 : Expanded and linked with other EU initiatives to combat social exclusion
 4 : Cancelled immediately
 5 : Don't know

■ Total
 ■ Excluding France and Italy



1 : Phased out gradually as intervention stocks disappear
 2 : Continued but on the basis of food purchases
 3 : Expanded and linked with other EU initiatives to combat social exclusion
 4 : Cancelled immediately
 5 : Don't know

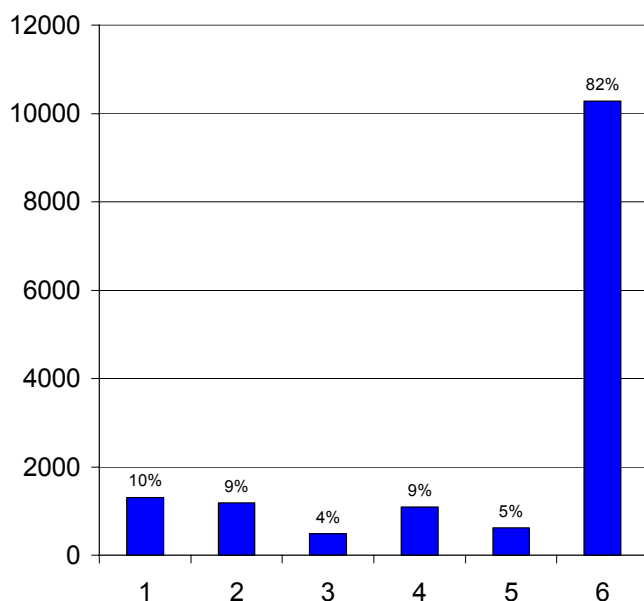
A very large majority of respondents are in favour of the Programme's continuation (answers 2 and 3). However, an important difference is seen when France and Italy are taken into account.

The total results show a strong preference for the continuation of distribution on the basis of food purchases; when France and Italy are excluded the situation looks different, with results being balanced between the second and third choices, i.e. *"continued on the basis of food purchases"* and *"The expansion to other EU initiatives to combat social exclusion"*.

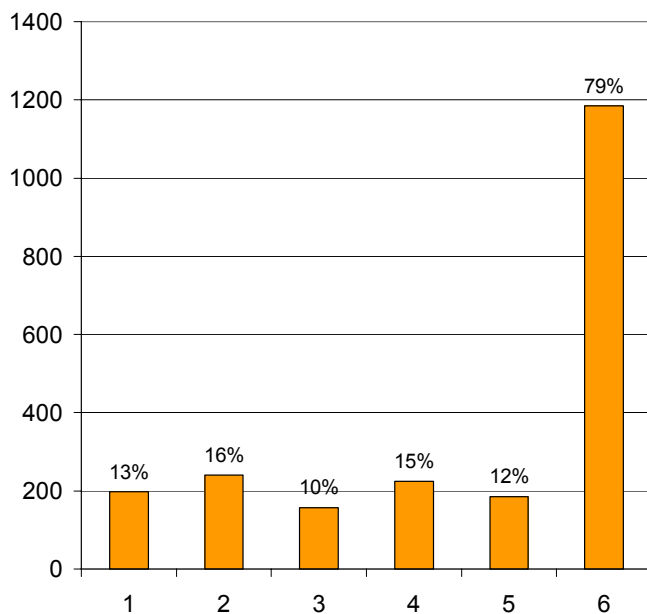
The difference in opinion regarding this question is also observable among the organisations that responded and among individual MS.

3.7. Question 12:

Should the EU target its support, to ensure that deprived people belonging to specific age groups or social categories have access to the healthy food they need (more than one answer possible)?



- 1 : Pre-school age children
- 2 : School-age children
- 3 : Single parents
- 4 : Older people (over 70)
- 5 : Homeless people
- 6 : No, all deprived people should be helped

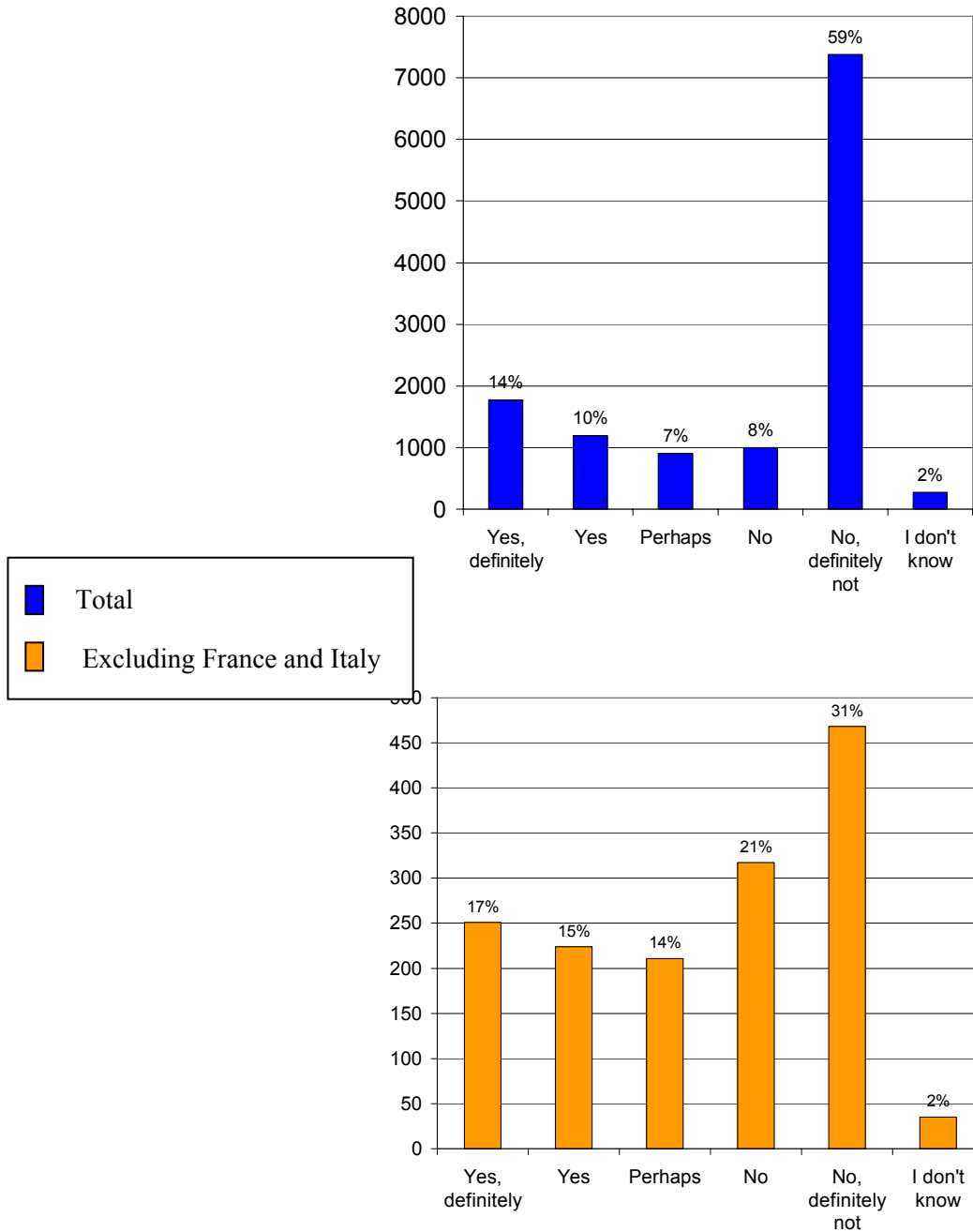


- 1 : Pre-school age children
- 2 : School-age children
- 3 : Single parents
- 4 : Older people (over 70)
- 5 : Homeless people
- 6 : No, all deprived people should be helped

A very clear majority of respondents considered that all deprived people should be helped. No explanation can be offered concerning the differences observed between the other possible populations that should be helped.

3.8. Question 13:

Would it be appropriate to introduce a European food voucher system to ensure that low-income families and children have access to a healthy diet? For example, eligible households could be provided with an electronic EU debit card, valid for a certain amount each month, with which they would be able to purchase a specified range of food..



Question 13 also saw variations in the answers of Italy and France compared with the other MS. Overall "No" was the most frequent reply. While 67% of the total opposed a voucher system, only 52% were against it if the two main contributing MS are excluded. Moreover, France and Italy were more categorical in their response (more "No, definitely not" answers). This could be the result of a mobilisation by some charities in favour of a specific answer.

4. DIFFERENCES IN ANSWERS FROM DIFFERENT TYPES OF RESPONDENT

This section looks at the extent to which answers differ between certain categories of respondent. In particular, three groups of respondent were identified:

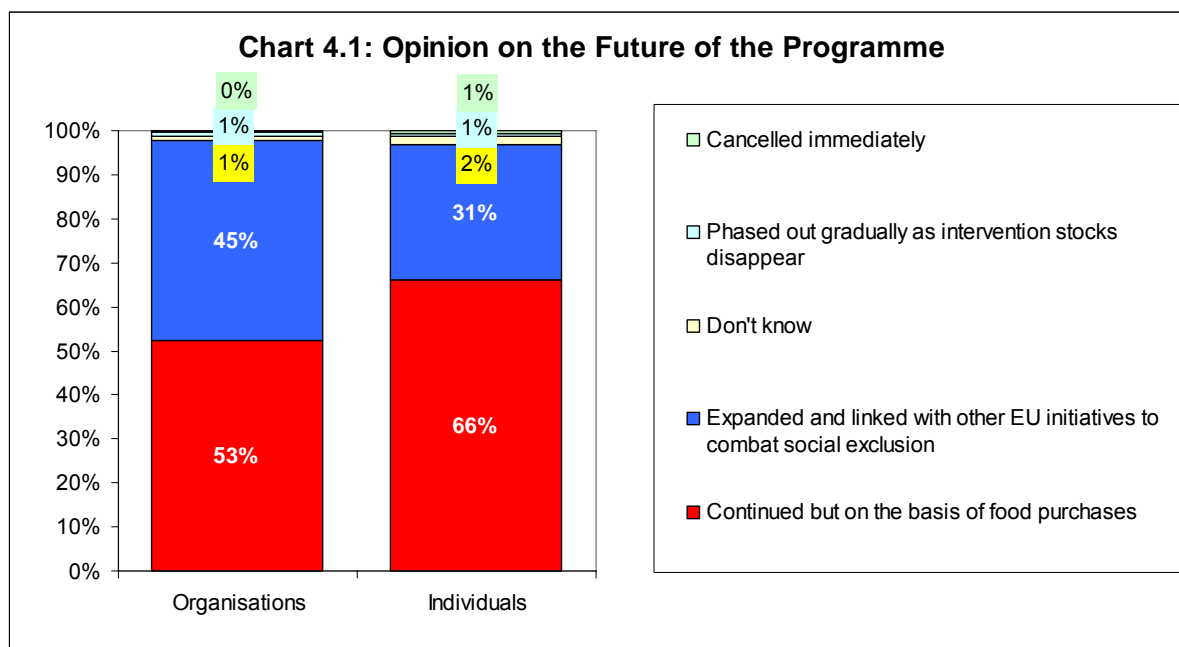
- Individual respondents v. replies representing an organisation
- Residents of a participating Member State v. a non-participating Member State
- Respondents familiar with the Programme v. with no previous awareness.

4.1. Individuals compared with organisations

From the total of 12,808 completed questionnaires, 10,502 (i.e. 82%) were submitted by individuals and 2 020 were completed on behalf of an organisation. Perhaps unsurprisingly, individuals showed less familiarity with the Programme than respondents representing an organisation.

There was a major difference between individuals and organisations concerning their relationship with the Programme: **while the majority of replies from organisations said they had benefited at least once from the programme (71.1%) only 12% of individual respondents said they had directly benefited from it.**

In terms of the importance of the Food Aid Programme in combating social exclusion, improving public health and recognising the negative effects of food insecurity on society, **both groups of respondents coincide in their evaluation.** The same applies to the need for an EU initiative, on which individuals and organisations alike agreed.



Opinions on the future of the MDP are shown in Chart 4.1. **Individual respondents clearly expressed their preference for continuation of the programme with the use of market purchases (66%)** whereas organisations, as well as the market purchases option, also showed considerable support for the possibility of linking the Programme to other EU initiatives to combat social exclusion (45%).

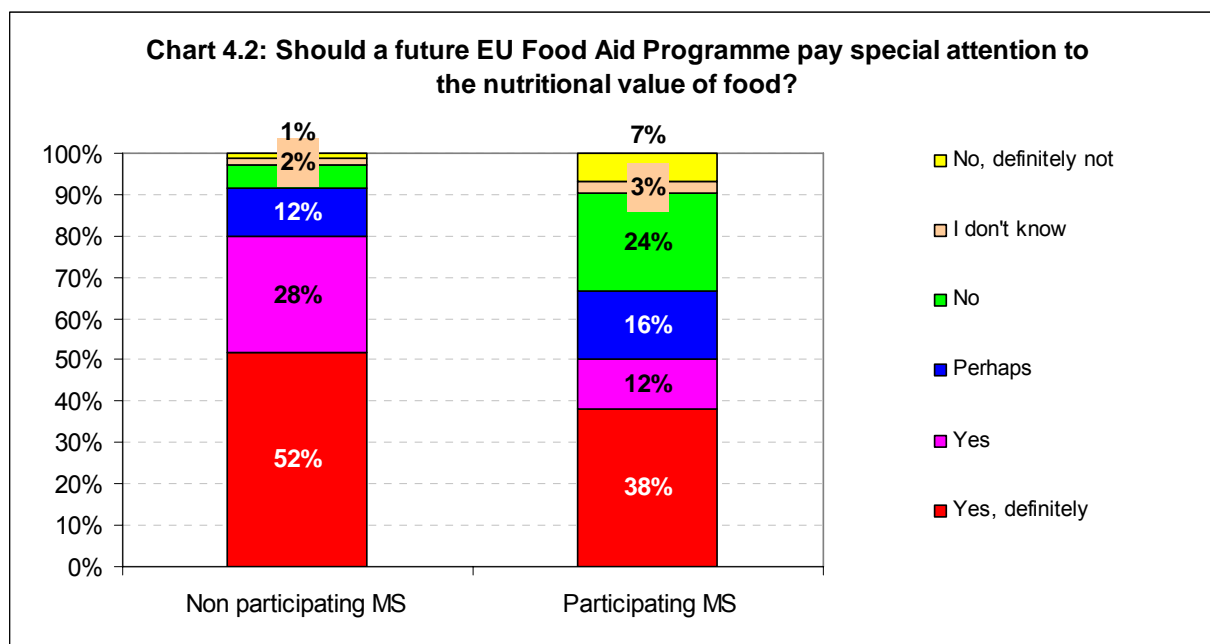
4.2. Residents in participating Member States compared with non-participating Member States

Of the 12 809 replies received, only 165 were from people living in Member States not currently participating in the Programme. In other words, 96% of the questionnaires were completed by residents of the participating MS. Most of the replies from non-participating Member States came from Germany (33%) and the United Kingdom (29%).

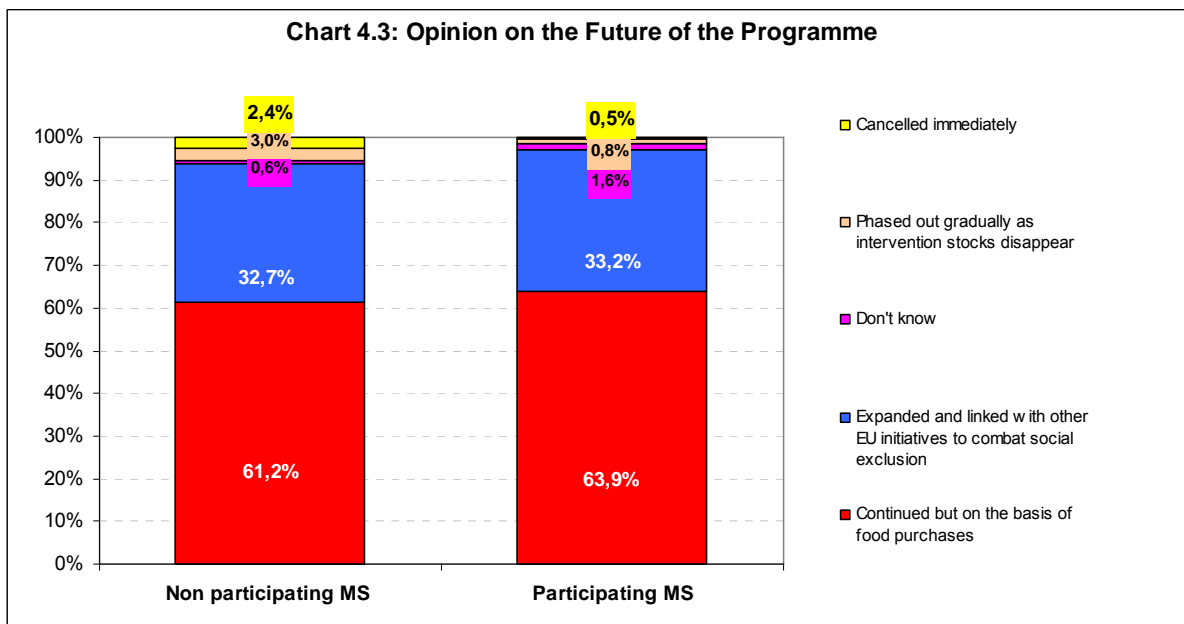
As might be expected, the replies from non-participating MS showed less familiarity with the programme (27.3%) compared with respondents from participating MS (11.8%).

Despite the fact that most of the respondents from non-participating MS have never benefited from the programme, their attitude towards the role of food aid in combating social exclusion and improving public health is similar to that expressed by residents of the participating MS. In the same way, both groups shared the same positive opinion concerning the importance of public administrations ensuring food security. **Moreover, respondents from non-participating countries expressed a similar level of agreement concerning the EU's role in supporting MS to ensure food security.**

Regarding the growing problems of obesity and unhealthy eating habits, around 30% of the participating group of respondents **do not support the idea of paying special attention to the nutritional value of the food aid** provided by the MDP, unlike non-participating MS respondents, **80% of whom consider the nutritional value to be important** (as shown in Chart 4.2).



Interestingly, **opinions on the future of the food aid programme show almost no difference between the two groups of respondents** (Chart 4.3). 61% of respondents from non-participating MS agree that the Programme should continue on the basis of food purchases, an opinion shared by 64% of the participating MS respondents.

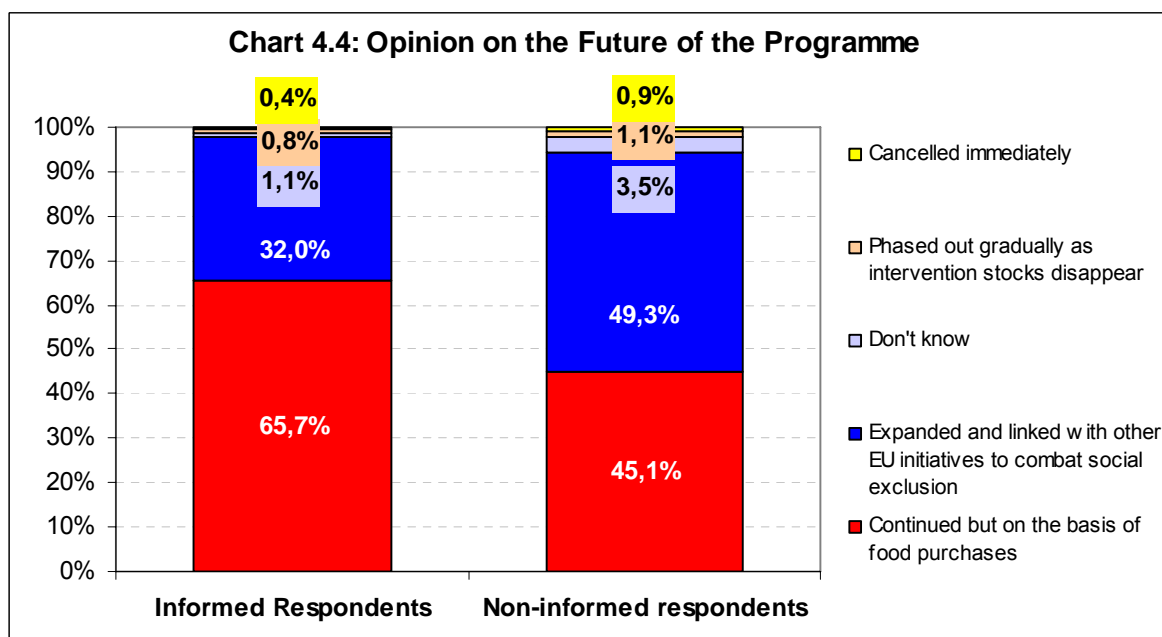


Concerning a possible voucher system, there was no major difference between the negative opinions expressed by the two groups of respondents.

Concerning the key questions, it is possible to conclude that respondents from non-participating Member States share similar opinions as those expressed by respondents from participating MS.

4.3. Differences between respondents informed and not informed about the Most Deprived Food Aid Programme

On the basis of replies received to the questionnaire, the public’s familiarity with the MDP is fairly good; 73% of respondents - independent of nationality - claimed to have heard about the EU’s Food Aid Programme, whereas 12% were previously unaware of the Programme’s existence.



There was no major difference of opinion between the two groups of respondents concerning the role of the state in combating social exclusion and the importance of EU support to the MS in providing food aid.

Regarding the Programme's future (Chart 4.4) the preferred alternative of respondents with a **low familiarity with the MDP** was *Expansion and connection of the Programme with other EU initiatives to combat social exclusion* (49.3% of respondents) while respondents familiar with the Programme showed a **preference for the Programme continuing on the basis of market purchases (64.7% of respondents)**.

Concerning food distribution by means of vouchers, there was a slight difference between the two groups of respondents. **Whereas almost 70% of respondents with a familiarity with the MDP clearly expressed their opposition to a possible voucher system, 37% of the uninformed respondents were in favour of vouchers (52% were against)**.

5. CONCLUSIONS - LESSONS FOR THE EU PROPOSAL ON A RENEWED MDP

• Respondents (Questions 1 to 5)

The response to the questionnaire was very high, reflecting the great interest the European public has in this programme and its future. More than 1 200 replies were received, about 2 000 of which were from organisations or institutions.

Participation was particularly high from two MS - Italy (more than 9 300) and France (more than 1 600) - probably thanks to a strong mobilisation of the public and NGO networks by some organisations in these countries. Except in a few cases, the answers from these two MS have not biased the overall results, in that they did not differ substantially to the replies received from other MS.

A high percentage of respondents had already benefited from the scheme (44% excluding France and Italy) and an even higher rate already knew about it (73%), confirming that charity networks had probably mobilised respondents to express their views concerning the Programme.

Respondents from non-participating MS showed similar concerns as the others. Prior knowledge of the Programme's existence appears not to have substantially affected the results of the questionnaire and from this it could be supposed that the main ideas formulated in the key questions of the online consultation are supported by a wider public.

• Objectives of EU support (Questions 6 and 7)

The objectives of the Programme are clear for the respondents. Almost all recognise the importance of ensuring food security for everybody and consider that social inclusion, as well as the improvement of public health, should be associated objectives of the food aid programme.

• Need for action (Question 8)

Almost all the respondents also agree with the need for action to ensure that adequate food supplies are guaranteed to European citizens by the MS.

- **Subsidiarity (Question 9)**

Almost all respondents (98%) support EU action to complement MS food supply initiatives and policies.

- **Type of distribution (Questions 10, 12 and 13)**

A large majority of the respondents (about 80%) think that a future MDP should take account of the nutritional value of the food distributed.

In general they do not think that a specific population should be targeted but indicate that all deprived people should be helped.

As a whole, respondents would not support a voucher-based food distribution system. However, differences exist between MS: in particular, opposition to this type of system is much higher in Italy and France than in the other MS. From another perspective, acceptance of a voucher system is higher among the group of less informed respondents, i.e. those who state that they have no personal experience of the MDP.

- **Continuation of a food programme (Question 11)**

A very big majority of respondents are in favour of the Programme's continuation. If replies from France and Italy are included, the clear preference is for the MDP's continuation on the basis of food purchases. If France and Italy are removed from the reckoning the answer is more balanced between this option and that of expanding the programme and linking it with other EU initiatives to combat social exclusion. This attests to the differences of opinions regarding this question, both among charities and Member States.

APPENDIX: FULL RESULTS OF THE INTERNET CONSULTATION

Response statistics for Internet Consultation - The Future of the "Most Deprived Persons Food Distribution" Programme: call for contributions to an internet consultation		
Status : Active		
Date open : 2008-03-12		
End date : 2008-05-31		
There are 12522 responses matching your criteria of a total of 12684 records in the current set of data.		
Search criteria		
Creation date	between 01/01/2008 AND 14/05/2008	
Meta Information		
1. YOUR PROFILE		
1. Are you replying:		
	Number of requested records	% of total number records
A. As an individual...	10502	(83.9%)
B. On behalf of an organisation or institution...	2020	(16.1%)
2. In which country do you live?		
	Number of requested records	% of total number records
IT - Italy	9354	(74.7%)
FR - France	1662	(13.3%)
PL - Poland	305	(2.4%)
PT - Portugal	286	(2.3%)
BE - Belgium	133	(1.1%)
HU - Hungary	108	(0.9%)
LU - Luxembourg	80	(0.6%)
Other	75	(0.6%)
FI - Finland	72	(0.6%)
DE - Germany	55	(0.4%)
LV - Latvia	55	(0.4%)

LT - Lithuania	50	(0.4%)
UK - United Kingdom	48	(0.4%)
SI - Slovenia	42	(0.3%)
ES - Spain	31	(0.2%)
RO - Romania	30	(0.2%)
MT - Malta	28	(0.2%)
NL - Netherlands	24	(0.2%)
IE - Ireland	22	(0.2%)
SK - Slovak Republic	10	(0.1%)
CZ - Czech Republic	9	(0.1%)
DK - Denmark	9	(0.1%)
EL - Greece	8	(0.1%)
SE - Sweden	8	(0.1%)
AT - Austria	7	(0.1%)
BG - Bulgaria	4	(0%)
CY - Cyprus	4	(0%)
EE - Estonia	3	(0%)

3. What is your age group?

	Number of requested records	% of total number records
36-50	4850	(38.7%)
21-35	3392	(27.1%)
51-65	2784	(22.2%)
Over 65	553	(4.4%)
Under 20	309	(2.5%)

4. Have you heard of the European Union's food aid programme for the most deprived people living in the European Union?

	Number of requested records	% of total number records
Yes	9176	(73.3%)
No	1517	(12.1%)
Perhaps	590	(4.7%)
Don't know	175	(1.4%)

5. Have you, or has the organisation you represent, ever benefited from the European Union food aid programme for the most deprived persons?		
	Number of requested records	% of total number records
No	9429	(75.3%)
Yes	2722	(21.7%)
Don't know	371	(3%)
2. Key questions		
6. The European Community is committed to supporting and complementing the activities of the Member States in "combating social exclusion" and "improving public health". Do you agree that these are important tasks for Europe and that food aid to the most deprived people in Member States can contribute?		
	Number of requested records	% of total number records
Yes, very much	10023	(80%)
Yes	2251	(18%)
Perhaps	156	(1.2%)
Don't know	51	(0.4%)
No	41	(0.3%)
7. It has been said that "Food security is the most vital of all basic needs. Food insecurity undermines people's ability to learn, work and make progress on other fronts" (L.J.A Mougeot). Do you agree?		
	Number of requested records	% of total number records
Yes, very much	9230	(73.7%)
Yes	2862	(22.9%)
Perhaps	282	(2.3%)
No	91	(0.7%)
Don't know	57	(0.5%)
8. Do you think public administrations in each Member State have a duty to ensure that all their citizens have adequate food?		
	Number of requested records	% of total number records
Yes, definitely	10881	(86.9%)
Yes, probably	1279	(10.2%)
Perhaps	201	(1.6%)
No	95	(0.8%)
Don't know...	66	(0.5%)

9. Is it appropriate for the European Union to support Member States in ensuring that all EU citizens have enough to eat?		
	Number of requested records	% of total number records
Yes, definitely	11049	(88.2%)
Yes, probably	1220	(9.7%)
Perhaps	150	(1.2%)
No	58	(0.5%)
Don't know	45	(0.4%)
10. In view of the growing problems of obesity and unhealthy eating habits, should a future Food Aid Programme for deprived people pay special attention to the nutritional value of the food provided by the Programme?		
	Number of requested records	% of total number records
Yes, definitely	6469	(51.7%)
Yes	3480	(27.8%)
Perhaps	1494	(11.9%)
No	709	(5.7%)
I don't know	212	(1.7%)
No, definitely not	158	(1.3%)
11. Up to now, the EU's food aid programme for the European Union's most deprived people has depended on surplus food stocks. Thanks to the reform of the Common Agricultural Policy, surplus stocks have practically disappeared. Therefore, do you think the programme should be:		
	Number of requested records	% of total number records
Continued but on the basis of food purchases	7996	(63.9%)
Expanded and linked with other EU initiatives to combat social exclusion	4158	(33.2%)
Don't know	195	(1.6%)
Phased out gradually as intervention stocks disappear	108	(0.9%)
Cancelled immediately	65	(0.5%)

12. Should the EU target its support, to ensure that deprived people belonging to specific age groups or social categories have access to the healthy food they need (more than one answer possible)

	Number of requested records	% of total number records
No, all deprived people should be helped	10271	(82%)
Pre-school age children	1301	(10.4%)
School-age children	1183	(9.4%)
Older people (over 70)	1095	(8.7%)
Homeless people	623	(5%)
Single parents	483	(3.9%)

13. Would it be appropriate to introduce a European food voucher system to ensure that low-income families and children have access to a healthy diet? For example, eligible households could be provided with an electronic EU debit card, valid for a certain amount each month, with which they would be able to purchase a specified range of food.

	Number of requested records	% of total number records
No, definitely not	7378	(58.9%)
Yes, definitely	1773	(14.2%)
Yes	1194	(9.5%)
No	1003	(8%)
Perhaps	906	(7.2%)
I don't know	268	(2.1%)

APPENDIX: SELECTED CONTRIBUTIONS RECEIVED IN COMPLEMENT TO QUESTIONNAIRE

- **Contribution de la Banque alimentaire de la Marne, du Bas-Rhin, du Nord, de l'Hérault, du Jura, du Cher, du Loiret, Association P.A.S.S.A.G.E., Fédération Européenne des Banques alimentaires**

"Nous avons répondu à la consultation par Internet sur le futur du programme de distribution de denrées alimentaires aux personnes les plus démunies. Nous aimerions, comme vous nous l'avez proposé, apporter quelques commentaires complémentaires, et plus particulièrement sur les questions 11 et 13.

Complément à la question 11

Il ne nous semble en effet pas réaliste aujourd'hui de baser uniquement un programme d'aide alimentaire sur la disponibilité d'excédents ; l'expérience montre aussi qu'il ne faut pas en évacuer la possibilité et qu'il faut pouvoir en disposer lorsqu'ils existent. L'achat de produits finis devient une procédure nécessaire et plus productive en général, d'autant qu'elle n'exclut pas la possibilité d'initiatives particulières du type lait, fruits et légumes dans les écoles.

Dans cette optique il ne serait pas illogique de pluri-annualiser le programme européen d'aide alimentaire aux plus démunis.

Complément à la question 13

La mise en place d'un système de bons alimentaires ne nous semble pas répondre à la double nécessité :

- d'accompagner les familles dans leur recherche d'une plus grande autonomie,
- de fournir des aides alimentaires répondant aux impératifs nutritionnel spécifiques (parents isolés, sans abris,....).

De plus, les procédures nécessaires à la mise en place et le fonctionnement du système des bons alimentaires nous paraissent d'une très grande complexité.

Cette dernière réflexion nous amène à redire la nécessité d'utiliser la grande expertise des réseaux existants en matière de distribution d'aide alimentaire en nature et de mettre en place des systèmes de contrôle efficaces et adaptés ou à la portée de ces réseaux de bénévoles au service des plus démunis et des plus démunis eux-mêmes."

- **Contribution de la Banque alimentaire du Finistère**

"Nous avons répondu à la consultation par Internet sur le futur du programme de distribution de denrées alimentaires aux personnes les plus démunies. Nous aimerions, comme vous nous l'avez proposé, apporter quelques commentaires complémentaires, et plus particulièrement sur les questions 11 et 13.

Complément à la question 11

Il ne serait pas illogique de pluri-annualiser le programme européen d'aide alimentaire aux plus démunis.

Complément à la question 13

Il utiliser la grande expertise des réseaux existants en matière de distribution d'aide alimentaire en nature et mettre en place des systèmes de contrôle efficaces et adaptés."

- **Contribution from Federação Portuguesa dos Bancos Alimentares Contra a Fome, Confederação dos Agricultores de Portugal, Centro SOLVIT Portugal**

"Respondemos à consulta via internet sobre "O futuro do programa de distribuição de alimentos para pessoas carenciadas. Conforme vossa proposta, gostaríamos de enviar alguns comentários complementares, em particular sobre as perguntas 11 e 13.

Complemento à pergunta 11

Não nos parece realista actualmente que seja basear um programa de ajuda alimentar unicamente na disponibilidade de excedentes agrícolas. A experiência demonstra também que não devemos eliminar essa possibilidade, sendo indispensável poder dispor desses excedentes sempre que existam. A aquisição de produtos transformados torna-se assim um procedimento necessário e, em geral, mais produtivo, tanto mais quanto essa aquisição não exclui a possibilidade de iniciativas particulares como o caso da distribuição de leite, fruta ou legumes nas escolas.

Nesta óptica, não seria descabido apresentar dados por mais de um ano do programa europeu de ajuda alimentar aos mais necessitados.

Complemento à pergunta 13

A implementação de um sistema de vales alimentares não nos parece responder à dupla necessidade de:

- acompanhar as famílias na busca de uma maior autonomia;
- fornecer ajuda alimentar respondendo aos imperativos nutricionais específicos (famílias mono parentais, idosos, sem-abrigo,...).

Além do mais, os procedimentos necessários à instituição e funcionamento do sistema de vales alimentares parecem-nos de extrema complexidade.

Esta última reflexão leva-nos a reiterar a necessidade de utilizar a grande experiência das redes existentes em matéria de distribuição de ajuda alimentar em produtos e de implementar sistemas de controlo eficazes e adaptados ou alcance destas redes de voluntários ao serviço das pessoas mais necessitadas."

- **Contribution from Banco Alimentar Contra a Fome / Aveiro – Portugal**

"O programa de ajuda alimentar deve ter como objectivo proporcionar aos carenciados uma alimentação saudável e digna da sua qualidade de pessoa humana.

Não se pode resumir na disponibilidade de excedentes agrícolas, pois quando estes não existirem deve-se proceder por verbas próprias, à aquisição de produtos transformados que lhes permita usufruir, como anteriormente já foi enumerado, de uma alimentação saudável e digna.

A implementação de um sistema de vales, julgamos ser um sistema que exige um controlo muito apertado e sujeito a muitas fugas transformando, à posteriori, com conivência de fornecedores, os produtos recebidos por outros não aconselháveis e que não conduziam a uma alimentação saudável. O acompanhamento familiar igualmente se realizaria com menos oportunidade.

Atentamente .."

- **Contribution from Associação Nun'Álvares de Campanhã**

"Somos uma IPSS da cidade do Porto, situados numa freguesia (Campanhã) onde as carencias alimentares e a outros níveis são enormes.

A resposta que demos ao questionário, via internet, sobre " O futuro do programa de distribuição de alimentos para pessoas carenciadas" merece-nos o seguinte comentário:

Pensamos que a distribuição de produtos transformados é um procedimento necessário, até essencial, não descurando os excedentes agrícolas.

Relativamente aos vales alimentares, não nos parece que seja esta uma solução mais viável, uma vez que a experiência no terreno diz-nos que qualquer ajuda que não seja com os próprios bens alimentares é desviada para outras situações.

Não iria de forma nenhuma ajudar as famílias carenciadas.

Toda esta problemática deverá ser articulada com quem no terreno tem conhecimento capaz e experiência nestas situações, ou seja, os Bancos Alimentares contra a Fome.

Melhores cumprimentos..."

- **Contribution from Pela Associação Auxílio e Amizade**

"A Associação Auxílio e Amizade, IPSS sediada em Lisboa, Portugal, dentro do âmbito que é a sua razão de existência, o auxílio a famílias carenciadas da área de Lisboa, e respondendo ao apelo feito pelo Banco Alimentar Contra a Fome, na resposta à consulta via internet, gostaríamos de acrescentar algo mais, relativo ao âmbito das perguntas 11 e 13.

Não nos parece de todo realista, basear um programa de ajuda alimentar unicamente nas disponibilidades de excedentes agrícolas. A experiência tem demonstrado também que não devemos eliminar essa possibilidade, sendo indispensável poder dispor desses excedentes sempre que existam.

A aquisição de produtos transformados torna-se pois um procedimento necessário, e de uma maneira geral, mais produtivo, tanto mais quando essa aquisição não exclui a possibilidade de iniciativas particulares como o caso da distribuição de leite, fruta e legumes nas escolas.

Quanto à implementação de um sistema de vales alimentares, não nos parece responder à dupla necessidade: de por um lado acompanhar as famílias no sentido de as ajudar a caminhar para uma maior autonomia; e por outro lado, fornecer ajuda alimentar respondendo aos imperativos nutricionais específicos consoante os casos (idosos, crianças, famílias mono parentais, sem-abrigo, etc.).

Creemos por outro lado, que todo um sistema de vales alimentares, seria de tal modo complexo e burocrático, que não iria permitir alcançar eficazmente os propósitos para que são pensados.

Julgamos ser de suma importância não esquecer o papel fundamental das redes de ajuda existentes, que com o seu conhecimento prático das realidades que se vivem em cada local, com o seu partilhar de experiências, com a rede de voluntários que movimentam, poderão desenvolver um trabalho mais eficaz e profícuo nesta distribuição de ajudas alimentares aos mais carenciados.

É importante que aqueles que estão por detrás de uma secretária, encerrados num gabinete, do alto de um edifício, onde felizmente as necessidades alimentares e outras não se fazem sentir, não percam a noção da realidade, não esqueçam os milhares de seres humanos, homens, mulheres, crianças e jovens, que todos os dias acordam e se deitam com FOME. É obrigação dos mais favorecidos, contribuírem para erradicar os males do mundo, e se muitos deles não estão nas nossas mãos acabarem hoje ou amanhã, não é de todo admissível que em pleno século XXI, ainda haja fome, ainda se morra de fome, ainda nas ruas e cidades da nossa velha Europa, se arrastem concidadãos, implorando um pouco de pão para esconder a fome, tantos lares, onde a fome e a necessidade marcam presença diária, tantas crianças crescendo sem a conveniente alimentação.

Existe uma visão muito economicista das sociedades actuais, tudo é redutível a números, a estatísticas, a taxas. Mas o Homem é muito mais do que isso, é preciso dignificá-lo, é preciso ajudá-lo a CRESCER, é preciso que cada um de nós face a sua quota parte, e é preciso que aqueles que têm o poder de decisão, se lembrem de todos e não só de alguns.

Estamos a construir o futuro, estamos a preparar o mundo para as gerações do amanhã, que exemplos lhes queremos deixar? Era bom que todos meditássemos nisso, e que no fim de cada dia, nos inquiríssemos, sobre o que fizemos de positivo para ajudar a modificar a sociedade em que estamos integrados. A acção de cada um pode passar despercebida, mas multiplicada por milhares, milhões, pode fazer toda a diferença. "

- **Contribution from FEANTSA – Fédération Européenne d'Associations Nationales Travaillant avec les Sans-Abris** (*see next page*)



FEANTSA

FEANTSA Response to the Internet consultation on The Future of the "Most Deprived Food Distribution" Programme

FEANTSA is the European Federation of National Organisations working with People who are Homeless. It is a European NGO that brings together over 100 member organisations in almost 30 European countries and represents the service provider sector working with people who are homeless across a range of areas and needs (more details on FEANTSA mission, structure and activities can be found at: www.feantsa.org).

Based on its expertise and area of activities, FEANTSA's contribution will focus only on specific questions of the online consultation, as appropriate.

4. Have you heard of the European Union's food aid programme for the most deprived people living in the European Union?

Yes, FEANTSA was aware of the programme. However, not all our members knew about it, although they are aware of free food schemes in their own country.

5. Have you, or has the organisation you represent, ever benefited from the European Union food aid programme for the most deprived persons?

FEANTSA as such has never benefited from the EU food aid programme for the most deprived persons, as its main strands of work are: lobbying and policy work at European and national level; transnational exchange and networking; and research (European Observatory on Homelessness).

6. The European Community is committed to supporting and complementing the activities of the Member States in "combating social exclusion" and "improving public health". Do you agree that these are important tasks for Europe and that food aid to the most deprived people in Member States can contribute?

FEANTSA agrees that the EU has an important role to play, together with Member States, to combat social exclusion, improve public health and ensure that everyone's basic needs are met.

In this context, FEANTSA agrees that the free distribution of food to the most deprived can contribute to these aims. However, it is important to stress in this context that food distribution should be seen as an emergency answer to a situation, which should remain exceptional and temporary. Meeting food needs of excluded and deprived people should be seen as a first step towards their full reintegration into society. In general terms, employment and social policy measures should ensure that anyone has access to sufficient resources and support, for him/her to provide for his/her basic needs and those of his/her family, including food.

Food banks and free food distribution services are useful and necessary. However, they need to be complemented with and backed by appropriate policy measures, including adequate resources, capable of breaking the circle of extreme poverty and exclusion. In some countries, such as Spain, people who access free meals distribution services are given an appointment with a social worker within three days, in order to discuss their overall situation and see what steps can be taken to overcome the difficulties they are faced with. Also, children are not allowed into free food distribution services and are directly referred to the appropriate public service responsible for their welfare, which will find appropriate solutions. This aims at avoiding the risk of marginalisation and further exclusion at an early stage.

Similarly, emergency services aimed at people who are homeless are necessary and should be seen as a first temporary step enabling users to move forward towards full reintegration into society.

FEANTSA is supported financially by the European Commission
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responsible for any use that may be made of the information contained herein.



7. It has been said that "Food security is the most vital of all basic needs. Food insecurity undermines people's ability to learn, work and make progress on other fronts" (L.J.A Mougeot). Do you agree?

There is evidence that malnutrition is an issue among people who are homeless, especially those faced with street homelessness. Of course, food security is a vital basic need, as the alternative is mere survival or starvation. However, FEANTSA would like to stress that food provision is not sufficient and that individual needs should be looked at in a much broader perspective, as fundamental human rights are interlinked. Access to a secure place to live, to health or to employment is crucial to anyone's ability to live a life in dignity. The provision of free food should be seen as a first step in a process. It needs to be part of broader and long term policy framework, which aims at the full integration and participation of individuals in society.

In this context, one problem with free food distribution schemes is that in many countries, the way food is distributed contributes to add to the stigmatisation of the most deprived, especially if there is no perspective for them to move forward to mainstream channels of food provision.

8. Do you think public administrations in each Member State have a duty to ensure that all their citizens have adequate food?

FEANTSA believes that anyone has a right to adequate food.

9. Is it appropriate for the European Union to support Member States in ensuring that all EU citizens have enough to eat?

Yes. As mentioned above, food distribution should be part of a broader policy answer to extreme poverty and deprivation.

10. In view of the growing problems of obesity and unhealthy eating habits, should a future Food Aid Programme for deprived people pay special attention to the nutritional value of the food provided by the Programme?

FEANTSA believes that this is important, as good nutrition contributes to good health, which is a key determinant for individual well being and participation in society. It can be said that ill health conditions can be both the cause and result of social and housing exclusion. Moreover, accessing health care services is often very problematic for people who are homeless, including as a result of stigmatisation, and may imply very late recourse to care.

There is an increasing number of examples of good practice across Europe of healthy eating initiatives in low-income communities and of provision of healthy food within homeless services. The reintegration process can also be linked to the preparation of healthy meals for the whole community.

Also, environmental considerations should be taken into account when designing specific programmes.

11. Up to now, the EU's food aid programme for the European Union's most deprived people has depended on surplus food stocks. Thanks to the reform of the Common Agricultural Policy, surplus stocks have practically disappeared. Therefore, do you think the programme should be:

- Phased out gradually as intervention stocks disappear
- Expanded and linked with other EU initiatives to combat social exclusion
- Don't know
- Continued but on the basis of food purchases
- Cancelled immediately.

In general, FEANTSA thinks that food deprivation is very often an element of extreme poverty and social exclusion, including homelessness. These are complex and multifaceted realities, which are partially but not exclusively linked to the lack of adequate resources. Therefore, there is no single or simple solution: extreme poverty and exclusion can be addressed effectively only as part of a wider holistic strategy.

In this context, we feel that the EU's food aid programme for the most deprived people should not only depend on the availability of surplus stocks, but should be more structurally linked to a broader policy framework, both at EU and Member State level.

12. Should the EU target its support, to ensure that deprived people belonging to specific age groups or social categories have access to the healthy food they need (more than one answer possible)

- Pre-school age children
- Single parents
- Homeless people
- School-age children
- Older people (over 70)
- No, all deprived people should be helped.

FEANTSA believes that the programme should target those most in need. Anyone should be able to enjoy his/her fundamental human rights and see his/her basic needs met. When available resources are limited, the urgency of the need should help setting the priorities, in terms of who should be supported first.

13. Would it be appropriate to introduce a European food voucher system to ensure that low-income families and children have access to a healthy diet? For example, eligible households could be provided with an electronic EU debit card, valid for a certain amount each month, with which they would be able to purchase a specified range of food.

FEANTSA feels that this can be an option in those countries where there is already a voucher system open to the whole population, irrespective of their level of income (see for instance Belgium). In other countries however, vouchers might be seen as a measure only aimed at specific groups of the population, such as people who are identified as poor and who risk further stigmatisation when using them. The implications of such a measure should be assessed.

Also, it is important to keep in mind that the administrative procedure for the delivery of the vouchers can be extremely problematic for people who are the most vulnerable and who don't have a place to live, such as people who are homeless.

To conclude, FEANTSA feels that food aid, although a necessary and useful tool to answer urgent basic needs, should be seen in a much broader framework. There is a need for integrated policies, which would have as a general objective to make sure that people are able to achieve food independence through the implementation of a range of appropriate policies. This should be taken into account when discussing the future of the EU's food aid programme for the European Union's most deprived people.

For more details, please contact Stefania.delzotto@feantsa.org.

- **Contribution from “Healthy Food for All” Initiative, Ireland**



Healthy Food for All Initiative Response to Consultation on

**“Future of the European Programme of Food Distribution to the
Most Deprived Persons in the Community”**

30th May 2008

1. Introduction

Healthy Food for All (HFfA) is a multi-agency initiative seeking to promote access, availability and affordability of healthy food for low-income groups on the island of Ireland.¹ The initiative sets out to demonstrate the relationship between food poverty and other policy concerns such as health inequalities, welfare adequacy, education disadvantage, food production and distribution, retail planning and food safety. It seeks to identify and galvanise interest in, and commitment to, eliminating food poverty through raising public awareness, policy advocacy, promotion of best practice models and networking local initiatives with national structures.

In response to the invitation issued by the European Commission to contribute to this consultation process, HFfA held a round-table event with a number of stakeholders on 22nd May 2008 (a list of attendees is contained in Appendix 1). The event was attended by representatives from government departments, statutory agencies, and non-governmental organisations. While the content of this submission was informed by the discussions at this event, the document represents the position of HFfA only.

In Ireland, the Department of Agriculture and Food undertakes the distribution of aid from the Programme to charitable organisations. Normally the Programme is limited to voluntary organisations providing emergency and short-term accommodation for people who are homeless, day-care centres that provide meals for people who are homeless or food banks.

To date there has been little consultation and dialogue at a national level in Ireland between the key stakeholders involved in the management and implementation of the scheme and the distribution agencies. This event served to address this vacuum by raising awareness about the public consultation process and promoting discussion and dialogue with key stakeholders around potential policy options for the Programme's future.

2. Social rationale for food distribution scheme

Food poverty

There are clear links between income status and quality of diet in Ireland. People in the lower income deciles eat less fruit and vegetables; more processed foods

¹ Partnership Agencies: Armagh & Dungannon Health Action Zone, An Bord Bia, Combat Poverty Agency, Community Dietitian Service, Clondalkin Health Initiative, Crosscare, Department of Health & Children, Dublin City Council, Family Support Agency, Focus Ireland, Food Safety Authority Ireland, Limerick Food Partnership, Northern Ireland Public Health Alliance, Population Health (Health Services Executive), SafeFood, Society of St. Vincent de Paul, Tallaght Partnership, University College Dublin. HFfA is funded by Department of Social & Family Affairs, Population Health (Health Services Executive), Combat Poverty Agency, SafeFood, Food Safety Authority Ireland.

and consume more saturated fats. This same cohort is less likely to meet healthy eating guidelines even though they spend more on food as a proportion of their income. The 290,000 people living in consistent poverty in Ireland (7% of the population) can be seen to be at risk of food poverty. This means they are living on a low income and are deprived of one or more basic necessities, including various food-related items.

Among those who were income poor in 2005²:

- 11% went without a substantial meal on at least one day in the past two weeks
- 11% were unable to afford a roast once a week
- 9% were unable to afford a meal with meat, chicken or fish every 2nd day.
- 30% were unable to afford to have family or friends around for a meal or drink once a month

Rising food costs

Ireland has the second highest food costs in Europe³ and there is evidence that food costs will rise in the future. Global factors such as climate change policies, sustained rises in energy prices, biofuel production, serious droughts, growing demands for meat and dairy in Asia, high grain prices have affected, and will continue to affect the cost of food.

Obesity

Research clearly demonstrates that people from disadvantaged backgrounds eat a less healthy diet and are less likely to participate in daily physical activity and therefore more prone to becoming overweight and obese. The prevalence of overweight and obesity among children in the EU population is estimated at 30% in 2006.⁴ In Ireland, the National Task Force on Obesity published in 2005⁵, reported that 300,000 children in Ireland were overweight or obese and projected an annual increase of 10,000 per year on this figure.

Market failure

Infrastructural deficits impact disproportionately on poorer people who are living in poorly resourced locations where the type of food outlet available determines the availability and cost of food. It has been observed in research conducted in Ireland,⁶ that the larger multiples that have a greater choice of healthy affordable

² http://www.cso.ie/releasespublications/documents/eu_silc/current/eusilc.pdf

³ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-07-090/EN/KS-SF-07-090-EN.PDF

⁴ http://ec.europa.eu/health/ph_determinants/life_style/nutrition/documents/nutrition_wp_en.pdf

⁵ http://www.dohc.ie/publications/pdf/report_taskforce_on_obesity.pdf?direct=1

⁶ Friel, S, Walsh, O & McCarthy, D. (2004) [The Financial Cost of Healthy Eating in Ireland](#). (Combat Poverty Agency)

food, tend not to enter many regional or other similarly undesirable areas where the catchment market in the surrounding areas is deemed insufficient to justify their entry. In such areas, the 'symbol' category and independent retailer category cater for both 'one stop' and 'convenience' shoppers alike. For households in areas that are considered undesirable to enter by larger multiples, transport to and from supermarket/multiples – often located in out-of town sites with poor or no public transport – is often not feasible. They are forced by their circumstances to shop close to their homes, usually in the aforementioned 'symbol' category of retail outlets or the garage forecourt type of outlet where healthy food is more expensive and less available.

3. Issues, opportunities and proposals

The Most Deprived Programme has played a very important role in securing food provision for Europe's most deprived citizens for over 20 years and must remain in place. However, it is necessary to consider options for the future of the Programme given the disappearance of surplus interventions stocks.

The afore-mentioned round-table event organised by HFfA represented the first opportunity for many of the stakeholders to debate issues relevant to the proposed Programme. Some of the key discussion points were as follows:

Disappearance of surplus food

Surplus food distribution is a rational response to saving waste and providing food to those most in need, thereby producing a 'win-win' situation. However, while surplus food distribution is valuable for the part it plays in alleviating food poverty, among vulnerable groups it has the potential to institutionalise food poverty. In addition the Irish and European policy context within which surplus food distribution operates is lacking.

Direct role for NGOs in Implementation of programme

There is a need for consistent dialogue and consultation between the Member State Governments and the NGOs responsible for distributing the aid. In addition, NGOs should have a key role in decisions related to the implementation of the Programme and the distribution of the aid⁷.

HFfA would like to suggest that the Department of Agriculture and Food in Ireland establish an advisory group consisting of NGOs, Health Authorities and welfare agencies to oversee the administration of the Programme and the distribution of funds. Should the future of the Programme rely solely on market

⁷ In Ireland, the scheme is run at a basic level where only a portion of Ireland's designated aid is drawn down yearly.

purchases, HFfA proposes that the funding be administered by the Commission to the Department of Agriculture and Food for direct distribution to charitable organisations who will have ultimate responsibility for purchasing the food for distribution. This type of administrative approach could also be applied to the proposed option of directing the money towards the establishment of Community Food Initiatives and ensures fair and effective consultation with NGOs. HFfA is not in favour of a voucher system as proposed in the Internet Consultation document.

Support for Community Food Initiatives

Given that surplus intervention stocks no longer exist and the future of the Programme is under review HFfA believes this is an opportune time to review the Programme in terms of the wider food poverty context and consider other potential policy options for improving access to and affordability of food for low-income households. Community Food Initiatives are a means by which local barriers to healthy eating can be addressed in a practical manner. They provide an excellent opportunity to combat food poverty in a local area, giving the power of choice and change back to local communities. They are also identified in Irish government policy as a means of addressing food access issues⁸.

Community Food Initiatives:

- stimulate collective community action on food issues
- prioritise local issues
- involve people affected by poverty in identifying their own needs and developing responses
- increase awareness and knowledge of food issues within the local community
- support local social economy by training local people
- highlight inequalities with regard to access, affordability and availability of healthy food
- contribute to the health and well-being of people in the local area
- provide an alternative route to market for local producers and suppliers.

Examples of Community Food Initiatives include: Food growing projects, community cafes, food co-ops, and local food markets.

HFfA supports the funding of Community Food Initiatives as a proposed option for the future of the Programme in conjunction with market purchases. Responsibility for the dissemination of finances to fund the Programmes should

⁸ Nutritional Advisory Group (1996), Cardiovascular Health Strategy (1999), National Health Promotion Strategy 2000-2005 (2000), Report of the National Taskforce on Obesity (2005) Forthcoming National Food and Nutrition policy, National Action Plan for Social Inclusion 2007-2016 (2007), Towards 2016

be the responsibility of the NGOs which will minimize any administrative burdens on the Commission and Member States.

Programme embedded in broader social inclusion context

HFfA proposes that the future of the Programme is embedded in a broader social inclusion context. The prevention and amelioration of food poverty requires attention to be directed to alleviating both socio-economic inequality and the reasons for socioeconomic variations in dietary behaviour. Different approaches are necessary for different situations. Hungry people require immediate material and practical assistance in order to avoid harm to their health and survival. Social inequality on the other hand relates to the gradients observed in dietary behaviour which, whilst not requiring immediate action for survival purposes, if left long term will lead to continuing social inequality in related health and social outcomes. Addressing these issues require the assembly of appropriate partnerships involving relevant DGs such as Health, Economic and Financial Affairs, Employment, Social Affairs and Equal Opportunities, Regional Policy as well as representatives from European NGOs and Member States.

Please note: HFfA also submitted a response to the online Consultation questionnaire.

Appendix 1: Participants at HFfA Roundtable Consultation on Future of European Programme for Most Deprived Persons

Name	Organisation
Ursula O' Dwyer	Department of Health and Children
Jack Dunphy	Crosscare
Jim Walsh	Combat Poverty Agency
Marjo Moonen	Tallaght Partnership
Orla Walsh	Healthy Food for All
Olive Carolan	Community Dietitian (Health Services Executive)
Sonja Kleeman	Community Dietitian (Health Services Executive)
Marie Branigan	Community Dietitian (Health Services Executive)

ANNEX 7
EXECUTIVE SUMMARY OF THE 1998 EVALUATION⁴

MAIN CONCLUSIONS AND RECOMMENDATIONS

Aid for the needy

This measure involves the free distribution by charitable organisations of food from Community intervention stocks to those who are worst off in the European Union.

The social purpose of the measure is clearly set out in the regulations introducing it, and subsequent amendments. Its usefulness in the context of persistent widespread poverty in Europe is attested by the charities helping the needy, which are extremely appreciative. But when the measure was introduced in 1982 another, admittedly secondary, purpose was to help run down the Community's huge and costly intervention stocks of cereals, dairy products, beef and olive oil. The volume of such stocks has contracted sharply over recent years. Analysis shows that intervention is still needed on markets, however, to prevent the formation of stocks; the medium to long-term outlook for the development of markets does imply that there is a danger of surpluses growing again for most of the products eligible for intervention. The measure can therefore still be regarded as a market regulation instrument.

The Member States, which exercise their responsibility for implementing the measure in cooperation with the charities, are well able to make effective use of the resources which the Community budget makes available. The rate of utilisation of appropriations is satisfactory on the whole; aid is directed towards those who need it most; it matches the needs of the charities which distribute it, and accounts for a substantial portion of their resources. On the other hand, there is some doubt about the effectiveness of the measure in terms of market regulation. Analysis suggests that a proportion of the products withdrawn from Community stocks for free distribution to the needy — in some cases, possibly a large proportion — returns indirectly to intervention.

An analysis of the efficiency of aid to the needy also leads to a differentiated assessment. While there is no doubt that it is an efficient instrument of social aid, it is considerably more expensive than export refunds as a method of reducing the structural surplus of agricultural output, even assuming that there were no loss of effectiveness due to returns into intervention stock.

In the final analysis, in view of Europe's serious poverty problem and of the unquestionable usefulness of aid to the needy, continuation of the measure should certainly be recommended, and possibly even an increase in the financial resources devoted to it. The recommendation is the easier to justify as the Council has made it clear both in the Regulation introducing the measure and in the later amendments that the social aspects were regarded as more important than the role of the measure as an instrument of market regulation.

However, since the measure is neither very effective nor very efficient as a market regulation instrument, the question does arise whether it should continue to be financed from the Commission's agricultural budget, and to be managed by DG VI. Since the acts governing the European institutions do not give DG V, in charge of social affairs, any powers of direct financial intervention in the area of social assistance, the only possible solution at the moment is financing

⁴ Assessment of European community food programmes, December 1998 (external study carried out by ADE) available on internet: http://ec.europa.eu/agriculture/eval/reports/foodaid/index_fr.htm

from the Community's agricultural budget. To manage the measure requires a knowledge of agricultural markets that is available only in DG VI.

Any action that might be considered to enhance the effectiveness of aid to the needy as an instrument of market regulation would undermine its effectiveness as a social measure. It would mean that the Member States taking part would have to be subject to more restrictive conditions with regard to transforming agricultural products withdrawn from stock into foodstuffs, thus reducing both the amount and the variety of foodstuffs provided. The flexibility introduced into the rules by the 1992 and 1995 amendments shows, on the contrary, that the Council wished to give preference to the social effectiveness of the measure. It is worth noting that so far the Commission has been very cautious in taking advantage of the more flexible arrangements, in particular the possibility of transfers within the Community and authorisation for purchases on the market.

As well as the flexibility provided by the 1992 and 1995 Regulations, the social effectiveness of the measure could be improved by taking additional action.

- While total budget financing for the measure varies very little from one year to the next, the amount available to each participating State may change sharply if some Member States decide to join or leave the programme. This in turn causes problems for the charities, which have to adapt to these variations in resources. It would seem desirable for the Commission to construct its budget proposal by aggregating requests from the participating Member States, or the appropriations allocated to them the previous year, rather than to fix overall financing for later allocation between participating Member States.
- As a result of the timetable for implementing the measure, which is contingent upon the EAGGF budget timetable, charities do not receive the foodstuffs made available to them in time for peak seasonal demand. The Member States could help solve this problem by spreading the distribution of products over the whole year. But it is also worth considering what steps the Commission could take, without contravening budget rules, to ensure that products for the needy are distributed earlier to the Member States.
- The practice of evaluating the requests of the participating Member States at the intervention prices of the products concerned leads in certain cases to an unjustified reduction in the volume put at the disposal of the charities. This applies in particular to beef, where the weight allocated to each Member State is determined by reference to the average intervention price, although the price of meat for processing used for the manufacture of preserved products is considerably lower. It would be worth considering a change in the calculation procedure used by the Commission.

ANNEX 8
HOW THE PROGRAMME CURRENTLY WORKS

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LEGAL BASIS

The free distribution programme to the most deprived started in 1987 as an improvised emergency measure, providing for the distribution of a wide range of products, such as butter, olive oil, fruit and vegetables and beef (Council Reg. (EEC) No 230/87).

Following the positive response from Member States, the measure was formalised by Council Regulation (EC) No. 3730/1987 and based on intervention stocks. This primary Council Regulation has been recently repealed and replaced by the Council Regulation No 1234/2007 (Single CMO Regulation). Commission Regulation No. 3149/1992 establishes the implementation rules for the scheme as an annual plan.

1. THE ALLOCATION OF FINANCIAL RESOURCES

Each year, before the 30 September, the Commission adopts an annual plan for the distribution of the products from intervention stocks, broken down by Member State concerned. The allocation is carried out in different steps, through an "iterative" process in which requests submitted by MS also play an important role.

1.1. The theoretical allocation

A primary allocation among Member States is based on the following elements:

- total population in each MS, provided by Eurostat,
- the rate of people at risk of poverty provided by Eurostat,
- the annual budget of the programme.

The allocation of the financial resources is based on population data and statistics on poverty provided both by Eurostat. The indicator used by Eurostat to measure income poverty is the "at risk of poverty rate". This indicator represents the share of persons whose income is below 60% of the national equivalised median income. The choice of taking 60% of national median is purely conventional⁵, but other thresholds, set at 40%, 50% and 70% are given, as well, by Eurostat⁶, every year.

The "at risk of poverty rate" is a measure of poverty calculated by Eurostat. No reference is made to an EU absolute benchmark⁷. This is because minimal acceptable standards usually differ between societies according to their general level of prosperity. Someone regarded as poor in a rich developed country might be regarded as rich in a poor developing country.

By using the above information, a primary allocation of financial resources is carried out on the basis of the proportion of "people at risk of poverty" in Europe, among the Member States that communicate their participation in the programme. This approach allows a preliminary breakdown of the EU budget among MS according to the resulting number of "people at risk of

⁵ Even though statistical considerations are behind this choice (i.e. robustness).

⁶ The decision to retain additional thresholds was taken in the Laeken Council, in December 2001.

⁷ Not calculated by Eurostat.

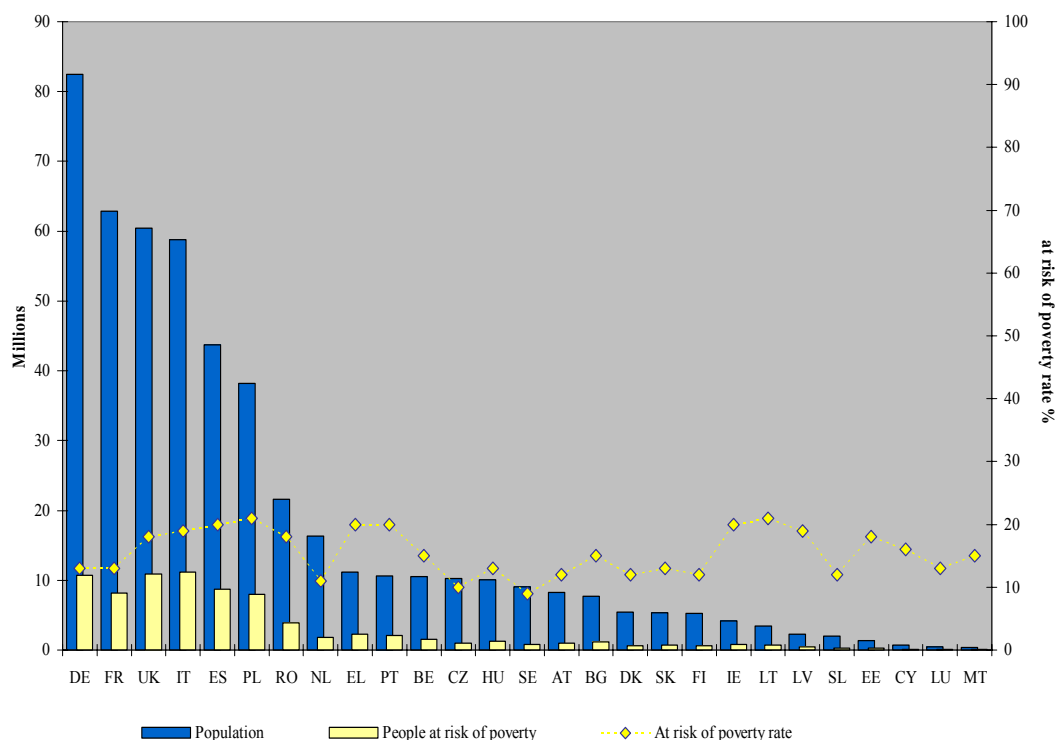
poverty". On the basis of this method, each Member State gets a theoretical share of the annual budget foreseen for the programme.

Even if the "at risk of poverty rate" does not allow to directly identify people in need of food (but only a larger category of "poor people"), this approach is a first attempt to respond to the requisite expressed in Regulation (EEC) No 3149/92 where it is written that *"the Commission each year shall take account of the best estimates of the number of most deprived persons in the Member States concerned as well as the experience gained and uses to which the resources were put in previous years"* (Article 2)⁸.

The most recent data from Eurostat are always used for calculation. The budget is set annually following a decision taken by the Budget Authority.

For 2008, the budget was initially set at €296.5 millions, including transfers of goods from intervention stocks among MS (€294.5 millions without). Subsequently, the Budget Authority granted a complement of budget (compared with 2007) to take into account the dramatic increase of food price inflation. The final budget was then set at €307 millions (305 millions transfers).

Figure 1: Total population, people at risk of poverty and "at risk of poverty rate" in EU (2007/08)



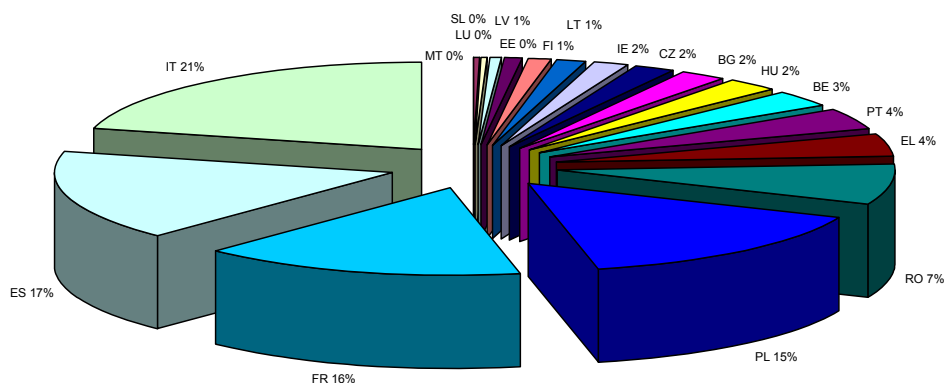
Considering data used for the 2008 budget allocation, in that year around 80 million out of 493 million people were "at a risk of poverty". Figure 1 gives an overview of the total population, the number of people at risk of poverty and the rate "at risk of poverty" in each Member State.

⁸ Even though, Eurostat statistics do not allow to reach groups most touched by poverty (homeless, clandestine, immigrants).

Since in 2008 19 Member States out of 27 decided to take part to the programme⁹, the theoretical distribution concerned 53 million poor people. €305 million were then distributed according to the share of poor people in Italy, Spain, France, Poland, Romania, Greece, Portugal, Belgium, Hungary, Bulgaria, Czech Republic, Ireland, Finland, Malta, Latvia, Lithuania, Estonia, Slovenia and Luxembourg.

Figure 2 shows the breakdown of financial resources by participating Member States. The share is high in Italy (21%), Spain (16.6%), France (15.5%) and Poland (15%), while it represents less than 1% for Luxembourg, Malta, Estonia and Slovenia.

Figure 2: Breakdown of financial resources, 2008 annual plan



This breakdown results in a theoretical assignment to each MS. In order to avoid that MS's requests be based on the budget available and not on the needs expressed by the national charity organisations, this budgetary envelope is not communicated to MS.

1.2. From the theoretical to the final allocation

By May at the latest, MS wishing to apply the measure notify the following information to the Commission:

- (1) The quantities of each type of product (expressed in tonnes) required to implement the annual programme on their territory
- (2) The form in which the products are to be distributed to the recipients
- (3) The eligibility criteria to be met by the recipients
- (4) The rate of charges, if any, which may be imposed on the recipients.

The requirements in quantity sent by the Member States are converted into value by using intervention prices valid on 1 October of each year.

At this stage, the Commission proceeds to make a comparison between the budget envelope attributed to each Member States and the needs expressed by Member States:

- If Member States' requirements differ from the theoretical allocation, the Commission introduces adjustments and corrections to the primary distribution. Resources allocated to a

⁹ Denmark, Germany, Cyprus, The Netherlands, Austria, Slovakia, Sweden and the UK did not participate.

MS but not required are reallocated among those Member States whose needs exceed the theoretical allocation. The redistribution is carried out by employing the same criteria, i.e. the share of population at risk of poverty, recalculated only among those countries requiring more.

- The result of this reallocation is compared against the requests of Member States. From this comparison, if there are still amounts in excess, the amounts are again redistributed among those countries, which need to have more, according to their share of person at risk of poverty.
- The "iterative" process of reallocation ends when there are no more excess resources to be reallocated.

Following the breakdown, each MS is earmarked an envelope to implement the programme nationally. This envelope is a ceiling which cannot be overspent by the MS. This trade-off enables a breakdown of the limited resources. Consequently, some MS receive a budget equal to their wishes whereas others received a certain ceiling which does not cover their primary request.

Although this methodology of allocation has been followed by the Commission for several years, Regulation 3149/1992 contains no detailed legal provision for the breakdown between MS.

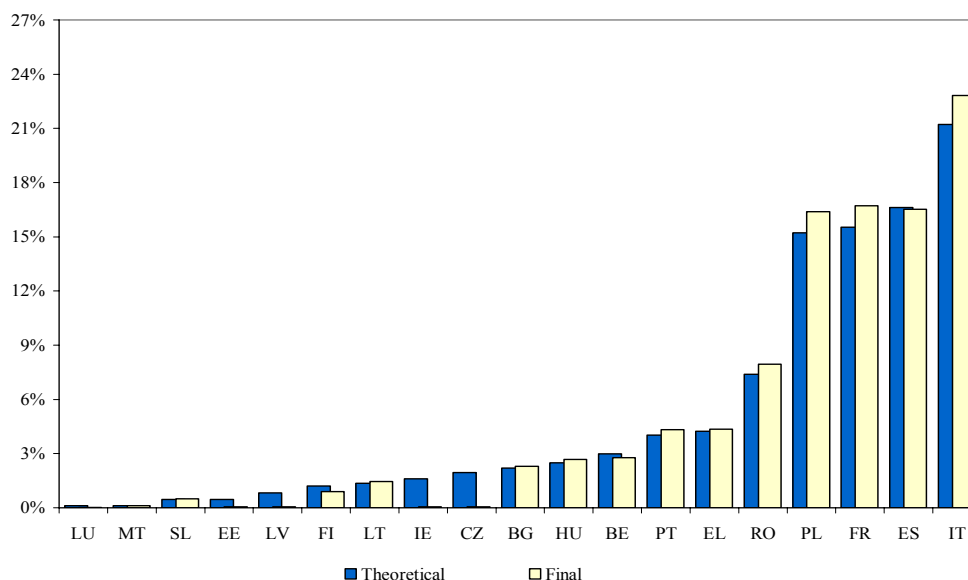
Taking the 2008 annual plan as an example, the needs communicated by MS largely exceeded the budgetary possibilities by about €45 million (€350 million against €305 million). The needs expressed by Belgium, Czech Republic, Estonia, Ireland, Latvia and Luxembourg were lower than the amount attributed by the theoretical allocation. On the contrary, the requirements of Italy, France, Poland, Romania, Portugal, Hungary and Lithuania were much higher. No noticeable difference between requirements and allocations were found for Spain, Greece and Slovenia.

The amount saved from those countries asking less (about €16 million) was then redistributed among those asking more, according to their share in poverty.

After the first iteration there was still an excess amount of less than €1 million which was reallocated to the other countries whose requirements were still above the second distribution. The process of reallocation ended after two iterations.

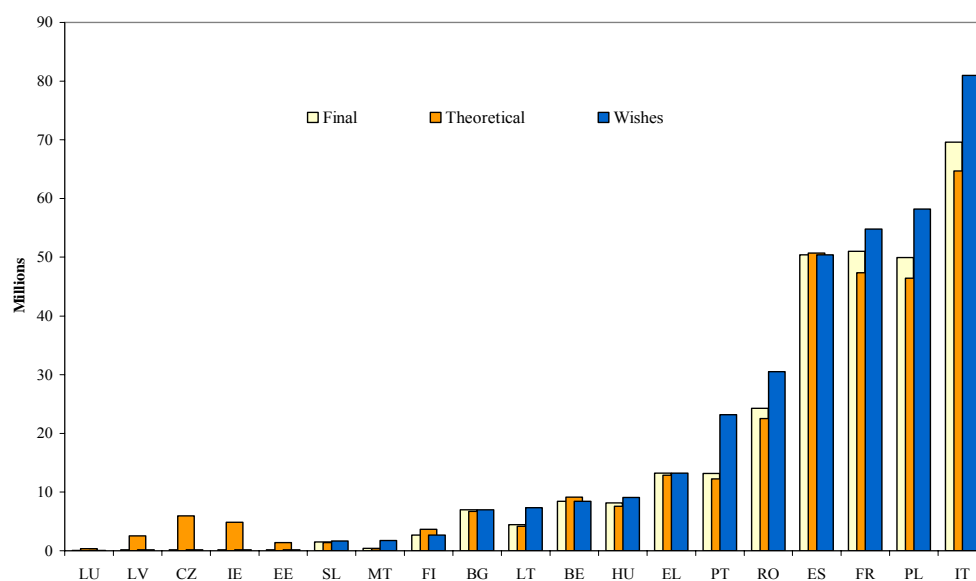
As the reallocation is based on shares which are recalculated each time on the basis of countries participating in the reallocation, the final redistribution differs from the theoretical one. Figures 3 and 4 show, respectively, the difference in percentage and in value between the theoretical share and the final allocation (Fig. 3) and with the wishes expressed by Member States (Fig. 4).

Figure 3: Difference between the theoretical and the final distribution (%)



The iteration carried out led to the following results: Latvia, Czech Republic and Ireland got more than their initial requirements, while Italy, Poland, France, Romania and Portugal, in the end, were assigned less.

Figure 4: Theoretical, final and requirements expressed by Member States - 2008 annual plan (in Euros)



When considering the needs of stocks expressed by Member States, transport and administrative costs are also taken into account in the calculation at a rate of 5.5%¹⁰ of the value of the products required. Both these values are incorporated in the MS envelopes to implement the scheme.

¹⁰ In 2008, 1% and 4.5% respectively for administrative costs and transport costs. The percentage for the administrative cost is explicitly given by Commission Regulation (EC) No 3149/92 as a ceiling for the reimbursement, whereas the percentage for the transport costs is fixed by the Commission services on the

Transfers costs, needed to cover the intra Community movements of intervention products from a Member States to another, vary in function of the quantities which need to be transferred. They reached more than 5.4 million euro in 2007, but it has been estimated at € 2 million to implement the 2008 plan in which a very smaller quantity of products is available from the intervention stocks. These costs are not included into the overall "Most Deprived Programme" budget but are reimbursed separately by the Community, by another budget line of the EAGF.

When all the money has been allocated, every MS receives a specific envelope which must not be exceeded in the national implementations. These amounts are included in the Commission regulation for the annual distribution plans.

The specific amounts as adopted in the 2008 annual plan, after the amendment¹¹ to take account of the food price inflation, were as follows:

Table 1: 2008 MS budget breakdown

LU	81,091
LV	153,910
CZ	155,443
IE	155,965
EE	192,388
MT	378,242
SL	1,499,216
FI	2,741,323
LT	4,456,991
BG	7,007,310
HU	8,169,224
BE	8,461,691
PT	13,182,946
EL	13,228,830
RO	24,258,046
PL	49,971,042
ES	50,419,083
FR	50,982,533
IT	69,614,288
EU 27	305,109,562

The annual plan is published before the end of September, while the plan shall run from 1 October to 31 December.

A schema illustrating the process leading to the definition of the annual plan prepared in the year *n-1* for the year *n*, is given at the end of the present document.

2. THE ROLE OF INTERVENTION STOCKS

Since 1988 the free distribution programme has relied on the existence of large intervention stocks. In 1990, stocks had been significantly reduced and Germany decided to leave the

base of the previous year expenditures and is in any case binding for the MS in implementing the programme.

¹¹ Commission Regulation (EC) No 182/2008.

programme. Consequently, concern about the programme’s future led to an overhaul of the implementing regulation.

In response to the decline of beef in intervention before the BSE crisis, the Council provided for the possibility of buying products on the market and not only using intervention stocks. Purchases of beef for over € 40 million were authorised in the 1996 annual plan. However, with the BSE crisis, beef stocks were replenished and purchases were only made when very small quantities were required. Following the reform of the beef CMO in 1999 beef stocks were reduced to zero; the last few tonnes were distributed in 2004.

The same happened with olive oil after the abolition of the public intervention scheme. Intervention still exists for milk powder, but stocks have been very low for the last three years. Similarly, rice, cereals and butter from intervention have been available for the last time last year.

Amendments to the programme have been drawn up to cope with the ever-decreasing range of available products. In addition to intra-community transfers the following possibilities for flexibility have been introduced:

- Purchase on the market if a product is not available in intervention
- Exchange of intervention products with products belonging to the same "product family" (e.g. wheat for rice); rice and cereals are fully exchangeable.
- The possibility to mix or incorporate an intervention product with products mobilised on the market.

Figures 5 and 6 show the evolution, respectively in volume and value, of the products in intervention available for MS.

Figure 5: Products withdrawn from intervention since 1995

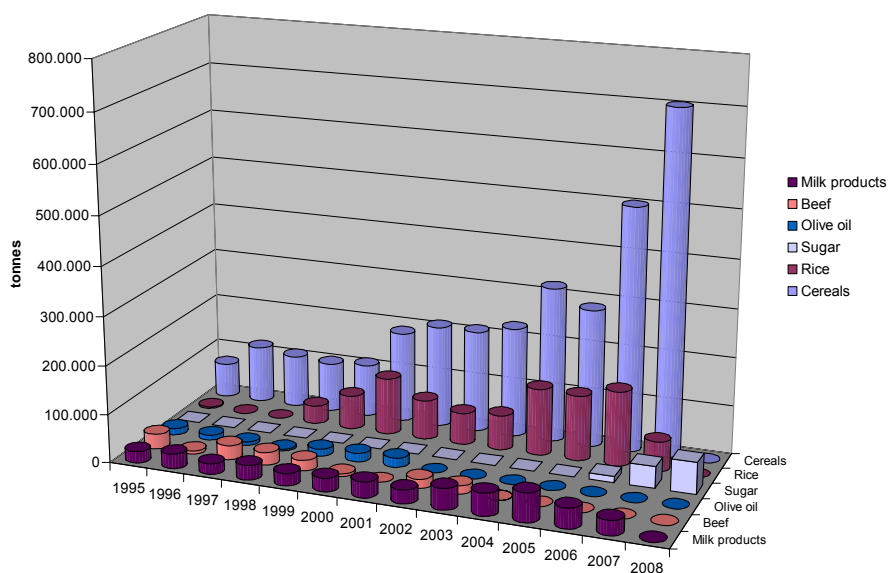
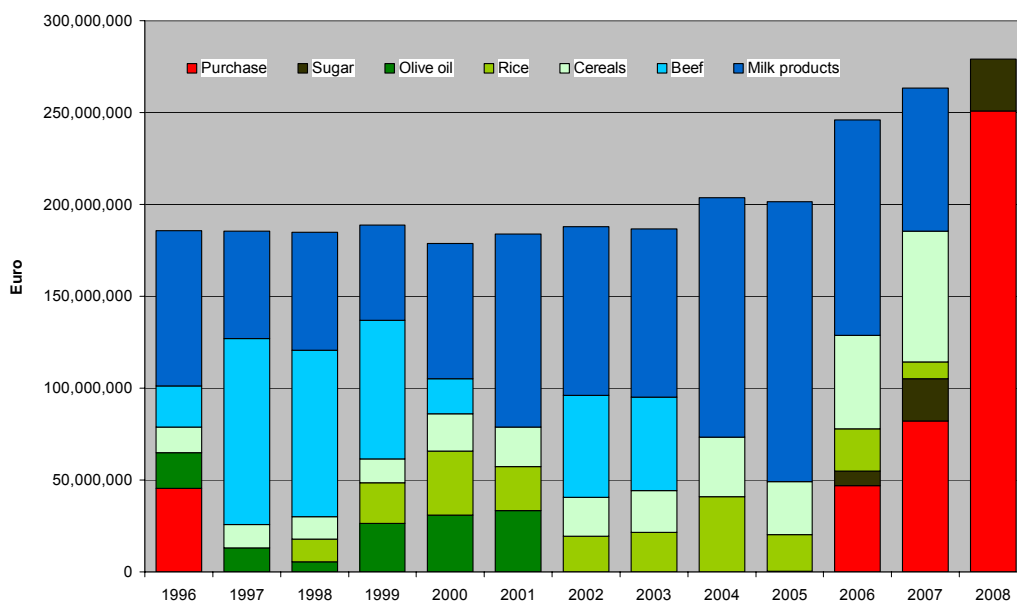


Figure 6: Products distributed since 1995 in value



In volume, cereals have taken an increasing role over time, as has rice and, to a lesser extent, dairy products. In value terms, milk products have played the major role. In the last years, for most products, intervention stocks have been at a very low level and in some cases have disappeared altogether. In 2008 the only product available is sugar.

Consequently, purchases on the market, initially conceived as an exceptional instrument, have progressively become the major part of the programme, concentrating more than 95% of the value of products distributed.

3. IMPLEMENTATION RULES

For its setting up and its annual implementation, the Programme involves the Commission services, MS administrations and charitable NGOs or other social bodies

3.1. Annual plan implementation

The implementation for year n is comprised between October 1st (year n-1) and December 31 (year n). Each Member State organises the implementation of the programme on its own territory. They choose the bodies in charge of the distribution on their territory, very often charitable NGOs but sometimes also national social agencies. The choices of the eligible beneficiaries as well as the breakdown of the products to the NGOs are a matter of subsidiarity to the MS.

The products are either withdrawn from the intervention stocks or purchased on the market. In case of products available in public stocks in a MS and needed in another MS, transfers are possible. Withdrawals from intervention as well as market purchases on the market are managed by the MS administrations, through calls for tender procedures. These calls for tender intended to private operators can include the processing and the packaging of the products. The best offer is the one proposing the highest delivery for a given volume of products (from intervention) or budget (market purchase).

The transport to the distribution bodies could be realized by another operator than the one providing the food, following a separate call for tenders.

Not all the products are distributed in their raw form. They may be given by tender to national companies who provide edible products which integrate in their ingredients a product from intervention. An example is packages of milled rice; another example, breakfast cereal, with the cereal being the intervention product, using added ingredients like chocolate.

The plan is regarded as implemented, when the products arrive at the warehouses of the organisation(s) selected by the Member State for the effective distribution.

Any quantities that have not been withdrawn from intervention stocks by 30 shall no longer be allocated to the Member State to which they were assigned under the plan in question.

During the implementation period the Member States shall notify to the Commission any changes that they make to the implementation of the plan on their own territory. When substantiated changes concern 5% or more of the quantities or values entered per product in the Community plan, the plan shall be revised.

Thus, when there are foreseeable reductions in expenditure on applying the plan, the Commission can allocate the available resources to other member States.

3.2. Distribution to the most deprived people

The organisation at the national levels varies according to the MS. As the MS are free to choose the most efficient way to organise the distribution, specific coordination between institutional and NGOs has been created over the years. Different systems can be observed.

- In the first case (France, Italy...), the NGOs designed as beneficiaries of the Programme are the direct distributors of the food. This means that they are in contact with the deprived. They receive the food from the operator which has won the call for tenders for the furniture. Then, they organise the storage, transport to their distribution centres and distribute the food.
- A second system (Spain, Lithuania ...) corresponds to the cases when the NGOs designed as beneficiaries of the Programme are not the direct distributors. They are a relay between the institutional level and the organisations in contact with the deprived. They receive the food from the operators, stock it in storage facilities and then distribute it to the distributing organisations. These latter are the ones effectively in charge of the distribution. They could be for example parishes, social centres (orphanage, centre for unemployed people, homeless centre...).
- Last option followed by several MS (Belgium...): national social services are themselves in charge of the distribution. State services manage the reception, storage and delivery of the food to the deprived.

Another differentiation area is the way the food is effectively distributed to the deprived.

Some of the charities provide soup kitchen, other distribute meal baskets that the beneficiaries can cook at home. The first system is better intended to outcast people, socially isolated or homeless. It has the advantage to create a community dynamic, implying contacts with social workers and facilitating the furniture of "associated services": medical checks, literacy

course...The second option – furniture of baskets – aims at preserving a higher responsibility of the individual, obliging him/her to get along to cook. It is appropriated in particular to keep the family unit, but implies that the beneficiaries have the facilities to cook.

Differences are also observed between MS as regards the type of food demanded by the charities. Not only the diet varies a lot throughout Europe, but also its form: raw product (flour, sugar...) or already processed (potted foods, pasta...).

3.3. Controls

Measures to ensure that the plan is properly implemented are taken by Member States. The latter have also to anticipate and penalise possible irregularities. Depending on the nature and seriousness of the discovered irregularity, Member States may suspend the participation of operators in the competitive tendering procedure or organisation designated for distribution in the annual plans. By the end of June, Member States have to submit a report on the implementation of the plan on the territory during the previous year. In this report they have also specify the verification measures that have been applied to ensure that the foodstuffs have reached the beneficiaries.

The report should mention as well the number of checks carried out and penalties eventually imposed.

According to the Regulation, the checks shall cover at least 5% of the quantity of each type of product to be withdrawn from the stocks or purchased on the market. The purpose of the check is to verify product transfer to successive actors and the final delivery.

3.4. Participation in the MDP

The list of MS participating in the scheme has changed over the programme's existence. Some have participated every year since 1987 (Belgium, Greece, Spain, France, Ireland, Italy, Luxembourg and Portugal; plus Finland since 1995).

Others gradually left the scheme (Germany in 1989, the Netherlands in 1995, the UK in 2001, Denmark in 2004). Sweden and Austria never participated in it. Several of these MS have explained their position: they oppose the measure on the argument it is a social one. For them, it should neither be funded by the CAP budget nor any EU budget.

The new MS (EU-15) have all joined the scheme between 2004 and 2008, except Cyprus and Slovakia.

Therefore, 19 MS participate in the programme in 2008

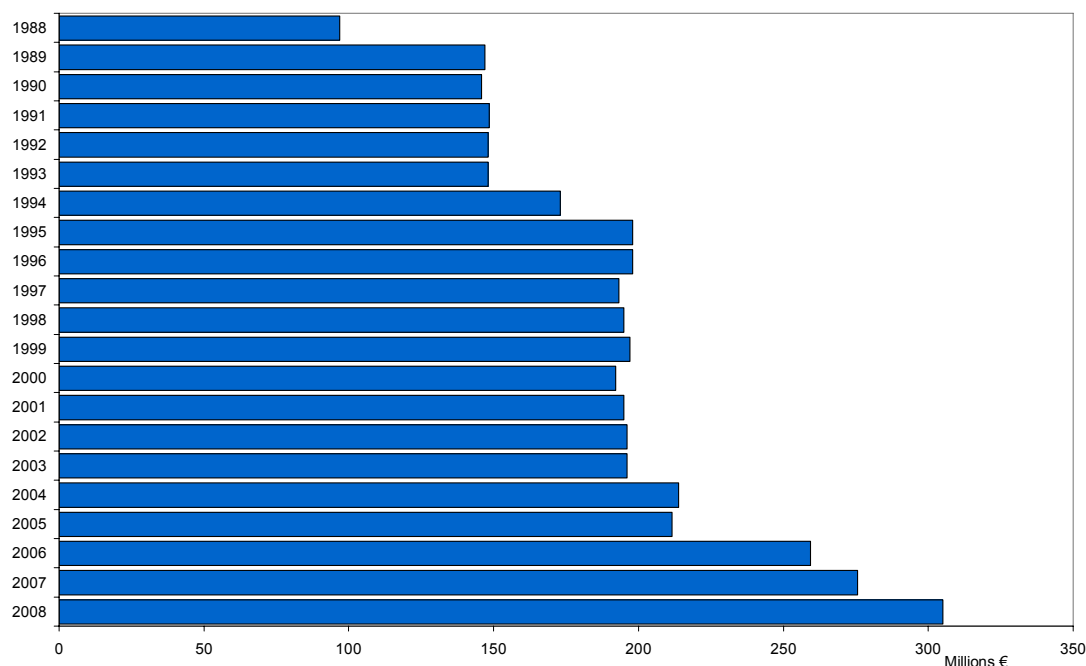
4. OUTCOMES OF THE PROGRAMME

4.1. Overall Budget

Total budget increased from just under €100 million in 1988 to €305 million in 2008.

Significant budget increases were granted in 1994 and 1995 (following the Albanian refugee crisis), in the context of the 2004 enlargement and again in 2006, when most of the new Member States joined the programme. More recently, in 2008, additional budgets were earmarked in order to take into account the food price inflation.

Figure 7: Budget expenditures



While the budget resources could be seen as substantial, they are far from sufficient: in 2008 the financial frame for the annual plan was €305 million for the EU-27, but requests communicated by Member States exceeded €350 million. With the development of the NGO infrastructure in the new Member States requests will certainly increase further.

4.2. Beneficiaries of the Programme

The rate of persons at risk of poverty has been fairly stable over the last ten years. After falling to 15%, in 2004 it rose slightly to 17% in the EU-15 and 16% in the EU-25. This represents more than 64 million people at risk of poverty in the EU-15 in 2004, 75 million in the EU-25 and 80 million in the EU-27.

Charitable organisations in the Member States point out that their beneficiaries have increased in numbers and changed in recent years: more and more often they receive "working poor" and others who have not completely dropped out of society. According to the Commission's Joint Report on Social Inclusion (COM(2003) 773) roughly 25% of the employable persons at risk of poverty are actually people with a job. Specifically vulnerable groups are ethnic minorities, immigrants, "travellers" and Roma.

Ms have a legal obligation to declare the number of beneficiaries of the aid. According to their declaration, the number of recipients of the aid has doubled between 2004 and 2006. In 1997, this figure was estimated at 7.3 millions¹² (without Ireland).

The following table gives the number of recipients of the aid, according to the MS declarations:

¹² Evaluation report, 1998.

Table 2: Raw estimates of beneficiary numbers

	2004	2005	2006
BE	116 000	221 540	222 720
DK	8 000		
GR	250 218	296 262	910 126
ES	997 924	941 079	834 400
FR	2 500 000	2 509 811	2 725 872
IE	?	?	?
IT	2 300 000	2 300 000	2 300 000
LV			26 681
LT			200 000
LU	0	770	785
HU			843 028
MT		50 000	50 000
PL	1 462 348	3 594 196	4 265 078
PT	585 159	484 861	513 141
SI			180 483
FI	300 000	300 000	362 000
EU 25	8 519 649	10 698 519	13 434 314

NB: no available figures for Ireland; empty boxes mean the MS did not participate to the programme.

However, it has to be kept in mind that these figures are hard to determine for the MS. Several technical points can be mentioned:

- In the reports, the MS do not always clearly make explicit whether they refer to the recipient (receiving a complete meal) or to a ration. In addition, they do not clearly make distinction between regular and occasional recipients.
- The charities generally report rough estimations of their beneficiaries (sometimes only ranges are available) and without explanations of the counting methodology. Moreover, they sometimes count only the head of household and in other cases, all the members of the family.

Due to these statistical problems, no definitive conclusions can be presented, particularly as regards absolute figures and comparisons between MS. Only the general trends can be interpreted. At EU level, a strong increase of recipients was reported in recent years, as the new MS gradually joined the scheme. In 2004, only Poland participated, whereas in 2006 5 others new MS joined the programme. Altogether, in 2006 they accounted for 41% of the recipients in the EU. The number of beneficiaries in the old MS rose by 45% between 2004 and 2006.

Even if the real number of recipients of the scheme cannot be correctly estimated, it is worth comparing the reported figure of 13.4 millions people receiving an aid with the one of people at risk of poverty in the EU-27 (using the 60%-under-the-median threshold): 80 millions people. That is to say, even if these 13.4 millions are underestimated, the correct figure does surely not reach the level of targeted people. In this sense, the programme can be judged as really benefiting the most deprived of the EU's population.

4.3. The use of resources

The annual plans provide a ceiling for each MS to implement the scheme nationally. Table 3 shows the effective use of the envelope by the MS.

The percentage of use is high, and has reached 96.1% for the 2006 Plan. However, it can vary a lot from a MS to another and according to the years. In the Netherlands, in Italy, in Greece and more recently in Romania (in 2007), the use rate was low because of accidental factors, as the absence of replies during some years to answer to the calls for tender, or the contestation of the results for these calls for tender, resulting on the non-respect of the date-lines for the distribution. In these cases, the allocated but not used amounts came back to the Community budget. This under utilisation was particularly high in 2003 for 43% for Greece (and Luxembourg, for reasons independent of this MS). Because of this the Commission reduced the Greek envelope by half, in 2004.

However, despite these cases, it can be said that the participating MS are on the whole efficient in spending their allocated envelope and audits have revealed that this efficiency increases over the years.

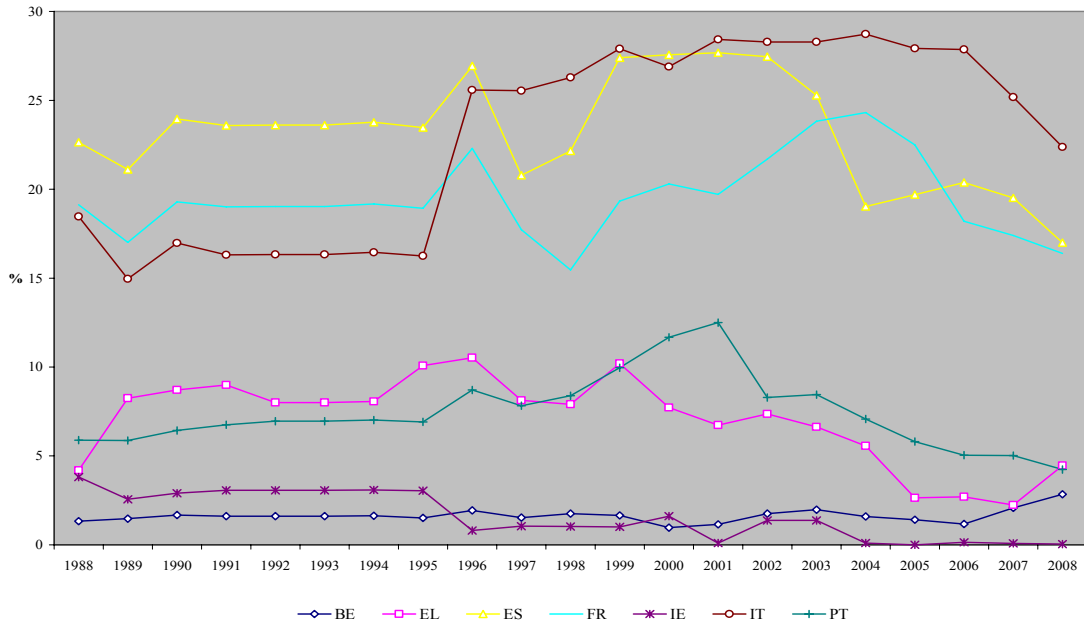
Table 3: Effective use of the overall budget

	Total ceiling (million euros)	% utilisation
1987	160.000.000,00	-
1988	96.964.000,00	96
1989	147.000.000,00	91
1990	145.906.000,00	83
1991	148.500.000,00	90
1992	148.000.000,00	89
1993	148.000.000,00	87
1994	173.000.000,00	89
1995	198.000.000,00	89
1996	198.000.000,00	95
1997	193.300.000,00	99
1998	195.000.000,00	94
1999	197.000.000,00	100
2000	192.000.000,00	80
2001	195.000.000,00	-
2002	196.000.000,00	86,3
2003	196.000.000,00	72,3
2004	213.744.000,00	92,3
2005	211.485.649,00	95,1
2006	259.414.144,00	96,1

4.4. Evolution of MS shares of the overall budget

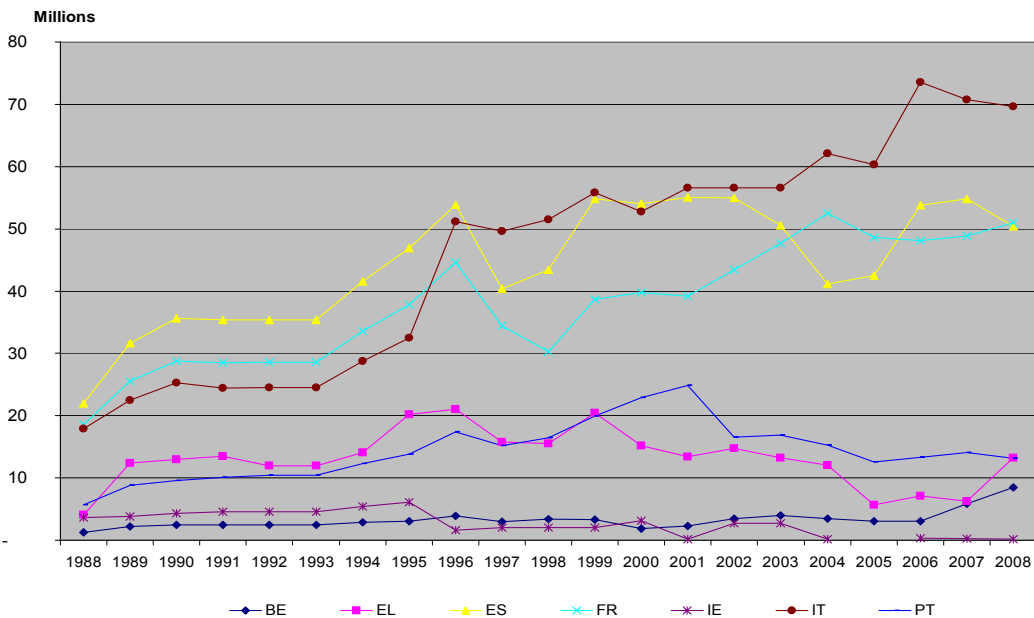
The distribution among Member States varies remarkably over the years according to the number and the countries participating in the scheme each year. Figure 8 shows, for the MS that always participate in the programme, the evolution of their share over the years.

Figure 8: Evolution of the EU budget share for some Member States



With the exception of Ireland, Belgium and, relatively, Portugal, the share varied greatly over the years for all of the member states participating to the programme. For Italy it varied between a minimum of 15% in 1989 to a maximum of 28.7% in 2004. Participation of Greece fluctuated between a minimum of 2.2% in 2008 to a maximum of 10.5% in 1996. For Spain, the extremes of variation were respectively 4.5% in 2008 and 27.7% in 2001.

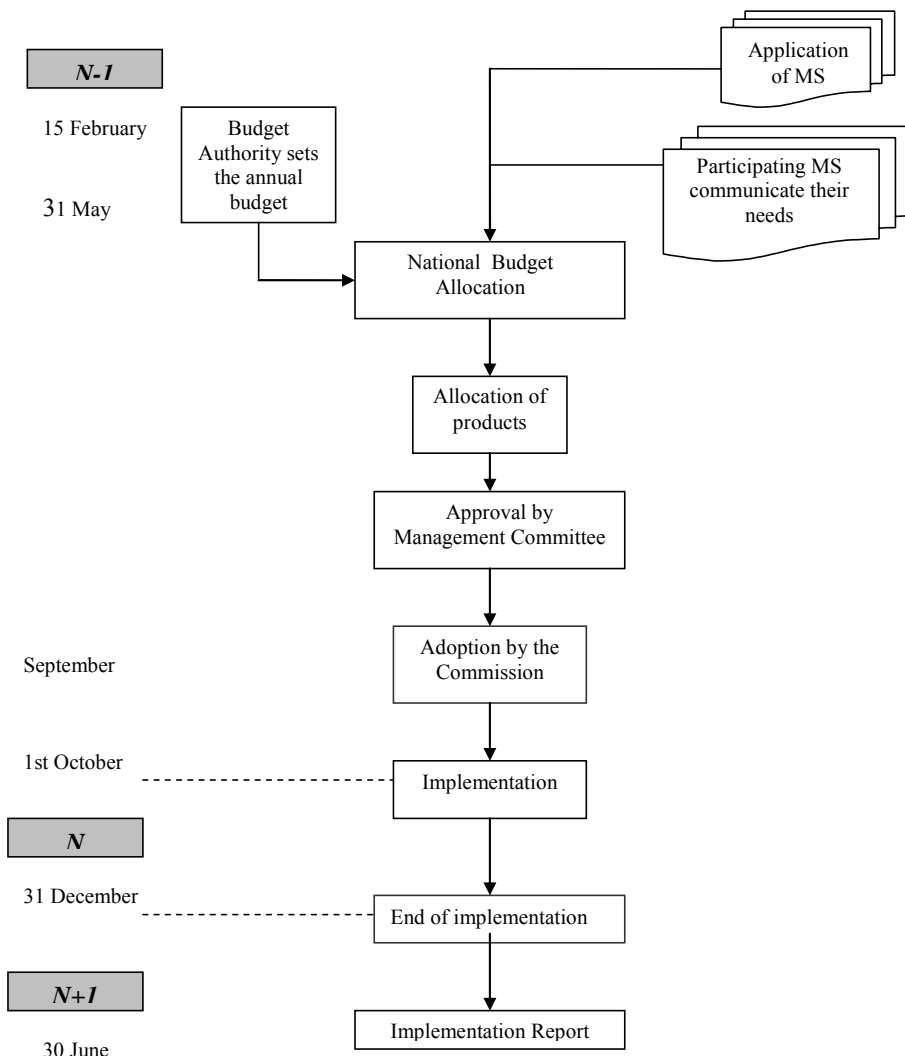
Figure 9: evolution of the EU budget in value for some Member States



Over the past twenty years, the budget allocated in value has increased substantially for Italy, whose envelope grew from €18 to 70 million, Spain (from €22 to over 50 million) and France (from €19 to 51 million). A more limited increase was recorded for Portugal, Greece and Belgium.

Schema: Regulation N. 3149/92

– Supply of food from intervention stocks for the benefit of the most deprived persons in the Community. Plan preparation in the year $n-1$ for the year n



ANNEX 9
BUDGET BREAKDOWN METHODOLOGY

Food Aid to the Most Deprived: Three alternative approaches to allocate Financial Resources amongst Member States

Executive Summary

The approach which has been used so far to allocate financial resources to Member States within the Food Aid Programme to the Most Deprived stems from a relative definition of poverty. Financial resources are allocated on the basis of the share of people "at risk of poverty" in each Member State. The definition is called "relative" because the reference for the minimum level of income is the 60% of the national equivalised median income. Therefore, the budget allocation is calculated making exclusively reference to the distribution of income within each Member State.

However, this approach has not been exempt from criticism. Some Member States argue that the current approach does not take into consideration the absolute level of poverty of the MS as compared to the EU average.

In response, three different methods of financial allocation have been developed.

To take into account the different level of development of the different Member States as compared to the European Union, the GDP per capita, expressed in Purchasing Power Standard, has been chosen.

The first method ["GDP based"] calculates the share of the population by taking into account the absolute level of poverty with respect to the European average. The lower the GDP pc, the higher the proportion of the population considered in the allocation of the available budget. No reference at all is made to the relative situation of individual Member States.

The second option ["GDP + rate at risk of poverty"] is a combination of the absolute and the current method, which utilises the relative definition of poverty (set at 60% of the equivalised median income). Member States are first ranked according to their degree of development, on the basis of GDP per capita, and the share of the population calculated accordingly. The current method is then used to calculate the number of people "at risk of poverty at 60%".

The third option ["the most cohesive"] is also a combination of the relative and the absolute method. The number of poor people in each Member State is computed in relative terms, but, it contemplates the possibility of modulating the cut off of poverty threshold (relative element) according to the level of wealth in each Member States (absolute element). The lower is the GDP per inhabitant the higher is the threshold of poverty considered (for example, instead of 60%, 70%).

The three options give different weights to each MS. This is reflected in a different budget breakdown.

The following table summarises the main results achieved under the three methods proposed for the 27 Member States currently participating in the scheme

MS share and budgetary allocation under 3 different options - EU-27

	Current Method		Method 1: "GDP based method"		Method 2: "GDP + rate at risk of poverty" method		Method 3: "The most cohesive" method	
	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €
Bulgaria	1.3%	4,107,500	2.0%	6,173,372	1.7%	5,266,102	2.3%	6,873,255
Romania	5.1%	15,606,848	5.6%	17,153,799	6.5%	19,858,787	7.8%	23,824,764
Poland	9.0%	27,556,942	9.4%	28,803,981	10.9%	33,346,091	14.3%	43,685,249
Latvia	0.7%	2,006,021	0.6%	1,720,981	0.8%	2,411,808	1.0%	3,016,220
Lithuania	0.8%	2,587,204	0.8%	2,533,050	1.0%	3,086,829	1.3%	4,040,661
Slovakia	0.8%	2,458,139	1.3%	3,893,985	0.9%	2,847,176	1.4%	4,341,827
Hungary	2.0%	6,128,240	2.4%	7,246,307	2.3%	7,064,404	3.4%	10,254,645
Estonia	0.3%	920,016	0.3%	953,531	0.3%	1,045,795	0.5%	1,456,439
Portugal	2.4%	7,231,582	2.4%	7,310,596	2.6%	8,017,964	3.5%	10,734,435
Malta	0.1%	215,522	0.1%	277,347	0.1%	236,587	0.1%	343,301
Czech Rep	1.3%	3,896,477	2.3%	6,970,068	1.4%	4,246,937	2.1%	6,468,378
Slovenia	0.3%	913,782	0.4%	1,308,859	0.3%	957,002	0.4%	1,201,748
Cyprus	0.2%	466,107	0.2%	491,735	0.2%	479,391	0.2%	559,309
Greece	2.9%	8,880,325	2.3%	6,969,304	2.9%	8,917,590	3.2%	9,906,552
Italy	14.6%	44,663,534	11.7%	35,779,516	14.3%	43,601,684	14.7%	44,911,481
Spain	10.9%	33,265,381	8.7%	26,448,297	10.6%	32,230,462	10.7%	32,490,174
France	10.2%	31,129,920	12.1%	36,996,387	9.6%	29,304,983	8.1%	24,584,916
Germany	13.4%	40,735,527	15.6%	47,657,583	12.4%	37,749,758	9.5%	29,070,925
Finland	0.9%	2,596,968	1.0%	2,996,168	0.8%	2,373,277	0.4%	1,274,838
UK	14.3%	43,615,764	11.2%	34,256,920	13.0%	39,658,905	10.3%	31,516,745
Belgium	2.0%	5,993,129	1.9%	5,905,268	1.8%	5,397,214	1.2%	3,552,589
Sweden	1.4%	4,126,905	1.6%	4,958,776	1.2%	3,625,722	0.9%	2,644,340
Denmark	0.8%	2,475,599	1.0%	2,955,982	0.7%	2,161,334	0.4%	1,350,955
Austria	1.3%	4,084,486	1.5%	4,461,713	1.2%	3,534,140	0.7%	2,046,346
Netherlands	2.0%	6,208,700	2.8%	8,671,902	1.7%	5,283,883	1.1%	3,361,715
Ireland	0.9%	2,879,758	0.7%	2,055,193	0.7%	2,254,052	0.5%	1,428,522
Luxembourg	0.1%	249,622	0.0%	49,379	0.0%	42,122	0.0%	59,672
EU 27	100%	305,000,000	100%	305,000,000	100%	305,000,000	100%	305,000,000

All the three methods proposed, even if with a different degree, tend to increase the amount available for those countries with a below EU average GDP (new MS + Portugal and Greece) at the expense of the countries with a higher GDP. The highest increase of budget for the poor countries is achieved under Method 3 (42 million € more compared to the current situation). The increase realised by these countries amounts to about respectively 11 and 15 million € for Method 1 and 2.

In Method 1, based exclusively on GDP pc, the population size plays a significant role in the allocation of money. Because of this, the distinction between countries with a GDP pc below and above the EU average is less clear than the other alternative methods. Under this method, in fact, we have poor countries such as Latvia and (slightly) Lithuania which loose compared to what they get under the current method. Other countries, such as France, Germany and Finland gain.

The distinction between poor and rich countries becomes clearer under Method 2, and even more striking under Method 3. In both these two options all the countries with a GDP below the EU average (Portugal and Greece included) gain; the others loose.

These two last methods, however, generates significant differences in terms of amounts allocated to the different MS. For some of them the difference is quite significant. For example, Bulgaria would increase the budget from 4.1 million with the current method (share of 1.3% of the total budget) to about 6.9 million € (2.3% of share of the total budget). Poland would see its envelope increasing by 16 million € under option 3 as compared with the current method allocation (10 million more € than under the option 2), thus increasing its share from 9 to 14.3%. Romania is another country for which the difference is quite striking: it would get almost 24 million € under option 3 (share of 7.8%), against 15 million (share of 5.1%) under the current method of allocation and almost 20 million (share of 6.5%) under option 2.

For countries with a higher GDP, Method 3 leads as well to bigger variations. France would go from 31.1 million (current method, share of 10.2%) to 24.5 million € (option 3, share of 8%). Germany goes from 40.7 (current method, share of 13.4%) to 29 million € (option 3, share of 9.5%), while the UK changes from 43.6 (current method, share of 14.3) to 31.5 million € (option 3, share of 10.3%). The Spanish envelope would go from 33.2 million with the current method (share of 10.9%) to 32.5 million € with option 3 (share of 10.6%), while Italy would see a light increase from 44.6 (current method, share of 14.6%) to 44.9 million under option 3 (share of 14.7%).

In conclusion, all the methods put forward in this note seem to respond to the need to have a better understanding of the different level of development of the different European countries. Option 3 seems the one which generates more significant changes and re-distribution amongst MS, while changes under Option 2, even if following the same direction, seem softer.

The introduction of the GDP into an algorithm of budget breakdown could be redundant in the future in case that statistics on income repartition among the population would be available as figures and not in terms of corresponding rate of population. In that case the application of a method like option 1 would be straightforward.

FOOD AID TO THE MOST DEPRIVED: THREE ALTERNATIVE APPROACHES TO ALLOCATING FINANCIAL RESOURCES TO MEMBER STATES

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INTRODUCTION

The approach which has been used so far to allocate financial resources to Member States within programme of Food Aid to the most deprived programme stems from a relative definition of poverty (see Annex 8). Financial resources are allocated on the basis of the share of people "at risk of poverty" in each Member State. The definition is called "relative" because the reference for the minimum level of income is the 60% of the national equivalised median income. Therefore, the budget allocation is calculated making exclusively reference to the internal economic situation within each Member State.

However, this approach has not been exempted by criticisms. Some Member States argued that the current approach does not take, anyhow, into consideration the absolute level of poverty of the MS as compared to the EU average.

Starting from this observation, the main point of this note is the development of alternative methods of allocation which take into account the absolute level of poverty of each MS as compared to the EU average.

Section 2 recalls some elements of the financial breakdown produced under the current allocation key.

Section 3 identifies three possible alternative methods of resource allocation among Member States. The first one ["GDP based"] equalizes the calculation of population taking into account the absolute level of poverty with respect to the European average. The GDP per capita expressed in PPS (Purchasing Power Standard) is used as a measure of the wealth of the European countries. No reference is therefore made to the relative situation of individual Member States.

The second method ["GDP + rate at risk of poverty "] is a combination of the current method, which utilises the relative definition of poverty (set at 60% of the equivalised median income) and the absolute method. The relative element (the rate of people "at risk of poverty at 60%"), instead of being applied to the total population, is applied to the weighted population in each Member States.

The third method ["the most cohesive"] is as well a combination of the relative and the absolute method. The number of poor people in each Member State is computed in relative terms, but, it contemplates the possibility of varying the cut off of poverty threshold (relative element) according to the level of wealth in each Member States (absolute element). The different level is differentiated on the basis of the Gross Domestic Product (GDP) at PPS per habitant. The lower is the GDP per habitant the higher is the threshold of poverty considered (for example, instead of 60%, 70%).

Section 4 compares the budget key allocation obtained under these three alternative methods with the current allocation method and draws some conclusions.

As we will see, the methods proposed in this note produce different result in terms of budget breakdown and size of people in poverty. It is worthwhile to underline that the aim of this simulation is not to have a measure of people in poor conditions, which, anyway, does not represent the target people of the Programme, but, rather, to have a criteria of allocation. The assumption underlining the methods, in fact, is that "the most deprived people" in each Member States should be a portion of the bigger group of "poor people". This indicator represents a good proxy of the most deprived people.

As Member States have the possibility to choose whether to take part or not in the programme, results including all MS (EU-27 theoretical situation) are compared with the real situation (19 MS participating – real situation) as from annexed tables. All the calculations are made taking as reference the amount of the budget planned for 2008 (i.e. 305 millions €). A table in annex shows the Member States breakdown when the budget amounts to 100 million €.

1. THE CURRENT RELATIVE METHOD OF ALLOCATION

Currently, the allocation of the financial resources is based on population data and statistics on poverty provided both by Eurostat¹³. The indicator used to measure poverty is the "at risk of poverty threshold". This indicator accounts for the share of persons with an income below **60%** of the **national** equivalised¹⁴ median income¹⁵.

¹³ For a more exhaustive explanation on how the current budgetary allocation is carried out, see note D(XXX).

¹⁴ Equivalised income is defined as the household's total income divided by its equivalent size, to take account of the size and composition of the household, and is attributed to each household member. The total household income is divided by its equivalent size using the so-called modified OECD equivalence scale, a revised version of a scale advocated by the OECD. This scale gives a weight of 1.0 to the first adult, 0.5 to any other household member aged 14 years and over, and 0.3 to each child.

¹⁵ The key advantage of using the median is that it is not influenced by extreme values.

Eurostat motivates the choice of taking 60% of national median equivalised income as the threshold as a pure conventional decision, although behind this choice, there are statistical considerations¹⁶. While, according to the **Laeken Council, poverty is measured in relative terms, making then reference to the distribution of income within each Member State.** Eurostat gives two reasons why this indicator is calculated in relative terms (national reference) and not in absolute terms (European reference)

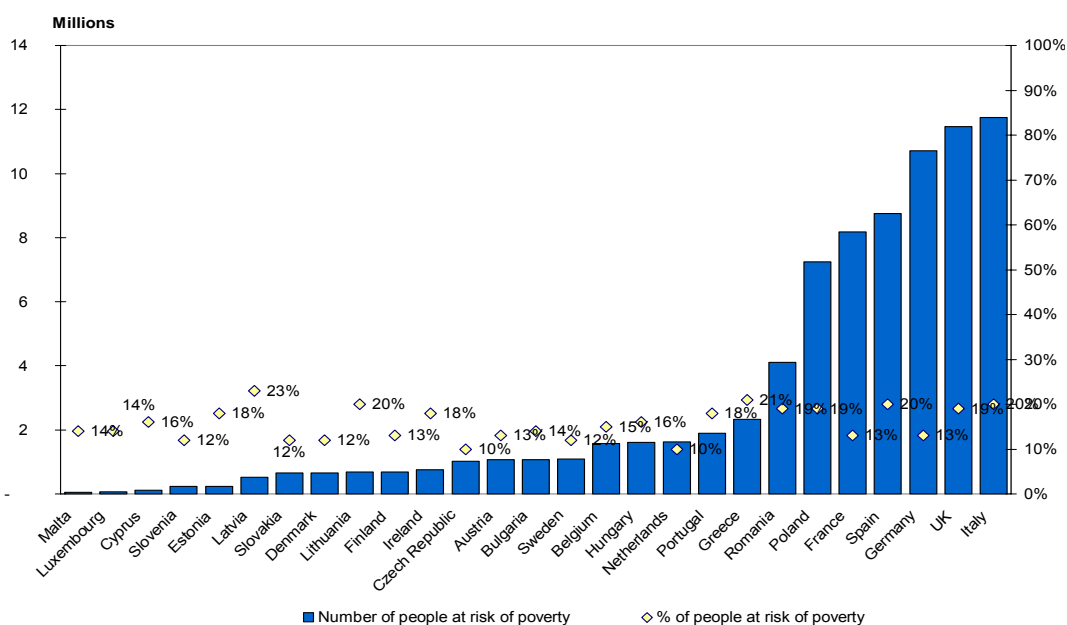
1. "Firstly, the key challenge for Europe is to make the whole population share the benefits of high average prosperity, and not to reach basic standards of living, as in less developed parts of the world.
2. Secondly, what is regarded as minimal acceptable living standards depends largely on the general level of social and economic development, which tends to vary considerably across countries" [European Commission (2004)]¹⁷.

Taking 60% of national median equivalised income as threshold, in 2006, on average, 16% of the EU-27 population were at risk of poverty. This concerns 80 million people in EU-27.

Graph1 shows the proportion of the population at risk of poverty and the absolute number of poor people in each country.

The rate ranges between 23 and 10%. In 2006, Czech Republic and the Netherlands had the lowest rate followed by Denmark, Slovenia, Slovakia and Sweden. On the other extreme, Latvia had the highest share of the population at a risk of poverty (23%), followed by Greece (21%), Lithuania, Italy and Spain (20%).

Graph 1 – At risk of poverty rate (threshold of 60% of the national equivalised median income, after social transfers) and "poor people" - 2006



¹⁶ Robustness of this indicator compared to the others at different thresholds.

¹⁷ Joint Report on Social inclusion, Office for Official Publications of the European Communities, Luxembourg.

In terms of number of people, Italy, UK and Germany have the highest number of citizens at risk of poverty. With 4 millions, Romania is the first country of the new Member State with the highest number of citizens at risk of poverty.

It is worthwhile to emphasize that even if Member States have a risk of poverty rate quite close, they diverge quite a lot in terms of standard living. This is particularly true for the new Member States. For most of them the threshold expressed in value (PPS), set at 60%, is lower than 10000 (Latvia, Lithuania, Poland, Estonia, Slovakia, Hungary), while is more than 15000 € for the majority of EU-15 Member States.

Despite the inadequacy of the rate at risk of poverty to catch this element, the current budget allocation is carried out taking into consideration share of people at risk of poverty, obtained by multiplying the total population in each Member States by their respective rate of people at risk of poverty.

Tables 1 and 2 in the appendix show the results achieved with the application of this current method, respectively for the 19 MS participating in the scheme and all EU-27.

2. THE ALTERNATIVE METHODS OF ALLOCATION - THE USE OF GDP, EXPRESSED IN PPS, AS ABSOLUTE CONCEPT OF POVERTY

To overcome the criticism mentioned, the alternative methods proposed in this section are based, even if to a different degree, on an absolute measure of the wealth in the different countries. The measure taken to consider that is the Gross Domestic Product (GDP) per capita, expressed in Purchasing Power Standards (PPS).

This indicator is a measure for the economic activity of a specific country. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in PPS is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. The index, calculated from PPS figures and expressed with respect to EU27 = 100, is intended for cross-country comparisons rather than for temporal comparisons.

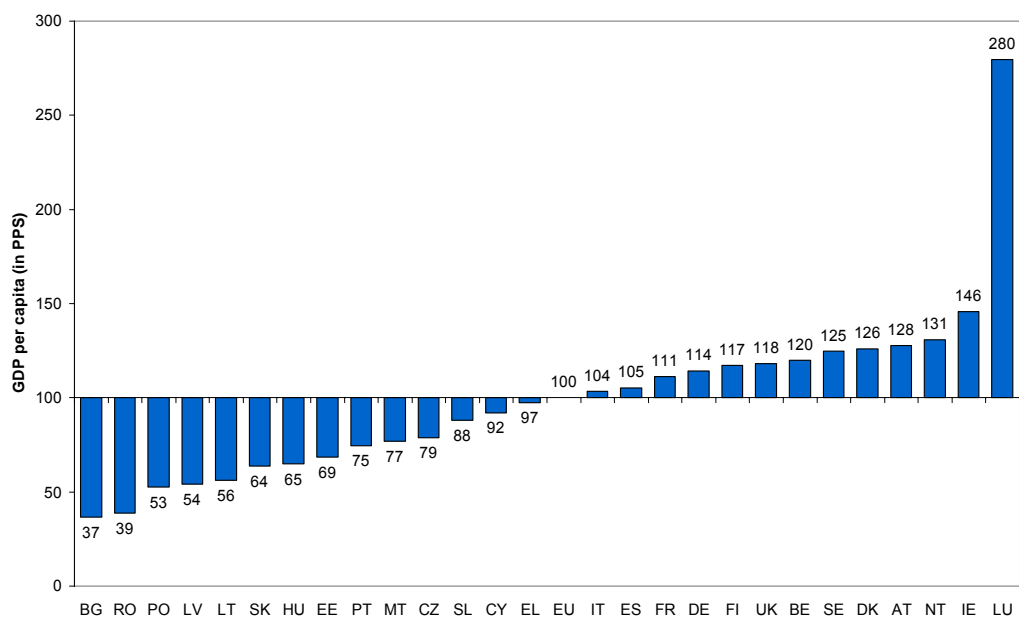
Figures on GDP at PPS are published every year by Eurostat, the Statistical Office of the European Communities. If the per capita GDP at PPS is higher than 100, this country's level of production and consumption per head is higher than the EU average and vice versa.

Graph 2 gives an overview of the GDP per inhabitant in PPS across Europe. In ranking terms Luxembourg is number 1, but its figures are distorted, as a large portion of its workforce lives in neighbouring countries.

In 2007, GDP per capita in Luxembourg was almost three times the EU27 average, while Ireland was nearly 50% above average. Sweden and Finland were about 15% above average, and France and Germany around 10% above average. Italy was about 3% above the EU27 average.

A lower level of the GDP pc in PPS is recorded in the New Member States. Bulgaria and Romania were about 60% below the EU average, while Greece and Cyprus were just below the EU27 average.

Graph 2– GDP per inhabitant in PPS across Europe (EU-27=100)

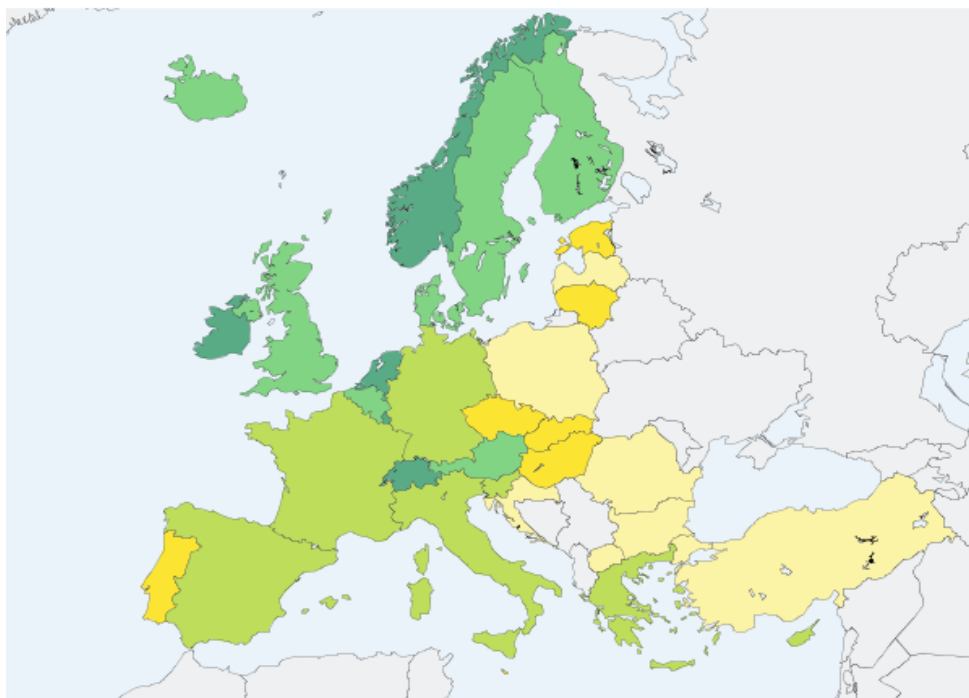


The map below, based on 2008 Eurostat's GDP estimates, depicts the results at country level.

Map 1: GDP per capita in PPS - (EU-27 = 100); 2008 Eurostat forecasts

GDP per capita in PPS

GDP per capita in Purchasing Power Standards (PPS) (EU-27 = 100)



Legend (Data 2008)

29.3 - 59.6

59.6 - 82.0

82.0 - 112.9

112.9 - 126.7

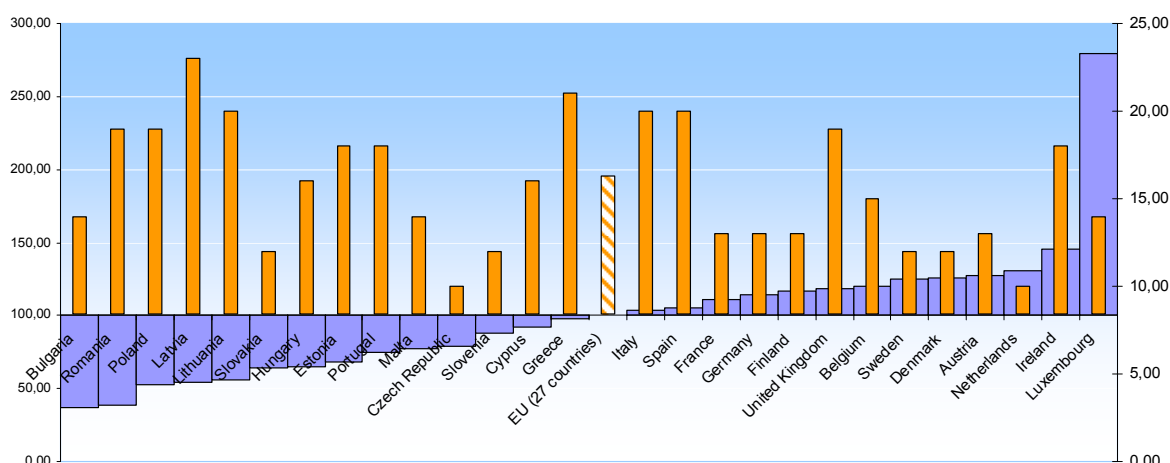
126.7 - 284.7

N/A

Minimum value:29.3 Maximum value:284.7 eu25:103.7 eu15:111.0

GDP and "at risk of poverty" - at 60% rate do not rank countries in the same way. One can note that for several Eastern countries but not all of them higher values of rates correspond to low levels of GDP; 9 MS out of 14 with a GDP below the EU27 average have an "at risk of poverty" rate above 15%. On the other side only four countries are above 15%.

Graph 3: GDP pc at PPS (blue bars) base EU27=100 and rate (%) of "at risk of poverty" resulting from a threshold of 60% of Median equivalent per capita income



The three methods based on GDP per capita expressed in PPS are as follows:

- Method 1: "GDP based method". i.e. Calculation of population inversely proportionally to GDP at PPS
- Method 2: mixed as a combination of the absolute method based on GDP at PPS and relative method based on the at risk of poverty rate
- Method 3: mixed modulated method. i.e. Rate of "at risk of poverty" assigned according to GDP at PPS quartiles.

2.1. Method 1: GDP based method - Calculation of population inversely proportionally to GDP at PPS:

The application of this approach requires four types of information (four steps):

- (1) the GDP per capita, expressed in PPS;
- (2) its normalisation;
- (3) the calculation of population proportionally to GDP by using the normalised index;
- (4) the distribution of financial resources available according to the share of the calculated population (step 3) in each Member State.

1. the GDP per capita, expressed in PPS

See previous paragraph for an introduction on GDP pc at PPS

2. the normalisation of the GDP per inhabitant

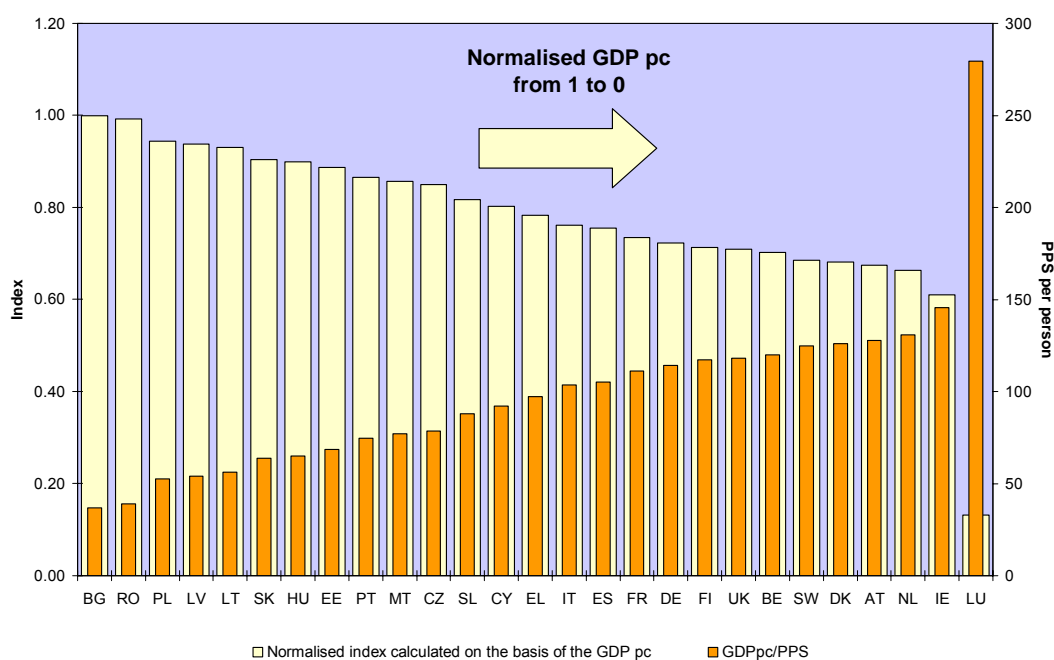
The normalisation is employed to change the scale of an indicator in such a way that their values vary in a given range (usually between 0 and 1). Different methods can be employed to normalise

an indicator. In this case, we used the re-scaling method. Each indicator (*i.e.* the GDP pc expressed in PPS) for a given country, at a given time, is calculated as the difference between 1 and the ratio between the difference of the raw indicator value and the Maximum.

$$\text{Normalised GDPpc} = 1 - \frac{(\text{GDPpc} - \text{MIN}_{\text{GDPpc}})}{\text{MAX}_{\text{GDPpc}}}$$

In this way, Member States are ranged within a scale slighter higher than 0 and 1. As Bulgaria has the minimum GDP per capita in PPS, and Luxembourg has the maximum, when the normalisation is carried out, Bulgaria turns up with a normalised GDP index equal to 1, Luxembourg with a minimum value, slighter higher than 0.

Graph 4– GDP per inhabitant in PPS and normalised index



3. the calculation of population inversely proportionally to GDP by using the normalised index

In order to have a weight in each Member State which takes into account of the different level of GDP, this normalised index is then multiplied by the population. The normalised index is higher for countries with a lower GDP (*i.e.* Bulgaria and Romania). It is lower for "richer" countries (*i.e.* Ireland and Luxembourg). The budget allocation key results in a number of people which varies in each Member States according to the normalised GDP. For example, in Bulgaria, as the normalisation index is 1, the weighted population corresponds with the effective population (about 7.8 millions) while in Luxembourg is only a small part of it (the normalised index is just above 0).

4. The distribution of financial resources according to the population calculated proportionally to the GDP in each Member State

The distribution of financial resources amongst Member States is based on the result obtained weighting the population in each Member States with their normalised GDP index. The budget is allocated according to the share of this amount among Member States.

2.2. Method 1: Results

2.2.1. The theoretical situation: all 27 Member States participating in the scheme

Table 3, in Annex, shows the results of our simulation when the all Member States are considered participating in the scheme.

The allocation of budget is strongly influenced by the size of population in each Member States and the correction introduced by the normalised GDP per capita. As shown in the pie chart on next page the highest benefiting countries under this method would be Germany (16%), Italy (12%), France (12%), and Spain (13%).

By comparing the results under the two allocation methods (the current and the absolute) we see that, under the method here proposed, German's envelope would increase by almost 7 million € (passing from 41 million to 48 million €), while France would gain about 6 million more.

Concerning the new Member States, all the new Member States, except Latvia and Lithuania, gain from passing from the current method of allocation to the absolute one. For example, under the current approach Bulgaria gets slightly more than 4 million €. Whereas, with the shift to the absolute approach its financial envelope would increase to almost 6 millions €, gaining 2 million € more. Another country for which the envelope would increase consistently is Czech Republic, whose amount would double, passing from about 3,9 millions to 7millions €.

By shifting from the current approach to the new one, the UK, Italy, and Spain appear amongst the losers. For the UK and Italy, the loss is over 9 million €, while for Spain about 7 million €.

Because of the high weight played by their respective population, Germany and France will gain the most. In absolute value, their envelope will increase respectively by 7 and 6 million €. In percentage terms, the Netherlands see their budget increasing by 79%.

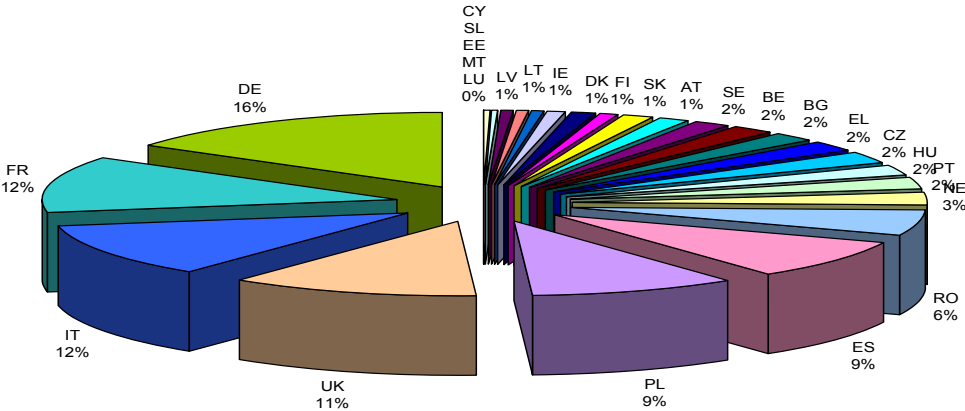
2.2.2. The current situation: 19 Member States participating in the scheme

In graphs number 8, 9 and 10 results for countries currently participating in the scheme are presented. As it is possible to see from the pie chart, under the method based exclusively on the GDP, France, Italy, Poland would get the highest proportion of the budget available.

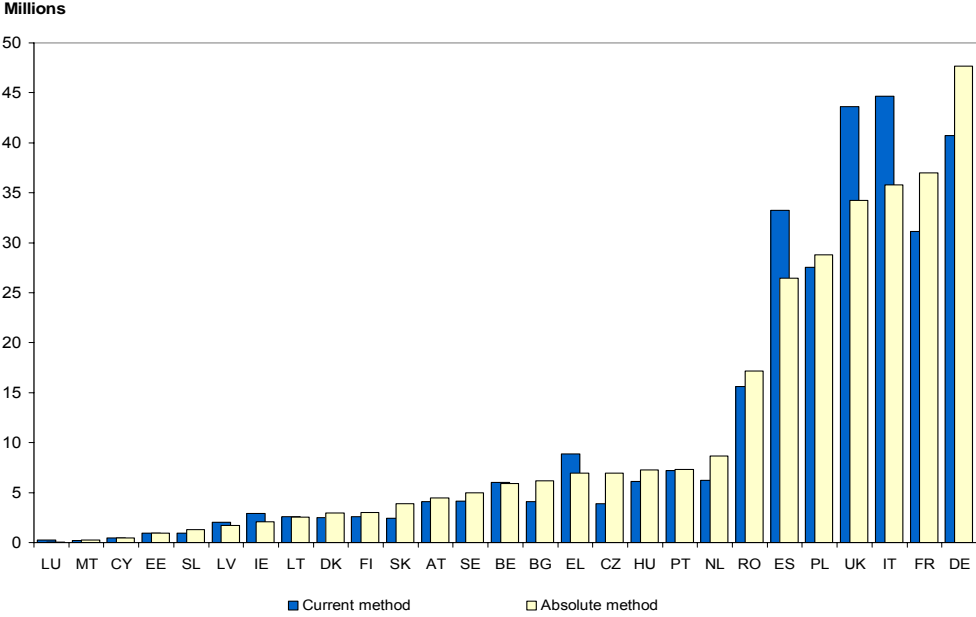
By comparing the results under the two approaches, all the new Member States (except Latvia and for a smaller amount Lithuania) would gain, while the situation is more varied for the old Member States. Italy and Spain lost, in absolute value, the highest amounts, about 13 and 10 million respectively. 19%, in percentages terms for both. Luxembourg would get only 62 thousand €, compared to 380 thousand under the current method, resulting in a loss of about 80%. As previously, France would gain in absolute value the highest amount, about 10 million € (20% more than what it gets under the current method).

The increase in percentage terms for some of the new MS is quite remarkable: +82% for Czech Republic, + 53% for Bulgaria, +46% for Slovenia and +31% for Malta.

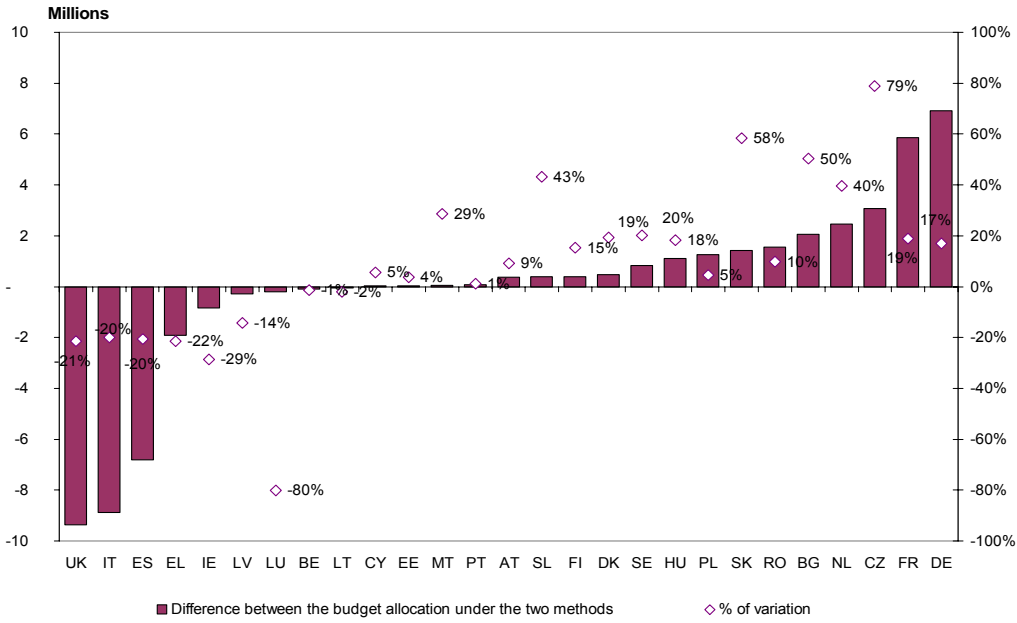
Graph 5: Financial breakdown under the GDP method – 27 MS



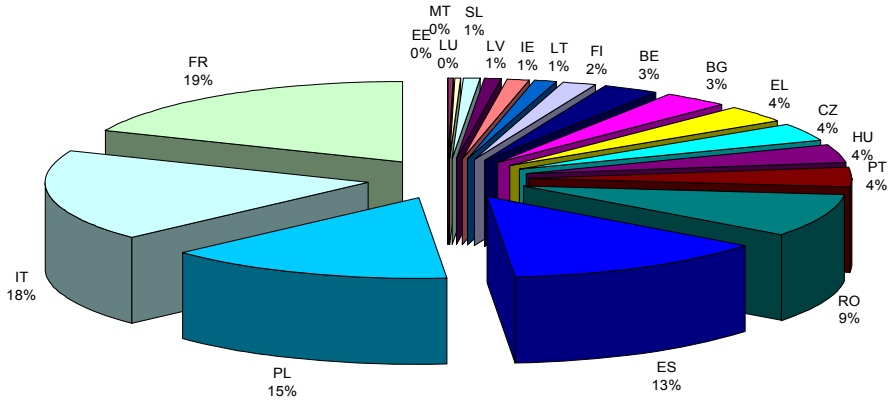
Graph 6: Financial envelope by Member State under the current and the absolute method – 27 MS



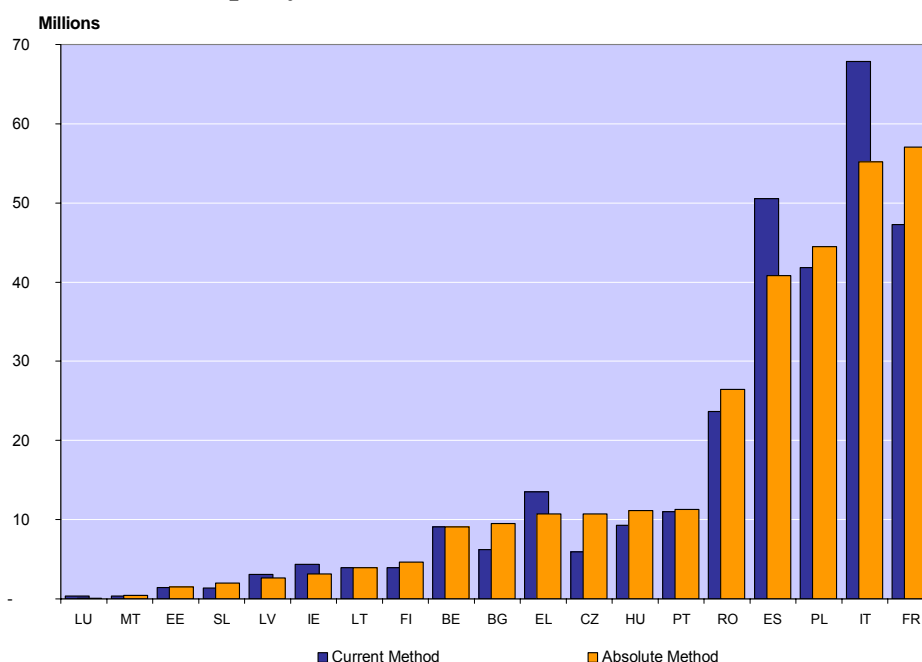
Graph 7: Gainers and losers shifting from the current method to the absolute one – 27 MS



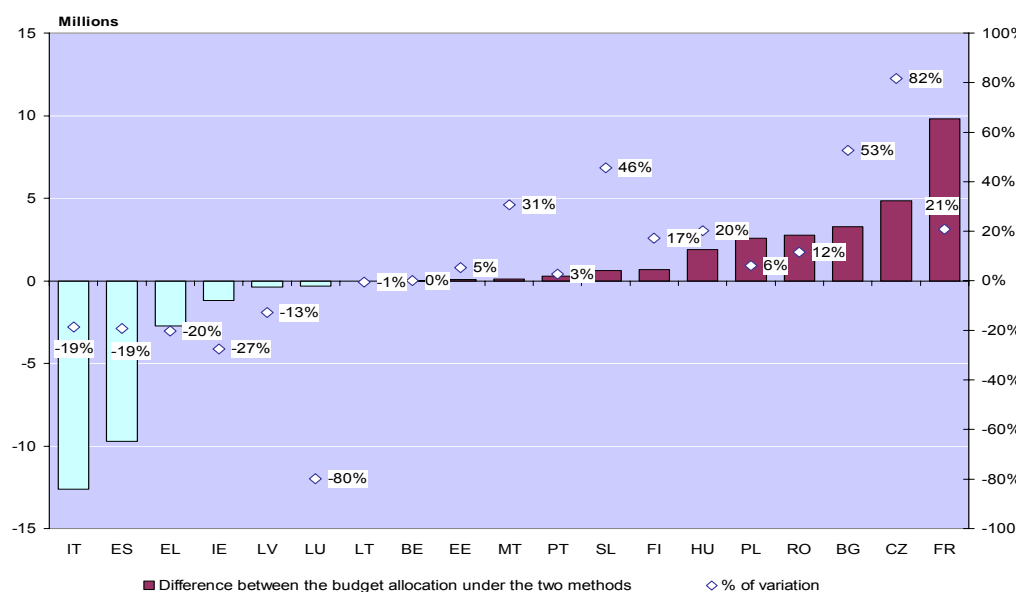
Graph 8: Financial breakdown under the GDP absolute method – 19 MS



Graph 9: Financial envelope by MS under the current and the absolute method – 19 MS



Graph 10 – Gainers and losers shifting from the current method to the absolute one – 19 Member States



2.3. Method 2: "GDP + rate at risk of poverty" the GDP expressed in PPS plus the relative poverty element "at risk of poverty- 60% threshold".

The second Option introduces in the method just described the concept of relative poverty. The absolute method based on GDP, in fact, differentiates MS according to their level of wealth but it does not consider the poverty relative dimension existing in each MS. Hence, this method, tries to remedy this inconvenience.

The relative element (the "at risk of poverty rate at 60%"), instead of being applied to the total population, is applied to the population calculated proportionally to the normalised GDP pc in PPS, in each Member States.

2.4. Method 2: Results

2.4.1. The theoretical situation: all 27 Member States participating in the scheme

The results achieved by adopting this approach are shown in tables 5 and 6 in appendix. The number of people at risk of poverty decreases from about 80 million of people (under the current method of allocation) to 63 millions of people (EU-27), with a higher share for Italy, Poland, Spain and France.

Graphs 11, 12 and 13 show the results for EU-27. The budget breakdown changes remarkably compared to the current method of allocation. This method privileges all the Member States with a GDP per capita, expressed in PPS, lower than the EU average. Therefore, under this method, all the new Member States plus Portugal would gain quite a lot, whereas those, with a GDP higher than the average, essentially, EU-15, would loose. This is true either when all the MS are considered participating in the Programme or only 19 MS (as currently).

As shown in the graph, when all the MS participate in the scheme, Italy receives 14% of the financial resources available, followed by the UK (13%), Germany (12%), Poland (11%), Spain (11%) and France (10%).

By comparing the results of the budgetary allocation under the current method with this second approach, we see that Poland and Romania will achieve the highest increase of their envelope, respectively by approximately 6 million € for Poland and slightly more than 4 millions for Romania.

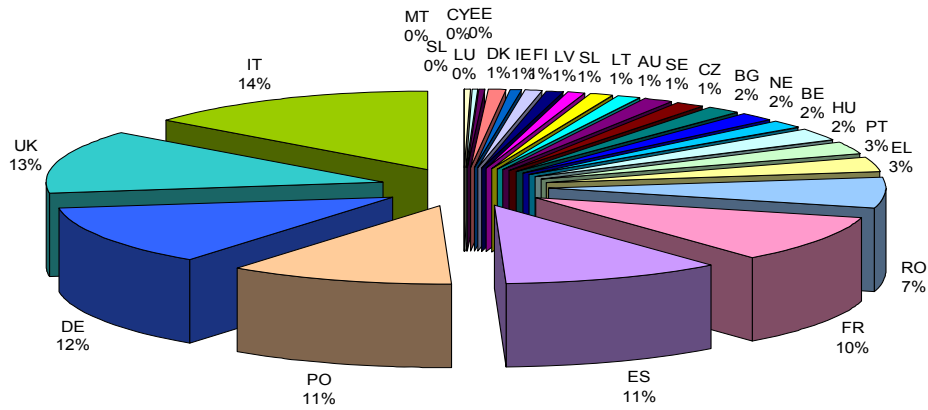
Amongst the losers, the UK (4 million €), Germany (3 million €), France (1.8 million €), Italy and Spain (1 million €), will lose most.

2.4.2. The current situation: 19 Member States participating in the scheme

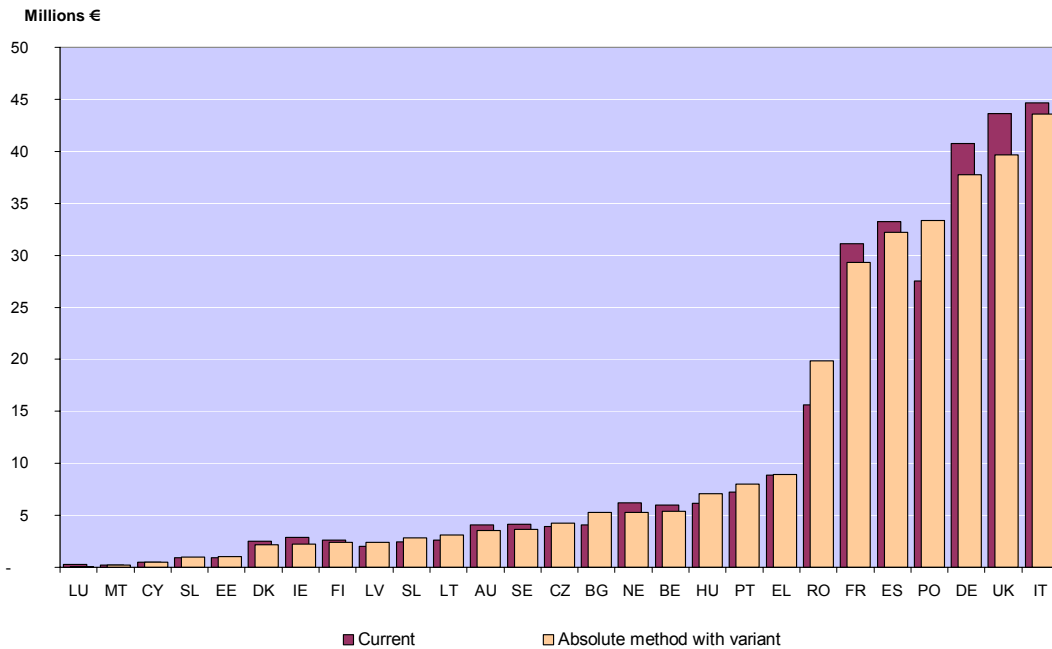
When only 19 MS are considered, the share of Italy will rise to 21%, Poland would get the second biggest amount with a share of 16%, followed by France (15%) and Spain (14%).

In terms of amounts gained and lost, Poland and Romania will increase their amounts by respectively, 5 and 7 million €. France loses about 4.6 million €, followed by Italy (4.4 million €) and Spain (3.6 million €).

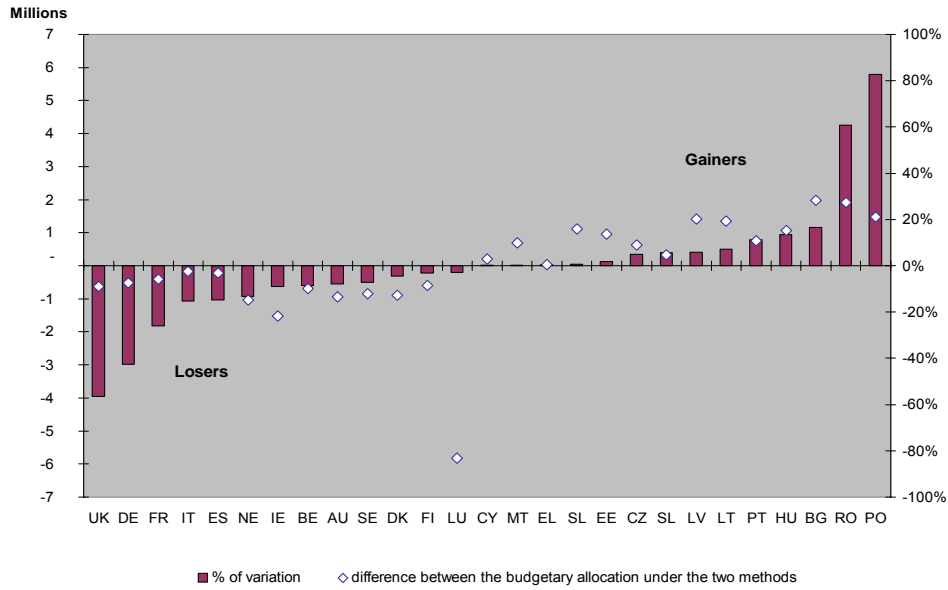
Graph 11: Financial breakdown EU-27



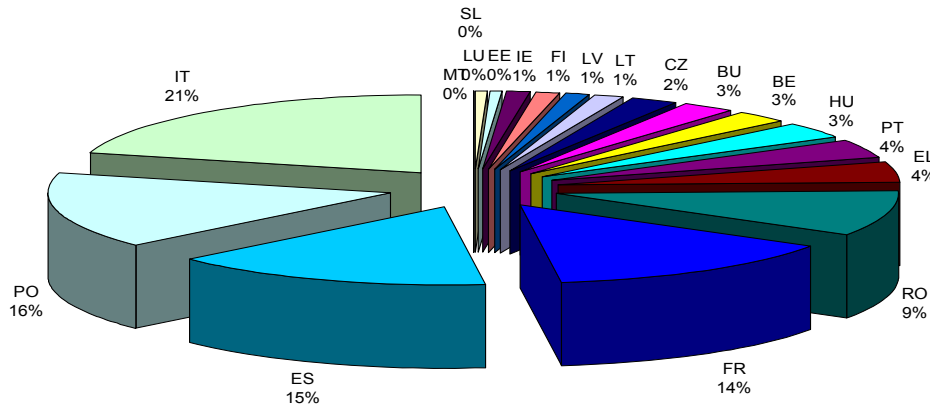
Graph 12 – Financial envelope by Member State under the current and the absolute method modified – 27 MS



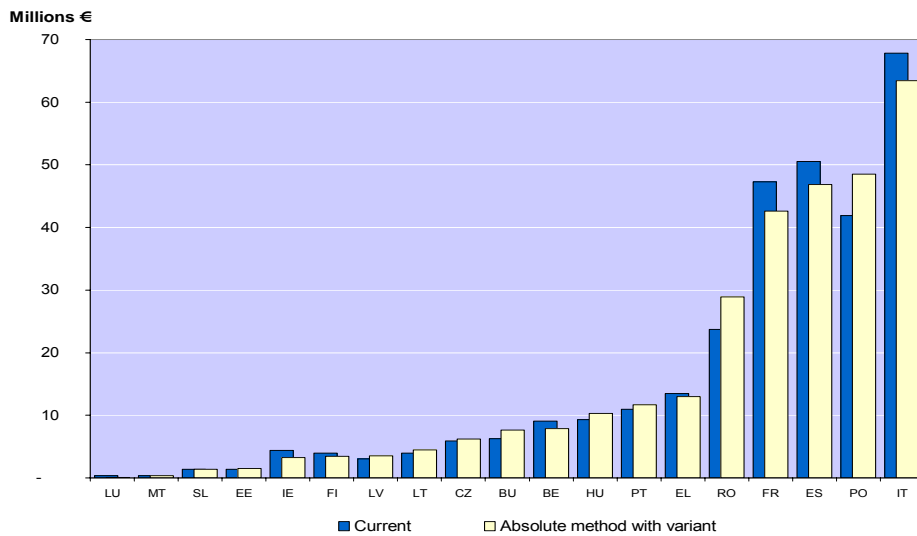
Graph 13 –Gainers and losers under the current and the absolute method modified– 27 MS



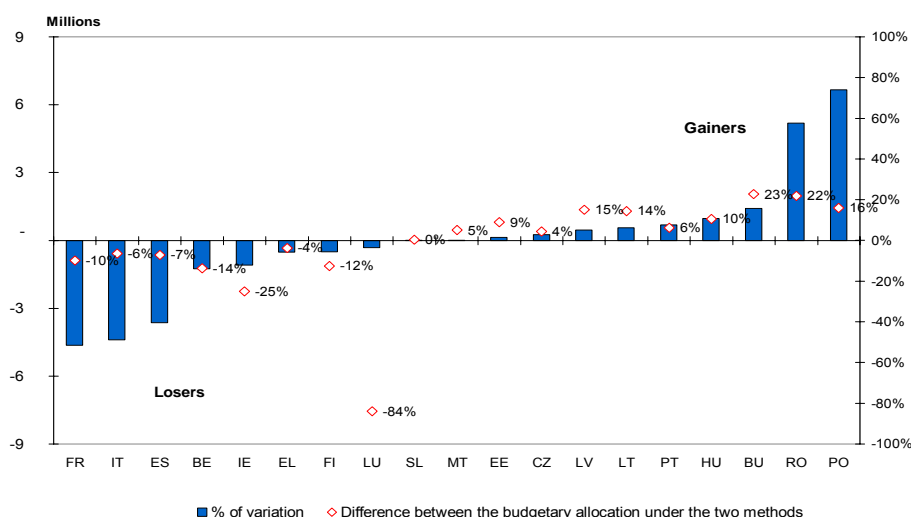
Graph 14



Graph 15 – Financial envelope by Member State under the current and the mixed method – 19 MS



Graph 16 – Gainers and losers when we shift from the current method to the absolute one with variants – 19 Member States



2.5. Method 3: "the most cohesive". Modulated at "at risk of poverty" rate according to GDP (PPS) quartiles:

The proposed methodology is a step towards a further equalisation among countries, compared with method 2. It is a mixture of the current method and an additional criterion based on GDP classification which ensures more funds to countries where the absolute level of quality of life (GDP) is lower. With this option, different levels of "at risk of poverty" rates are assigned to MS according to their GDP ranking (modulation). Thereafter within each rate a weighting based on GDP is further applied similarly to method 2.

Compared with method 2 the results are even more significant on the extremes: "poorer" MS receive more funds and "richer" less. Option 2 can be seen as a particular case of the modulated method when the "at risk of poverty rate" is fixed at the 60% threshold.

2.6. Method 3: Steps of the methodology

The "mixed modulated" budget breakdown method goes through the following steps:

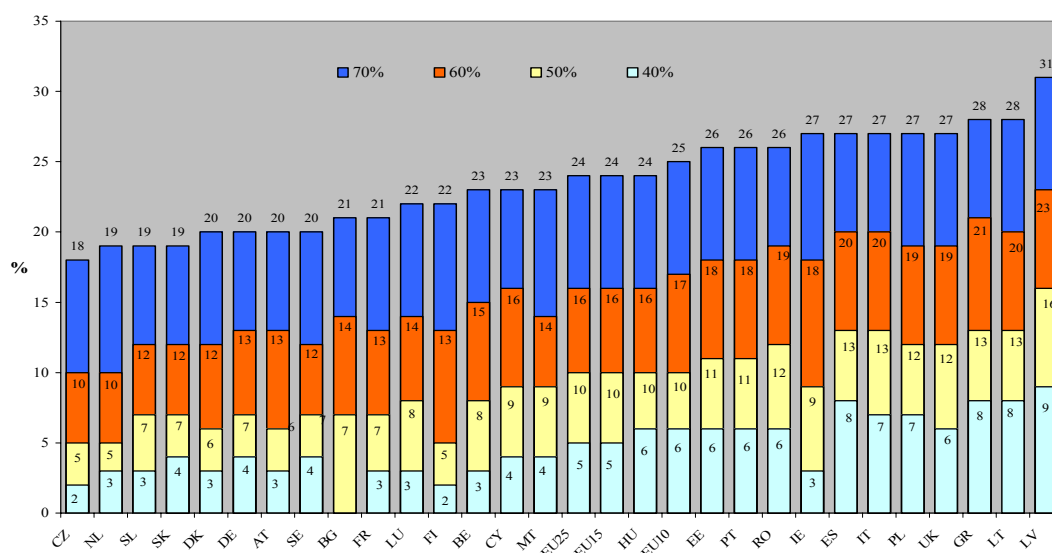
Modulation/Assignment of a rate of "at risk of poverty" (70%, 60%, 50% 40%) according to GDP at PPS quartiles;

- (1) Calculation of a percentage of population to be added according and proportionally to the GDP at PPS distance from the quartile value (smoothing);
- (2) As in the current methodology the theoretical funds are assigned according to weights given by the absolute number of resulting deprived people as calculated in the previous steps.

Step 1: Modulation/Assignment of a rate of "at risk of poverty" according to GDP at PPS quartiles.

Even though, for conventional reasons, Eurostat sets at 60% of national median equivalised income the cut off to determine the poverty threshold, other additional thresholds are as well computed. In particular, graph 2 shows the rate at risk of poverty when three other possible thresholds are chosen: 40%, 50% and 70%. This allows examining the sensitivity of the risk of poverty to the choice of alternative levels.

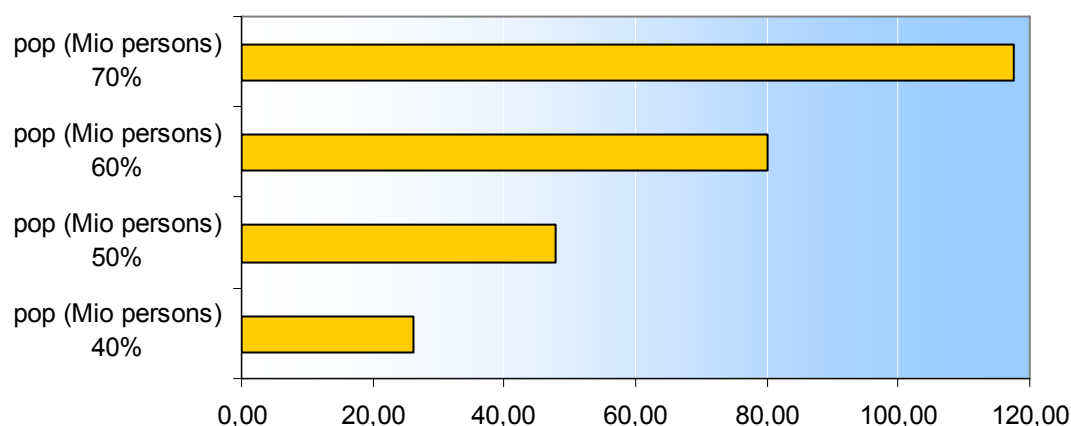
Graph 17: At risk of poverty by different thresholds, 2006



At EU-25 level, the rate of being at a risk of poverty can be 5%, 10%, 16% or 24%, respectively for threshold set at 40%, 50%, 60% and 70%. This means that the population considered at risk of poverty can vary from 23 (when a cut off of 40% is employed) to 111 millions of citizens (with a cut off of 70%) for EU-25. When Bulgaria¹⁸ and Romania are included these figures raise to 26 and 117.5 millions of habitants respectively.

¹⁸ As the rate of population at a risk of poverty is not computed for the threshold at 40%, in case of Bulgaria we considered, the rate calculated at 50%.

Graph 18: number of people (Mio) according to different thresholds of "at risk of poverty" rate (40%, 50%, 60%, 70%) EU27 - 2006



The first step of this option of budget breakdown consists in classifying the MS in 4 classes according to the quartiles of the distribution of per capita GDP.

Countries are then "assigned" with a different threshold of "at poverty risk rate" according to the quartile they belong to with respect to the position to the average of EU27 GDP. Therefore the first quartile, (the absolute poorest) will be beneficiary of the amount based on the "at poverty risk rate" indicator but with a threshold of 70% instead of 60%, while the Countries belonging to the last quartiles (the absolute richest) will have a reduction to 40% of the threshold.

The consequence of this step is that poorer than average Countries, would see an increase of the threshold from 60% to 70% as compared to the current method of calculation and of option 2, therefore of the absolute number of "most deprived", resulting in a higher funds attribution; Countries from the group belonging to the second quartile will see no change; Countries in the third quartile would see a decrease of the threshold from 60% to 50% and Countries from the last quartile a decrease from 60% to 40% of the rate, thus a corresponding lower population "at risk of poverty".

Table 1: results of classification based on quartiles with reference to GDP pc at PPS values

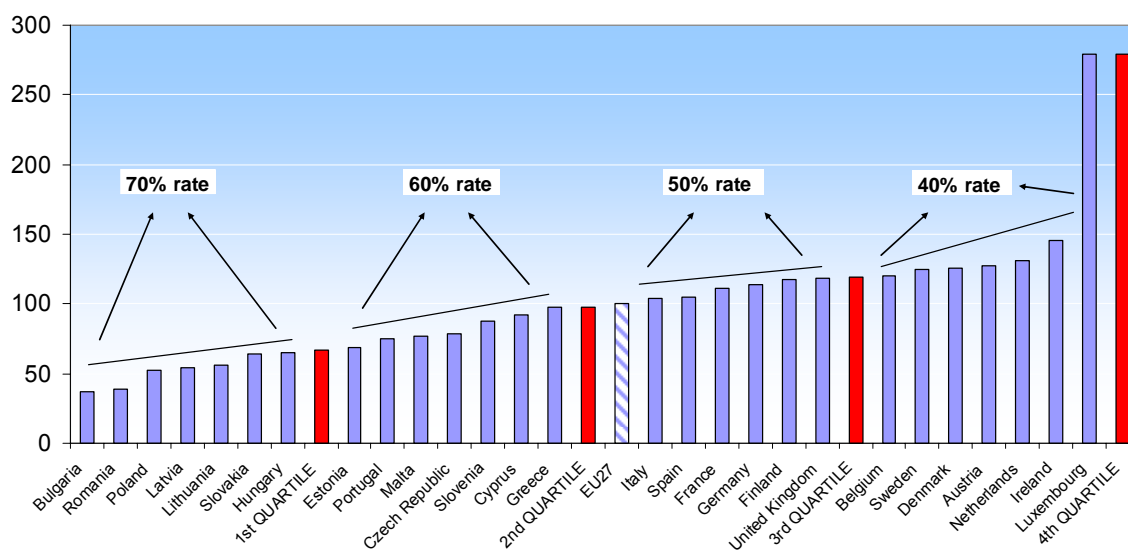
1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile
Bulgaria (36,7)	Estonia (68,5)	Italy (103,5)	Belgium (120)
Romania (38,9)	Portugal (74,6)	Spain (105,1)	Sweden (124,8)
Poland (52,5)	Malta (77)	France (111,1)	Denmark (126)
Latvia (54,2)	Czech Rep (78,7)	Germany (114,3)	Austria (127,7)
Lithuania (56,2)	Slovenia (88)	Finland (117,1)	Netherlands (130,8)
Slovakia (63,8)	Cyprus (92,1)	UK 118,1)	Ireland (145,7)
Hungary (65)	Greece (97,4)		Luxembourg (279,6)

The following table shows the result of the classification:

Table 2: results of classification of MS according to GDP per capita at PPS values and resulting "at risk of poverty rate" to be applied,

Decision Criteria	Threshold to be applied	Member States	Quartile
<=25% of the EU average income per capita distribution PPS	70%	Bulgaria Rumania Poland Latvia Lithuania Slovakia Hungary	1
>25%, <=50% of the EU average income per capita distribution PPS	60%	Estonia Portugal Malta Czech Rep. Slovenia Cyprus Greece	2
>50%, <=75% of the EU average income per capita distribution PPS	50%	Italy Spain France Germany UK Finland	3
>75% of the EU average income per capita distribution PPS	40%	Belgium Denmark Sweden Austria The Netherlands Ireland Luxembourg	4

Graph 19: GDP per capita at PPS (blue bars) base EU27=100 and rate(%) of "at risk of poverty" assigned according to Quartile criteria; Reference data GDP 2006.



Step 2: Calculation of a percentage of population to be added according and proportionally to the GDP at PPS distance from the quartile value

This step is necessary as a further equalization step to take into account the "edges" effect of the classification. It is in fact a kind of smoothing of the values around the edges of the classes taking into account the GDP values.

This step starts from the previous quartile calculations and calculates the percentage of the population to be added. The calculation is proportional to the GDP at PPS distance from the quartile value, according to the formula:

$$\begin{aligned} \text{NewPop} \text{ "at _ risk _ of _ poverty" }_i &= \\ &= \text{Pop}_i(\text{rate}_{Q(x)}) + [\Delta \text{Pop}_i(\text{rate}_{Q(x+1,x)})] * [(Q(x+1) - \text{GDP}_{pps_i}) / \Delta_{Q(x+1,x)}] \end{aligned}$$

Where

i = MS

Q(x) = Quartile "x" with x= 1,...,4 i.e. values of the GDP at PPS positioning the MS respectively at 25%, 50%, 75% and 100% of the GDP distribution.

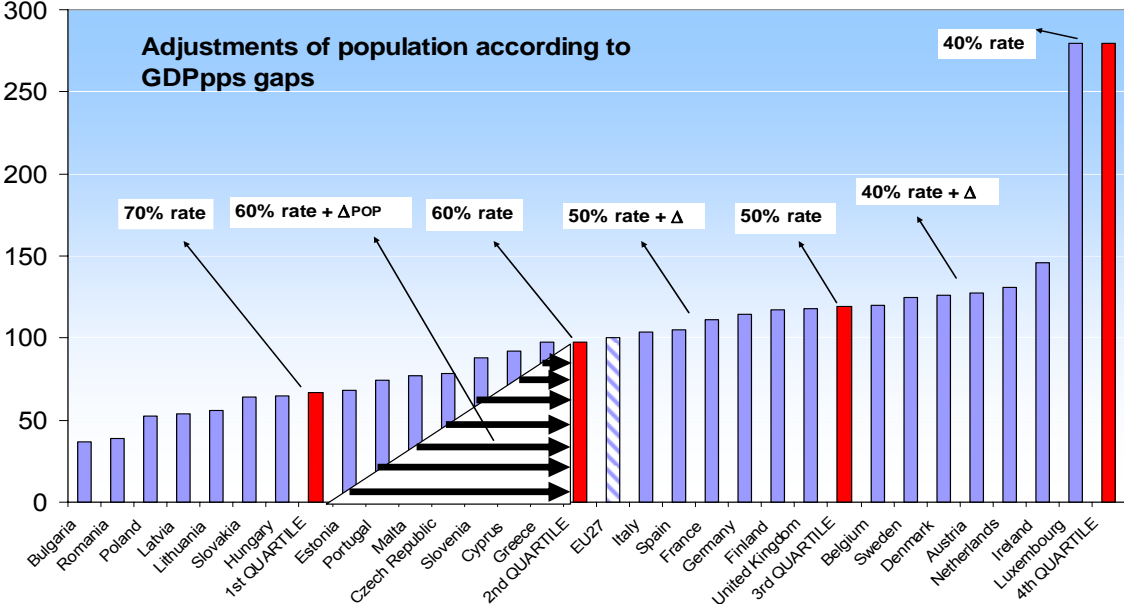
Pop (rate_{Q(x)}) = rate of population corresponding to the "at risk of poverty rate" respectively 70%, 60%, 50% or 40% of the Median of the per-capita equivalent income as assigned by the Quartile class

ΔPop rate_{Q(x+1,x)} = number of people calculated as the difference of rates of population "at risk of poverty". The two rates considered are the ones corresponding to the edges of the class where the MS is classified according to its GDP **GDP_{pps}** = Gross Domestic Product at Purchasing Power Standard

Δ_{Q(x+1,x)} = **Difference of the GDP pps values between two quartiles**

This method is in fact an assignment of population "at risk of poverty" according to and (inversely) proportional rule with respect to GDP at PPS values and is similar to option 2 calculations.

Graph 20: GDP pc at PPS (blue bars) base EU27=100 and rate(%) of "at risk of poverty" assigned according to Quartile criteria with edge smoothing criteria



Step 3: use of the new "at risk of poverty" weights for budget breakdown

As in the previous methodology the theoretical funds are then re-shared according to weights given by absolute number of resulting deprived people for given rate threshold.

Table 3: results of the method mixing an absolute criteria of breakdown (GDP at PPS) with a relative one ("at risk of poverty rate) in terms of resulting population

"at risk of poverty" Pop Mio persons Ref 2006	Current Method	Mixed modulated Method	Diff populaton Mixed modulated - Current
Bulgaria	1.08	1.62	0.54
Romania	4.11	5.62	1.51
Poland	7.25	10.30	3.05
Latvia	0.53	0.71	0.18
Lithuania	0.68	0.95	0.27
Slovakia	0.65	1.02	0.37
Hungary	1.61	2.42	0.81
Estonia	0.24	0.34	0.10
Portugal	1.90	2.53	0.63
Malta	0.06	0.08	0.02
Czech Rep	1.03	1.53	0.50
Slovenia	0.24	0.28	0.04
Cyprus	0.12	0.13	0.01
Greece	2.34	2.34	0.00
Italy	11.75	10.59	-1.16
Spain	8.75	7.66	-1.09
France	8.19	5.80	-2.39
Germany	10.72	6.86	-3.86
Finland	0.68	0.30	-0.38
UK	11.47	7.43	-4.04
Belgium	1.58	0.84	-0.74
Sweden	1.09	0.62	-0.46
Denmark	0.65	0.32	-0.33
Austria	1.07	0.48	-0.59
Netherlands	1.63	0.79	-0.84
Ireland	0.76	0.34	-0.42
Luxembourg	0.07	0.01	-0.05
Tot population at risk of poverty	80.24	71.93	

In the table above it is clear the result in terms of GDP equalization: the MS in the table are ranked according to the GDP (2006 data) and the result is that the first 13 countries (new MS + Portugal) would increase the weight for budget breakdown. As a counterpart the richer countries would decrease their weights.

2.7. Method 3: Results

2.7.1. The theoretical situation: all 27 Member States participating in the scheme

This simulation starts from a fixed budget resulting in a different share among MS. According to this simulation, the "poorer" MS would increase significantly their budget when applying the "the most cohesive" method. For instance Bulgaria would increase by about €3 Mio its budget, Romania by more than €8 Mio and Poland by more than €16 Mio. On the other hand France and Germany would respectively decrease by €7 Mio and 11 Mio.

Table 4: results in terms of budget breakdown comparing the current method with the most cohesive one. Simulation using budget allocated to the programme in 2008 and supposing that all 27 MS participate in the programme

	Current method: Method based on "at risk of poverty rate"		New method Option 3: Mixed modulated method "at risk of poverty" modulated classes + GDP	
	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €
Bulgaria	1.3	4,107,500	2.3%	6,873,255
Romania	5.1	15,606,848	7.8%	23,824,764
Poland	9.0	27,556,942	14.3%	43,685,249
Latvia	0.7	2,006,021	1.0%	3,016,220
Lithuania	0.8	2,587,204	1.3%	4,040,661
Slovakia	0.8	2,458,139	1.4%	4,341,827
Hungary	2.0	6,128,240	3.4%	10,254,645
Estonia	0.3	920,016	0.5%	1,456,439
Portugal	2.4	7,231,582	3.5%	10,734,435
Malta	0.1	215,522	0.1%	343,301
Czech Republic	1.3	3,896,477	2.1%	6,468,378
Slovenia	0.3	913,782	0.4%	1,201,748
Cyprus	0.2	466,107	0.2%	559,309
Greece	2.9	8,880,325	3.2%	9,906,552
Italy	14.6	44,663,534	14.7%	44,911,481
Spain	10.9	33,265,381	10.7%	32,490,174
France	10.2	31,129,920	8.1%	24,584,916
Germany	13.4	40,735,527	9.5%	29,070,925
Finland	0.9	2,596,968	0.4%	1,274,838
UK	14.3	43,615,764	10.3%	31,516,745
Belgium	2.0	5,993,129	1.2%	3,552,589
Sweden	1.4	4,126,905	0.9%	2,644,340
Denmark	0.8	2,475,599	0.4%	1,350,955
Austria	1.3	4,084,486	0.7%	2,046,346
Netherlands	2.0	6,208,700	1.1%	3,361,715
Ireland	0.9	2,879,758	0.5%	1,428,522
Luxembourg	0.1	249,622	0.0%	59,672
EU 27	100.0	305,000,000	100	305,000,000

2.7.2. The current situation: 19 Member States participating in the scheme

Table 5: results in terms of budget breakdown comparing the current method with the most cohesive one. Simulation using budget allocated to the programme in 2008 and referring only to the 19 MS participating in the programme.

	Current method: Method based on "at risk of poverty rate"		New method Option 3: Mixed modulated method "at risk of poverty" modulated classes + GDP	
	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €
Bulgaria	2.0%	6,238,088	3.0%	9,110,263
Romania	7.8%	23,702,225	10.4%	31,578,902
Poland	13.7%	41,850,912	19.0%	57,903,291
Latvia	1.0%	3,046,558	1.3%	3,997,895
Lithuania	1.3%	3,929,205	1.8%	5,355,757
Hungary	3.1%	9,306,999	4.5%	13,592,179
Estonia	0.5%	1,397,234	0.6%	1,930,459
Portugal	3.6%	10,982,651	4.7%	14,228,123
Malta	0.1%	327,315	0.1%	455,034
Czech Republic	1.9%	5,917,606	2.8%	8,573,612
Slovenia	0.5%	1,387,766	0.5%	1,592,876
Greece	4.4%	13,486,609	4.3%	13,130,792
Italy	22.2%	67,830,808	19.5%	59,528,618
Spain	16.6%	50,520,357	14.1%	43,064,604
France	15.5%	47,277,218	10.7%	32,586,458
Finland	1.3%	3,944,032	0.6%	1,689,754
Belgium	3.0%	9,101,806	1.5%	4,708,834
Ireland	1.4%	4,373,507	0.6%	1,893,456
Luxembourg	0.1%	379,103	0.0%	79,093
EU 27	100%	305,000,000	100%	305,000,000

This simulation starts from a fixed budget resulting in a different share among MS. According to this simulation, the "poorer" MS would increase significantly their budget when applying the "mixed" method. For instance Bulgaria would increase of about 3 Mio € its budget, Romania of about 8 Mio € and Poland of about 16 Mio €. On the other hand Spain and Italy would decrease their budget by 7 Mio € each, while France would have the biggest reduction of about 15 Mio €.

2.7.3. Pros and Cons of Method 3

Pros: the "most cohesive" method introduce a further equalization criteria taking into account the two aspects of relative poorness within the country ("at risk of poverty rate") and the absolute poorness among MS ("GDP criteria").

Cons: the "most cohesive" method requires more data than the current one (GDP data and all 4 classes of "at risk of poverty" indicators. However, those statistics are regularly available through Eurostat. The GDP as indicator of poorness of a country can be criticised (see paragraph on conclusions).

3. COMPARISON OF THE THREE METHODS AND CONCLUSIONS

The three methods of calculations give different weights to each MS. This reflects in a different budget breakdown. The current method focuses on weights based on the use of a relative criterion to measure poverty: the "at risk of poverty rate of population" with a threshold of 60% of the national median (equivalised) income. This criterion is defined in relation to the distribution of income within each country. The three alternative methods proposed in this note are based in the use, more or less intensive, of a criterion of absolute poverty, which is the level of poverty as compared to the European average. The indicator of reference selected is the GDP pc at PPS. Option 1 is based exclusively on this criterion for the calculation of weights, while option 2 and 3 combine in a different way the GDP based repartition with the "at risk of poverty rates". Option 2 fixes the concept of relative poverty at 60% threshold while option 3 modulates the different level of thresholds (at 40%, 50%, 60%, 70%) according to the level of GDP for each MS, by assigning a higher threshold (i.e. increasing the weight) to the "poorer" Countries.

Table 6: MS share and budgetary allocation under 3 different methods - EU-27

	Current Method		Method 1: "GDP based method"		Method 2: "GDP + rate at risk of poverty" method		Method 3: "The most cohesive" method	
	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €
Bulgaria	1.3%	4,107,500	2.0%	6,173,372	1.7%	5,266,102	2.3%	6,873,255
Romania	5.1%	15,606,848	5.6%	17,153,799	6.5%	19,858,787	7.8%	23,824,764
Poland	9.0%	27,556,942	9.4%	28,803,981	10.9%	33,346,091	14.3%	43,685,249
Latvia	0.7%	2,006,021	0.6%	1,720,981	0.8%	2,411,808	1.0%	3,016,220
Lithuania	0.8%	2,587,204	0.8%	2,533,050	1.0%	3,086,829	1.3%	4,040,661
Slovakia	0.8%	2,458,139	1.3%	3,893,985	0.9%	2,847,176	1.4%	4,341,827
Hungary	2.0%	6,128,240	2.4%	7,246,307	2.3%	7,064,404	3.4%	10,254,645
Estonia	0.3%	920,016	0.3%	953,531	0.3%	1,045,795	0.5%	1,456,439
Portugal	2.4%	7,231,582	2.4%	7,310,596	2.6%	8,017,964	3.5%	10,734,435
Malta	0.1%	215,522	0.1%	277,347	0.1%	236,587	0.1%	343,301
Czech Rep	1.3%	3,896,477	2.3%	6,970,068	1.4%	4,246,937	2.1%	6,468,378
Slovenia	0.3%	913,782	0.4%	1,308,859	0.3%	957,002	0.4%	1,201,748
Cyprus	0.2%	466,107	0.2%	491,735	0.2%	479,391	0.2%	559,309
Greece	2.9%	8,880,325	2.3%	6,969,304	2.9%	8,917,590	3.2%	9,906,552
Italy	14.6%	44,663,534	11.7%	35,779,516	14.3%	43,601,684	14.7%	44,911,481
Spain	10.9%	33,265,381	8.7%	26,448,297	10.6%	32,230,462	10.7%	32,490,174
France	10.2%	31,129,920	12.1%	36,996,387	9.6%	29,304,983	8.1%	24,584,916
Germany	13.4%	40,735,527	15.6%	47,657,583	12.4%	37,749,758	9.5%	29,070,925
Finland	0.9%	2,596,968	1.0%	2,996,168	0.8%	2,373,277	0.4%	1,274,838
UK	14.3%	43,615,764	11.2%	34,256,920	13.0%	39,658,905	10.3%	31,516,745
Belgium	2.0%	5,993,129	1.9%	5,905,268	1.8%	5,397,214	1.2%	3,552,589
Sweden	1.4%	4,126,905	1.6%	4,958,776	1.2%	3,625,722	0.9%	2,644,340
Denmark	0.8%	2,475,599	1.0%	2,955,982	0.7%	2,161,334	0.4%	1,350,955
Austria	1.3%	4,084,486	1.5%	4,461,713	1.2%	3,534,140	0.7%	2,046,346
Netherlands	2.0%	6,208,700	2.8%	8,671,902	1.7%	5,283,883	1.1%	3,361,715
Ireland	0.9%	2,879,758	0.7%	2,055,193	0.7%	2,254,052	0.5%	1,428,522
Luxembourg	0.1%	249,622	0.0%	49,379	0.0%	42,122	0.0%	59,672
EU 27	100%	305,000,000	100%	305,000,000	100%	305,000,000	100%	305,000,000

Table 6 summarises the main results achieved under the three methods proposed in this note as compared to the current method. The different methods lead to quite variable changes in the budgetary allocation amongst Member State and in many cases the changes are not so drastic.

Even if with a different degree, all the three methods proposed tend to increase the amount available for those countries with a below EU average GDP (new MS + Portugal and Greece) at the expense of the countries with a higher GDP. The highest increase of budget for the poor countries is achieved under Method 3 (42 million € more compared to the current situation). The increase realised by these countries amounts to about respectively 11 and 15 million € for Method 1 and 2.

In Method 1, based exclusively on GDP pc, the population size plays a significant role in the allocation of money. Because of this, the distinction between countries with a GDP pc below and above the EU average is less clear than the other alternative methods. Under this method, in fact, we have poor countries such as Latvia and (slightly) Lithuania which loose compared to what they get under the current method. Other countries, such as France, Germany and Finland gain.

The distinction between poor and rich countries become more clear under Method 2, and even more striking under Method 3. In both these two options all the countries with a GDP below the EU average (Portugal and Greece included) gain, the others lose.

These two last methods, however, generates significant differences in terms of amounts allocated to the different MS. For some of them the difference is quite significant. For example, Bulgaria would increase the budget from 4.1 million with the current method (share of 1.3% of the total budget) to about 6.9 million € (2.3% of share of the total budget). Poland would see its envelope increasing by 16 million € under option 3 as compared to the current method allocation (10 million more € than under the option 2), thus increasing its share from 9 to 14.3%. Romania is another country for which the difference is quite striking: it would get almost 24 million € under method 3 (share of 7.8%), against 15 million (share of 5.1%) under the current method of allocation and almost 20 million (share of 6.5%) under option 2.

For countries with a higher GDP, Method 3 leads as well to bigger variations. France would go from 31.1 million (current method, share of 10.2%) to 24.5 million € (option 3, share of 8%). Germany from 40.7 (current method, share of 13.4%) to 29 million € (option 3, share of 9.5%). UK from 43.6 (current method, share of 14.3) to 31.5 million € (option 3, share of 10.3%). The Spanish envelope would go from 33.2 million with the current method (share of 10.9%) to 32.5 million € with option 3 (share of 10.6%), while Italy would see a light increase from 44.6 (current method, share of 14.6%) to 44.9 million under method 3 (share of 14.7%).

In conclusion, all the methods put forward in this note seem to respond to the need to have a better understanding of the different degree of development of the different European countries. Method 3 seems the one which generates more significant changes and re-distribution amongst MS, while changes under method 2, even if they follow the same direction, seem softer.

The introduction of the GDP into an algorithm of budget breakdown could be redundant in the future in case that statistics on income repartition among the population would be available as figures and not in terms of corresponding rate of population. In that case the application of a method like option 1 would be straight ahead.

Is GDP pc a good reference?

Concerns could rise around the choice to have the GDP pc as indicator of wellbeing. But GDP was never intended to measure wellbeing.

Pros: In economics the per capita GDP is usually accepted as a measure of the level of the economic development of a Country and of its quality of life. According to per capita GDP values at PPS we can rank the MS according to their level of absolute economic development and capacity to generate quality of life as compared to the absolute reference value which is the EU27 average.

Cons: GDP is essentially correlated to the economic wealth of a Country. However, it is not directly linked to the social and environmental dimension of a Country; therefore it can grow

while the well being of the population can decrease. It is also structurally affected by construction: while the numerator includes the National Production where "commuting" workers contributed, the denominator accounts only for resident workers. For instance this explains the high value in Luxembourg.

Table 1 – Theoretical Budget allocation under the current method when all the MS participate in the Programme

							Allocation in PPS		Number of poor people paid with 3.801	
		Total population	Risk of poverty %	Number of people at risk of poverty	% of budget	Theoretical allocation in €	Amount per poor people (€)	Theoretical allocation in PPS		Equivalent amount per poor people in PPS
Bulgaria	+	7,718,750	14	1,080,625	1.35	4,107,500	3.801	1,629,095	1.508	2.5
Romania	+	21,610,213	19	4,105,940	5.12	15,606,848	3.801	8,562,355	2.085	1.8
Poland	+	38,157,055	19	7,249,840	9.04	27,556,942	3.801	16,423,315	2.265	1.7
Latvia	+	2,294,590	23	527,756	0.66	2,006,021	3.801	1,245,277	2.360	1.6
Lithuania	+	3,403,284	20	680,657	0.85	2,587,204	3.801	1,433,798	2.106	1.8
Slovakia	+	5,389,180	12	646,702	0.81	2,458,139	3.801	1,489,803	2.304	1.6
Hungary	+	10,076,581	16	1,612,253	2.01	6,128,240	3.801	3,881,990	2.408	1.6
Estonia	+	1,344,684	18	242,043	0.30	920,016	3.801	594,498	2.456	1.5
Portugal	+	10,569,592	18	1,902,527	2.37	7,231,582	3.801	6,054,135	3.182	1.2
Malta	+	405,006	14	56,701	0.07	215,522	3.801	147,891	2.608	1.5
Czech Republic	+	10,251,079	10	1,025,108	1.28	3,896,477	3.801	2,369,235	2.311	1.6
Slovenia	+	2,003,358	12	240,403	0.30	913,782	3.801	670,250	2.788	1.4
Cyprus	+	766,414	16	122,626	0.15	466,107	3.801	401,955	3.278	1.2
Greece	+	11,125,179	21	2,336,288	2.91	8,880,325	3.801	7,462,047	3.194	1.2
Italy	+	58,751,711	20	11,750,342	14.64	44,663,534	3.801	46,025,769	3.917	1.0
Spain	+	43,758,250	20	8,751,650	10.91	33,265,381	3.801	30,038,971	3.432	1.1
France	+	62,998,773	13	8,189,840	10.21	31,129,920	3.801	33,493,614	4.090	0.9
Germany	+	82,437,995	13	10,716,939	13.36	40,735,527	3.801	42,327,063	3.950	1.0
Finland	+	5,255,580	13	683,225	0.85	2,596,968	3.801	2,967,322	4.343	0.9
United Kingdom	+	60,393,100	19	11,474,689	14.30	43,615,764	3.801	49,559,603	4.319	0.9
Belgium	+	10,511,382	15	1,576,707	1.96	5,993,129	3.801	6,340,970	4.022	0.9
Sweden	+	9,047,752	12	1,085,730	1.35	4,126,905	3.801	4,837,037	4.455	0.9
Denmark	+	5,427,459	12	651,295	0.81	2,475,599	3.801	3,372,856	5.179	0.7
Austria	+	8,265,925	13	1,074,570	1.34	4,084,486	3.801	4,214,127	3.922	1.0
Netherlands	+	16,334,210	10	1,633,421	2.04	6,208,700	3.801	6,512,741	3.987	1.0
Ireland	+	4,209,019	18	757,623	0.94	2,879,758	3.801	3,429,475	4.527	0.8
Luxembourg	+	469,086	14	65,672	0.08	249,622	3.801	273,998	4.172	0.9
EU	27	492,975,207	16	80,241,174	100.00	305,000,000	3.801	285,759,193	3.561	1.1

Table 2 – Theoretical Budget allocation under the current method when 19 MS participate in the Programme

								Allocation in PPS		
		Total population	Risk of poverty %	Number of people at risk of poverty	% of budget	Theoretical allocation in €	Amount per poor people (€)	Theoretical allocation in PPS	Equivalent amount per poor people in PPS	Number of poor people paid with 5.773
BG	+	7,718,750	14	1,080,625	2.05	6,238,088	5.773	2,474,118	2.290	2.5
RO	+	21,610,213	19	4,105,940	7.77	23,702,225	5.773	13,003,706	3.167	1.8
PL	+	38,157,055	19	7,249,840	13.72	41,850,912	5.773	24,942,199	3.440	1.7
LV	+	2,294,590	23	527,756	1.00	3,046,558	5.773	1,891,210	3.583	1.6
LT	+	3,403,284	20	680,657	1.29	3,929,205	5.773	2,177,519	3.199	1.8
SK	-									
HU	+	10,076,581	16	1,612,253	3.05	9,306,999	5.773	5,895,605	3.657	1.6
EE	+	1,344,684	18	242,043	0.46	1,397,234	5.773	902,868	3.730	1.5
PT	+	10,569,592	18	1,902,527	3.60	10,982,651	5.773	9,194,455	4.833	1.2
MT	+	405,006	14	56,701	0.11	327,315	5.773	224,604	3.961	1.5
CZ	+	10,251,079	10	1,025,108	1.94	5,917,606	5.773	3,598,173	3.510	1.6
SL	+	2,003,358	12	240,403	0.46	1,387,766	5.773	1,017,913	4.234	1.4
CY	-									
EL	+	11,125,179	21	2,336,288	4.42	13,486,609	5.773	11,332,661	4.851	1.2
IT	+	58,751,711	20	11,750,342	22.24	67,830,808	5.773	69,899,644	5.949	1.0
ES	+	43,758,250	20	8,751,650	16.56	50,520,357	5.773	45,620,386	5.213	1.1
FR	+	62,998,773	13	8,189,840	15.50	47,277,218	5.773	50,866,976	6.211	0.9
DE	-									
FI	+	5,255,580	13	683,225	1.29	3,944,032	5.773	4,506,491	6.596	0.9
UK	-									
BE	+	10,511,382	15	1,576,707	2.98	9,101,806	5.773	9,630,073	6.108	0.9
SE	-									
DK	-									
AT	-									
NL	-									
IE	+	4,209,019	18	757,623	1.43	4,373,507	5.773	5,208,367	6.875	0.8
LU	+	469,086	14	65,672	0.12	379,103	5.773	416,122	6.336	0.9
EU 27	19	304,913,172	17	52,835,201	100.00	305,000,000	5.773	262,803,092	4.974	1.2

Table 3 – Theoretical Budget allocation with the GDP based method when all the MS participate in the Programme and comparison with the allocation under the current method

Absolute Method based on the GDP per capita expressed in PPS

Current Method

		Total Population	GDPpc/PPS	Normalised index calculated on the basis of the GDP pc	Participants			
					Number of people participating	Share (%)	Budget allocated in €	Amount per person (€)
Bulgaria	+	7,718,750	36.8	1.000	7,718,750	2%	6,173,372	0.800
Romania	+	21,610,213	38.9	0.992	21,447,905	6%	17,153,799	0.800
Poland	+	38,157,055	52.5	0.944	36,014,474	9%	28,803,981	0.800
Latvia	+	2,294,590	54.2	0.938	2,151,794	1%	1,720,981	0.800
Lithuania	+	3,403,284	56.2	0.931	3,167,148	1%	2,533,050	0.800
Slovakia	+	5,389,180	63.8	0.903	4,868,766	1%	3,893,985	0.800
Hungary	+	10,076,581	65	0.899	9,060,273	2%	7,246,307	0.800
Estonia	+	1,344,684	68.5	0.887	1,192,229	0%	953,531	0.800
Portugal	+	10,569,592	74.6	0.865	9,140,656	2%	7,310,596	0.800
Malta	+	405,006	77	0.856	346,776	0%	277,347	0.800
Czech Republic	+	10,251,079	78.7	0.850	8,714,884	2%	6,970,068	0.800
Slovenia	+	2,003,358	88	0.817	1,636,506	0%	1,308,859	0.800
Cyprus	+	766,414	92	0.802	614,831	0%	491,735	0.800
Greece	+	11,125,179	97.4	0.783	8,713,928	2%	6,969,304	0.800
Italy	+	58,751,711	103.5	0.761	44,736,192	12%	35,779,516	0.800
Spain	+	43,758,250	105.1	0.756	33,069,092	9%	26,448,297	0.800
France	+	62,998,773	111.1	0.734	46,257,683	12%	36,996,387	0.800
Germany	+	82,437,995	114.3	0.723	59,587,692	16%	47,657,583	0.800
Finland	+	5,255,580	117.1	0.713	3,746,198	1%	2,996,168	0.800
UK	+	60,393,100	118.1	0.709	42,832,445	11%	34,256,920	0.800
Belgium	+	10,511,382	120	0.702	7,383,532	2%	5,905,268	0.800
Sweden	+	9,047,752	124.8	0.685	6,200,105	2%	4,958,776	0.800
Denmark	+	5,427,459	126	0.681	3,695,952	1%	2,955,982	0.800
Austria	+	8,265,925	127.7	0.675	5,578,612	1%	4,461,713	0.800
Netherlands	+	16,334,210	130.8	0.664	10,842,737	3%	8,671,902	0.800
Ireland	+	4,209,019	145.7	0.611	2,569,669	1%	2,055,193	0.800
Luxembourg	+	469,086	279.6	0.132	61,740	0%	49,379	0.800
EU 27	27	492,975,207	100		381,350,567		305,000,000	0.800

Number of people at risk of poverty	MS share (%)	Budget allocated in €	Amount per poor people (€)	Difference between the budget allocation under the two methods
1,080,625	1%	4,107,500	3.801	2,065,872
4,105,940	5%	15,606,848	3.801	1,546,950
7,249,840	9%	27,556,942	3.801	1,247,039
527,756	1%	2,006,021	3.801	- 285,040
680,657	1%	2,587,204	3.801	- 54,154
646,702	1%	2,458,139	3.801	1,435,846
1,612,253	2%	6,128,240	3.801	1,118,068
242,043	0%	920,016	3.801	33,516
1,902,527	2%	7,231,582	3.801	79,015
56,701	0%	215,522	3.801	61,825
1,025,108	1%	3,896,477	3.801	3,073,591
240,403	0%	913,782	3.801	395,078
122,626	0%	466,107	3.801	25,627
2,336,288	3%	8,880,325	3.801	- 1,911,021
11,750,342	15%	44,663,534	3.801	- 8,884,018
8,751,650	11%	33,265,381	3.801	- 6,817,084
8,189,840	10%	31,129,920	3.801	5,866,467
10,716,939	13%	40,735,527	3.801	6,922,056
683,225	1%	2,596,968	3.801	399,201
11,474,689	14%	43,615,764	3.801	- 9,358,845
1,576,707	2%	5,993,129	3.801	- 87,862
1,085,730	1%	4,126,905	3.801	831,870
651,295	1%	2,475,599	3.801	480,383
1,074,570	1%	4,084,486	3.801	377,227
1,633,421	2%	6,208,700	3.801	2,463,202
757,623	1%	2,879,758	3.801	- 824,564
65,672	0%	249,622	3.801	- 200,244
80,241,174	100%	305,000,000	3.801	-

Table 4 – Theoretical Budget allocation with the absolute method when the current 19 MS participate in the Programme and comparison with the allocation under current method

Absolute Method based on the GDP per capita expressed in PPS

		Total Population	GDPpc/PPS	Normalised index calculated on the basis of the GDP pc	Participants			
					Number of people participating	MS share (%)	Budget allocated in €	Amount per person (€)
Bulgaria	+	7,718,750	36.8	1.000	7,718,750	3%	9,526,258	1.234
Romania	+	21,610,213	38.9	0.992	21,447,905	9%	26,470,384	1.234
Poland	+	38,157,055	52.5	0.944	36,014,474	15%	44,448,023	1.234
Latvia	+	2,294,590	54.2	0.938	2,151,794	1%	2,655,682	1.234
Lithuania	+	3,403,284	56.2	0.931	3,167,148	1%	3,908,802	1.234
Slovakia	-	5,389,180	63.8	0.903				
Hungary	+	10,076,581	65	0.899	9,060,273	4%	11,181,928	1.234
Estonia	+	1,344,684	68.5	0.887	1,192,229	0%	1,471,414	1.234
Portugal	+	10,569,592	74.6	0.865	9,140,656	4%	11,281,133	1.234
Malta	+	405,006	77	0.856	346,776	0%	427,980	1.234
Czech Republic	+	10,251,079	78.7	0.850	8,714,884	4%	10,755,658	1.234
Slovenia	+	2,003,358	88	0.817	1,636,506	1%	2,019,728	1.234
Cyprus	-	766,414	92	0.802				
Greece	+	11,125,179	97.4	0.783	8,713,928	4%	10,754,478	1.234
Italy	+	58,751,711	103.5	0.761	44,736,192	18%	55,212,116	1.234
Spain	+	43,758,250	105.1	0.756	33,069,092	13%	40,812,919	1.234
France	+	62,998,773	111.1	0.734	46,257,683	19%	57,089,896	1.234
Germany	-	82,437,995	114.3	0.723				
Finland	+	5,255,580	117.1	0.713	3,746,198	2%	4,623,450	1.234
UK	-	60,393,100	118.1	0.709				
Belgium	+	10,511,382	120	0.702	7,383,532	3%	9,112,541	1.234
Sweden	-	9,047,752	124.8	0.685				
Denmark	-	5,427,459	126	0.681				
Austria	-	8,265,925	127.7	0.675				
Netherlands	-	16,334,210	130.8	0.664				
Ireland	+	4,209,019	145.7	0.611	2,569,669	1%	3,171,412	1.234
Luxembourg	+	469,086	279.6	0.132	61,740	0%	76,197	1.234
EU 27	19	492,975,207	100		247,129,426		305,000,000	1.234

Current Method

Participants					Difference between the budget allocation under the two methods
Number of people at risk of poverty	MS share (%)	Budget allocated in €	Amount per poor people (€)		
1,080,625	2%	6,238,088	5.773	3,288,171	
4,105,940	8%	23,702,225	5.773	2,768,159	
7,249,840	14%	41,850,912	5.773	2,597,111	
527,756	1%	3,046,558	5.773	- 390,876	
680,657	1%	3,929,205	5.773	- 20,403	
1,612,253	3%	9,306,999	5.773	1,874,929	
242,043	0%	1,397,234	5.773	74,180	
1,902,527	4%	10,982,651	5.773	298,482	
56,701	0%	327,315	5.773	100,665	
1,025,108	2%	5,917,606	5.773	4,838,052	
240,403	0%	1,387,766	5.773	631,962	
2,336,288	4%	13,486,609	5.773	- 2,732,131	
11,750,342	22%	67,830,808	5.773	- 12,618,692	
8,751,650	17%	50,520,357	5.773	- 9,707,439	
8,189,840	16%	47,277,218	5.773	9,812,678	
683,225	1%	3,944,032	5.773	679,418	
1,576,707	3%	9,101,806	5.773	10,736	
757,623	1%	4,373,507	5.773	- 1,202,096	
65,672	0%	379,103	5.773	- 302,906	
52,835,201	100%	305,000,000	5.773		

Table 5 – Theoretical Budget allocation with the Mixed-1 when all the MS participate in the Programme and comparison with the allocation under current method

Mixed method (GDP+ at risk of poverty rate)											Current Method					
		Total			Participants						Number of people at risk of poverty	MS share (%)	Budget allocated in €	Amount per poor people (€)	Difference between the budget allocation under the two methods	
		Population	GDPpc/PPS	Normalised index calculated on the basis of the GDP pc	Normalised index calculated on the basis of the GDP pc	Number of people involved	Risk of poverty %	Number of Poor people	Share (%)	Budget allocated in €						Amount per poor people (€)
Bulgaria	+	7,718,750	36.8	1.000	1.000	7,718,750	14	1,080,625	1.73%	5,266,102	4.873	1,080,625	1%	4,107,500	3.801	1,158,602
Romania	+	21,610,213	38.9	0.992	0.992	21,447,905	19	4,075,102	6.51%	19,858,787	4.873	4,105,940	5%	15,606,848	3.801	4,251,939
Poland	+	38,157,055	52.5	0.944	0.944	36,014,474	19	6,842,750	10.93%	33,346,091	4.873	7,249,840	9%	27,556,942	3.801	5,789,149
Latvia	+	2,294,590	54.2	0.938	0.938	2,151,794	23	494,913	0.79%	2,411,808	4.873	527,756	1%	2,006,021	3.801	405,787
Lithuania	+	3,403,284	56.2	0.931	0.931	3,167,148	20	633,430	1.01%	3,086,829	4.873	680,657	1%	2,587,204	3.801	499,624
Slovakia	+	5,389,180	63.8	0.903	0.903	4,868,766	12	584,252	0.93%	2,847,176	4.873	646,702	1%	2,458,139	3.801	389,037
Hungary	+	10,076,581	65	0.899	0.899	9,060,273	16	1,449,644	2.32%	7,064,404	4.873	1,612,253	2%	6,128,240	3.801	936,164
Estonia	+	1,344,684	68.5	0.887	0.887	1,192,229	18	214,601	0.34%	1,045,795	4.873	242,403	0%	920,016	3.801	125,779
Portugal	+	10,569,592	74.6	0.865	0.865	9,140,656	18	1,645,318	2.63%	8,017,964	4.873	1,902,527	2%	7,231,582	3.801	786,383
Malta	+	405,006	77	0.856	0.856	346,776	14	48,549	0.08%	236,587	4.873	56,701	0%	215,522	3.801	21,065
Czech Republic	+	10,251,079	78.7	0.850	0.850	8,714,884	10	871,488	1.39%	4,246,937	4.873	1,025,108	1%	3,896,477	3.801	350,460
Slovenia	+	2,003,358	88	0.817	0.817	1,636,506	12	196,381	0.31%	957,002	4.873	240,403	0%	913,782	3.801	43,221
Cyprus	+	766,414	92	0.802	0.802	614,831	16	98,373	0.16%	479,391	4.873	122,626	0%	466,107	3.801	13,284
Greece	+	11,125,179	97.4	0.783	0.783	8,713,928	21	1,829,925	2.92%	8,917,590	4.873	2,336,288	3%	8,880,325	3.801	37,265
Italy	+	58,751,711	103.5	0.761	0.761	44,736,192	20	8,947,238	14.30%	43,601,684	4.873	11,750,342	15%	44,663,534	3.801	- 1,061,850
Spain	+	43,758,250	105.1	0.756	0.756	33,069,092	20	6,613,818	10.57%	32,230,462	4.873	8,751,650	11%	33,265,381	3.801	- 1,034,920
France	+	62,998,773	111.1	0.734	0.734	46,257,683	13	6,013,499	9.61%	29,304,983	4.873	8,189,840	10%	31,129,920	3.801	- 1,824,937
Germany	+	82,437,995	114.3	0.723	0.723	59,587,692	13	7,746,400	12.38%	37,749,758	4.873	10,716,939	13%	40,735,527	3.801	- 2,985,769
Finland	+	5,255,580	117.1	0.713	0.713	3,746,198	13	487,006	0.78%	2,373,277	4.873	683,225	1%	2,596,968	3.801	- 223,691
UK	+	60,393,100	118.1	0.709	0.709	42,832,445	19	8,138,165	13.00%	39,658,905	4.873	11,474,689	14%	43,615,764	3.801	- 3,956,859
Belgium	+	10,511,382	120	0.702	0.702	7,383,532	15	1,107,530	1.77%	5,397,214	4.873	1,576,707	2%	5,993,129	3.801	- 595,915
Sweden	+	9,047,752	124.8	0.685	0.685	6,200,105	12	744,013	1.19%	3,625,722	4.873	1,085,730	1%	4,126,905	3.801	- 501,183
Denmark	+	5,427,459	126	0.681	0.681	3,695,952	12	443,514	0.71%	2,161,334	4.873	651,295	1%	2,475,599	3.801	- 314,266
Austria	+	8,265,925	127.7	0.675	0.675	5,578,612	13	725,220	1.16%	3,534,140	4.873	1,074,570	1%	4,084,486	3.801	- 550,345
Netherlands	+	16,334,210	130.8	0.664	0.664	10,842,737	10	1,084,274	1.73%	5,283,883	4.873	1,633,421	2%	6,208,700	3.801	- 924,817
Ireland	+	4,209,019	145.7	0.611	0.611	2,569,669	18	462,540	0.74%	2,254,052	4.873	757,623	1%	2,879,758	3.801	- 625,705
Luxembourg	+	469,086	279.6	0.132	0.132	61,740	14	8,644	0.01%	42,122	4.873	65,672	0%	249,622	3.801	- 207,500
EU 27	27	492.98	100			381,350,567	16	62,587,209		305,000,000	4.873	80,241,174	100%	305,000,000	3.801	-

Table 6 – Theoretical Budget allocation with the Mixed-1 when the current 19 MS participate in the Programme and comparison with the allocation under current method

	Mixed method (GDP+ at risk of poverty rate)											Current Method				
	Total			Participants								Participants				
	Population	GDPpc /PPS	Normalised index calculated on the basis of the GDP pc	Normalised index calculated on the basis of the GDP pc	Number of people involved	Rate at risk of poverty	Number of Poor People	Share (%)	New allocation	Amount per poor people (€)	Number of people at risk of poverty	MS share (%)	Budget allocated in €	Amount per poor people (€)	Difference between the budget allocation under the two methods	
Bulgaria	+	7,718,750	36.8	1.000	1.000	7,718,750	14	1,080,625	2.51%	7,660,801	7.089	1,080,625	2%	6,238,088	5.773	1,422,713
Romania	+	21,610,213	38.9	0.992	0.992	21,447,905	19	4,075,102	9.47%	28,889,340	7.089	4,105,940	8%	23,702,225	5.773	5,187,115
Poland	+	38,157,055	52.5	0.944	0.944	36,014,474	19	6,842,750	15.90%	48,509,838	7.089	7,249,840	14%	41,850,912	5.773	6,658,927
Latvia	+	2,294,590	54.2	0.938	0.938	2,151,794	23	494,913	1.15%	3,508,549	7.089	527,756	1%	3,046,558	5.773	461,992
Lithuania	+	3,403,284	56.2	0.931	0.931	3,167,148	20	633,430	1.47%	4,490,529	7.089	680,657	1%	3,929,205	5.773	561,324
Slovakia	-	5,389,180	63.8	0.903												
Hungary	+	10,076,581	65	0.899	0.899	9,060,273	16	1,449,644	3.37%	10,276,860	7.089	1,612,253	3%	9,306,999	5.773	969,861
Estonia	+	1,344,684	68.5	0.887	0.887	1,192,229	18	214,601	0.50%	1,521,357	7.089	242,043	0%	1,397,234	5.773	124,123
Portugal	+	10,569,592	74.6	0.865	0.865	9,140,656	18	1,645,318	3.82%	11,664,040	7.089	1,902,527	4%	10,982,651	5.773	681,389
Malta	+	405,006	77	0.856	0.856	346,776	14	48,549	0.11%	344,172	7.089	56,701	0%	327,315	5.773	16,857
Czech Republic	+	10,251,079	78.7	0.850	0.850	8,714,884	10	871,488	2.03%	6,178,183	7.089	1,025,108	2%	5,917,606	5.773	260,577
Slovenia	+	2,003,358	88	0.817	0.817	1,636,506	12	196,381	0.46%	1,392,188	7.089	240,403	0%	1,387,766	5.773	4,422
Cyprus	-	766,414	92	0.802												
Greece	+	11,125,179	97.4	0.783	0.783	8,713,928	21	1,829,925	4.25%	12,972,761	7.089	2,336,288	4%	13,486,609	5.773	-513,849
Italy	+	58,751,711	103.5	0.761	0.761	44,736,192	20	8,947,238	20.80%	63,429,044	7.089	11,750,342	22%	67,830,808	5.773	-4,401,764
Spain	+	43,758,250	105.1	0.756	0.756	33,069,092	20	6,613,818	15.37%	46,886,890	7.089	8,751,650	17%	50,520,357	5.773	-3,633,468
France	+	62,998,773	111.1	0.734	0.734	46,257,683	13	6,013,499	13.98%	42,631,084	7.089	8,189,840	16%	47,277,218	5.773	-4,646,134
Germany	-	82,437,995	114.3	0.723												
Finland	+	5,255,580	117.1	0.713	0.713	3,746,198	13	487,006	1.13%	3,452,497	7.089	683,225	1%	3,944,032	5.773	-491,536
UK	-	60,393,100	118.1	0.709												
Belgium	+	10,511,382	120	0.702	0.702	7,383,532	15	1,107,530	2.57%	7,851,535	7.089	1,576,707	3%	9,101,806	5.773	-1,250,271
Sweden	-	9,047,752	124.8	0.685												
Denmark	-	5,427,459	126	0.681												
Austria	-	8,265,925	127.7	0.675												
Netherlands	-	16,334,210	130.8	0.664												
Ireland	+	4,209,019	145.7	0.611	0.611	2,569,669	18	462,540	1.08%	3,279,056	7.089	757,623	1%	4,373,507	5.773	-1,094,451
Luxembourg	+	469,086	279.6	0.132	0.132	61,740	14	8,644	0.02%	61,276	7.089	65,672	0.1%	379,103	5.773	-317,827
EU27	19	492,98	100			247,129,426	17	43,022,999		305,000,000		52,835,201	100%	305,000,000	5.773	

Table 7– Theoretical Budget allocation with the absolute modulated method when all the MS participate to the Programme and comparison with the allocation under current method

Absolute Method Modulated by at risk of poverty classes based on the GDP per capita expressed in PPS

		Total			Participants						
		Population	GDPpc/PPS	GDP quartiles	At risk of poverty rate threshold% assigned	Number of people participating	Additional People assigned proportionally to GDP within class	Number of Poor people after correction on edges	MS share % of budget	Budget allocated in €	Amount per poor people (€)
Bulgaria	+	7,718,750	36.8	1	70	1,620,938	0	1,620,938	2.3%	6,873,255	4.24
Romania	+	21,610,213	38.9	1	70	5,618,655	0	5,618,655	7.8%	23,824,764	4.24
Poland	+	38,157,055	52.5	1	70	10,302,405	0	10,302,405	14.3%	43,685,249	4.24
Latvia	+	2,294,590	54.2	1	70	711,323	0	711,323	1.0%	3,016,220	4.24
Lithuania	+	3,403,284	56.2	1	70	952,920	0	952,920	1.3%	4,040,661	4.24
Slovakia	+	5,389,180	63.8	1	70	1,023,944	0	1,023,944	1.4%	4,341,827	4.24
Hungary	+	10,076,581	65	1	70	2,418,379	0	2,418,379	3.4%	10,254,645	4.24
Estonia	+	1,344,684	68.5	2	60	242,043	101,433	343,476	0.5%	1,456,439	4.24
Portugal	+	10,569,592	74.6	2	60	1,902,527	629,003	2,531,529	3.5%	10,734,435	4.24
Malta	+	405,006	77	2	60	56,701	24,261	80,962	0.1%	343,301	4.24
Czech Republic	+	10,251,079	78.7	2	60	1,025,108	500,346	1,525,454	2.1%	6,468,378	4.24
Slovenia	+	2,003,358	88	2	60	240,403	43,008	283,411	0.4%	1,201,748	4.24
Cyprus	+	766,414	92	2	60	122,626	9,277	131,903	0.2%	559,309	4.24
Greece	+	11,125,179	97.4	2	60	2,336,288	0	2,336,288	3.2%	9,906,552	4.24
Italy	+	58,751,711	103.5	3	50	7,637,722	2,953,868	10,591,590	14.7%	44,911,481	4.24
Spain	+	43,758,250	105.1	3	50	5,688,573	1,973,669	7,662,241	10.7%	32,490,174	4.24
France	+	62,998,773	111.1	3	50	4,409,914	1,388,010	5,797,924	8.1%	24,584,916	4.24
Germany	+	82,437,995	114.3	3	50	5,770,660	1,085,211	6,855,871	9.5%	29,070,925	4.24
Finland	+	5,255,580	117.1	3	50	262,779	37,869	300,648	0.4%	1,274,838	4.24
UK	+	60,393,100	118.1	3	50	7,247,172	185,503	7,432,675	10.3%	31,516,745	4.24
Belgium	+	10,511,382	120	4	40	315,341	519,840	837,816	1.2%	3,552,589	4.24
Sweden	+	9,047,752	124.8	4	40	361,910	261,711	623,621	0.9%	2,644,340	4.24
Denmark	+	5,427,459	126	4	40	162,824	155,775	318,599	0.4%	1,350,955	4.24
Austria	+	8,265,925	127.7	4	40	247,978	234,617	482,595	0.7%	2,046,346	4.24
Netherlands	+	16,334,210	130.8	4	40	490,026	302,776	792,802	1.1%	3,361,715	4.24
Ireland	+	4,209,019	145.7	4	40	126,271	210,621	336,892	0.5%	1,428,522	4.24
Luxembourg	+	469,086	279.6	4	40	14,073	0	14,073	0.0%	59,672	4.24
EU 27	27	492.98	100			61,309,501		71,928,935	100	305,000,000	4.24

Number of people at risk of poverty	MS share % of budget	Budget allocated in €	Amount per poor people (€)	Budget difference between new method and current
1,080,625	1.3	4,107,500	3.80	2,765,755
4,105,940	5.1	15,606,848	3.80	8,217,915
7,249,840	9.0	27,556,942	3.80	16,128,308
527,756	0.7	2,006,021	3.80	1,010,199
680,657	0.8	2,587,204	3.80	1,453,457
646,702	0.8	2,458,139	3.80	1,883,687
1,612,253	2.0	6,128,240	3.80	4,126,406
242,043	0.3	920,016	3.80	536,423
1,902,527	2.4	7,231,582	3.80	3,502,853
56,701	0.1	215,522	3.80	127,779
1,025,108	1.3	3,896,477	3.80	2,571,901
240,403	0.3	913,782	3.80	287,967
122,626	0.2	466,107	3.80	93,201
2,336,288	2.9	8,880,325	3.80	1,026,227
11,750,342	14.6	44,663,534	3.80	247,947
8,751,650	10.9	33,265,381	3.80	775,207
8,189,840	10.2	31,129,920	3.80	6,545,004
10,716,939	13.4	40,735,527	3.80	11,664,602
683,225	0.9	2,596,968	3.80	1,322,130
11,474,689	14.3	43,615,764	3.80	12,099,020
1,576,707	2.0	5,993,129	3.80	2,440,540
1,085,730	1.4	4,126,905	3.80	1,482,566
651,295	0.8	2,475,599	3.80	1,124,645
1,074,570	1.3	4,084,486	3.80	2,038,139
1,633,421	2.0	6,208,700	3.80	2,846,986
757,623	0.9	2,879,758	3.80	1,451,236
65,672	0.1	249,622	3.80	189,950
80,241,174	100.0	305,000,000	3.80	-

Table 8– Theoretical Budget allocation with the absolute modulated method based on the 19 participating MS to the Programme and comparison with the allocation under current method

Absolute Method Modulated by at risk of poverty classes based on the GDP per capita expressed in PPS											Current Method									
		Total				Participants														
		Population	GDPpc/PPS	GDP quartiles	At risk of poverty rate threshold%	Number of people involved	Additional People assigned proportionally to GDP within class	Number of Poor people after correction on edges	MS share % of budget	Budget allocated in €	Amount per poor people (€)	Number of people at risk of poverty	MS share % of budget	Budget allocated in €	Amount per poor people (€)	Budget difference between new method and current				
Bulgaria	+	7,718,750	36.8	1	70	1,620,938	0	1,620,938	3.0%	9,110,263	5.620	1,080,625	1.3	6,073,508	5.77	3,036,754				
Romania	+	21,610,213	38.9	1	70	5,618,655	0	5,618,655	10.4%	31,578,902	5.620	4,105,940	5.1	23,076,890	5.77	8,502,012				
Poland	+	38,157,055	52.5	1	70	10,302,405	0	10,302,405	19.0%	57,903,291	5.620	7,249,840	9.0	40,746,760	5.77	17,156,531				
Latvia	+	2,294,590	54.2	1	70	711,323	0	711,323	1.3%	3,997,895	5.620	527,756	0.7	2,966,180	5.77	1,031,715				
Lithuania	+	3,403,284	56.2	1	70	952,920	0	952,920	1.8%	5,355,757	5.620	680,657	0.8	3,825,541	5.77	1,530,216				
Slovakia	-	5,389,180	63.8	1	70	1,023,944	0													
Hungary	+	10,076,581	65	1	70	2,418,379	0	2,418,379	4.5%	13,592,179	5.620	1,612,253	2.0	9,061,452	5.77	4,530,726				
Estonia	+	1,344,684	68.5	2	60	242,043	101,433	343,476	0.6%	1,930,459	5.620	242,043	0.3	1,360,371	5.77	570,088				
Portugal	+	10,569,592	74.6	2	60	1,902,527	629,003	2,531,529	4.7%	14,228,123	5.620	1,902,527	2.4	10,692,896	5.77	3,535,226				
Malta	+	405,006	77	2	60	56,701	24,261	80,962	0.1%	455,034	5.620	56,701	0.1	318,679	5.77	136,354				
Czech Republic	+	10,251,079	78.7	2	60	1,025,108	500,346	1,525,454	2.8%	8,573,612	5.620	1,025,108	1.3	5,761,482	5.77	2,812,130				
Slovenia	+	2,003,358	88	2	60	240,403	43,008	283,411	0.5%	1,592,876	5.620	240,403	0.3	1,351,153	5.77	241,723				
Cyprus	-	766,414	92	2	60	122,626	9,277													
Greece	+	11,125,179	97.4	2	60	2,336,288	0	2,336,288	4.3%	13,130,792	5.620	2,336,288	2.9	13,130,792	5.77	-				
Italy	+	58,751,711	103.5	3	50	7,637,722	2,953,868	10,591,590	19.5%	59,528,618	5.620	11,750,342	14.6	66,041,229	5.77	6,512,611				
Spain	+	43,758,250	105.1	3	50	5,688,573	1,973,669	7,662,241	14.1%	43,064,604	5.620	8,751,650	10.9	49,187,480	5.77	6,122,876				
France	+	62,998,773	111.1	3	50	4,409,914	1,388,010	5,797,924	10.7%	32,586,458	5.620	8,189,840	10.2	46,029,905	5.77	13,443,447				
Germany	-	82,437,995	114.3	3	50	5,770,660	1,085,211													
Finland	+	5,255,580	117.1	3	50	262,779	37,869	300,648	0.6%	1,689,754	5.620	683,225	0.9	3,839,977	5.77	2,150,223				
UK	-	60,393,100	118.1	3	50	7,247,172	185,503													
Belgium	+	10,511,382	120	4	40	315,341	519,840	837,816	1.5%	4,708,834	5.620	1,576,707	2.0	8,861,673	5.77	4,152,838				
Sweden	-	9,047,752	124.8	4	40	361,910	261,711													
Denmark	-	5,427,459	126	4	40	162,824	155,775													
Austria	-	8,265,925	127.7	4	40	247,978	234,617													
Netherlands	-	16,334,210	130.8	4	40	490,026	302,776													
Ireland	+	4,209,019	145.7	4	40	126,271	210,621	336,892	0.6%	1,893,456	5.620	757,623	0.9	4,258,121	5.77	2,364,665				
Luxembourg	+	469,086	279.6	4	40	14,073	0	14,073	0.0%	79,093	5.620	65,672	0.1	369,101	5.77	290,008				
EU 27	19	492.98	100			61,309,501		54,266,924	100	305,000,000	5.620	52,835,201	100.0	305,000,000	5.77	-				

Table 9– Theoretical Budget allocation under the three methods for EU-27, when the total budget amount to 100 millions€

	Current Method		Method 1: "GDP based method"		Method 2: "GDP + rate at risk of poverty" method		Method 3: "The most cohesive" method	
	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €	MS share (%)	Budget allocated in €
Bulgaria	1.3%	1,346,721	2.0%	2,024,056	1.7%	1,726,591	2.3%	2,253,526
Romania	5.1%	5,116,999	5.6%	5,624,196	6.5%	6,511,078	7.8%	7,811,398
Poland	9.0%	9,035,063	9.4%	9,443,928	10.9%	10,933,144	14.3%	14,323,033
Latvia	0.7%	657,712	0.6%	564,256	0.8%	790,757	1.0%	988,925
Lithuania	0.8%	848,264	0.8%	830,508	1.0%	1,012,075	1.3%	1,324,807
Slovakia	0.8%	805,947	1.3%	1,276,717	0.9%	933,500	1.4%	1,423,550
Hungary	2.0%	2,009,259	2.4%	2,375,838	2.3%	2,316,198	3.4%	3,362,179
Estonia	0.3%	301,645	0.3%	312,633	0.3%	342,883	0.5%	477,521
Portugal	2.4%	2,371,010	2.4%	2,396,917	2.6%	2,628,841	3.5%	3,519,487
Malta	0.1%	70,663	0.1%	90,934	0.1%	77,569	0.1%	112,558
Czech Rep	1.3%	1,277,534	2.3%	2,285,268	1.4%	1,392,438	2.1%	2,120,780
Slovenia	0.3%	299,601	0.4%	429,134	0.3%	313,771	0.4%	394,016
Cyprus	0.2%	152,822	0.2%	161,225	0.2%	157,177	0.2%	183,380
Greece	2.9%	2,911,582	2.3%	2,285,018	2.9%	2,923,800	3.2%	3,248,050
Italy	14.6%	14,643,782	11.7%	11,730,989	14.3%	14,295,634	14.7%	14,725,076
Spain	10.9%	10,906,682	8.7%	8,671,573	10.6%	10,567,364	10.7%	10,652,516
France	10.2%	10,206,531	12.1%	12,129,963	9.6%	9,608,191	8.1%	8,060,628
Germany	13.4%	13,355,910	15.6%	15,625,437	12.4%	12,376,970	9.5%	9,531,451
Finland	0.9%	851,465	1.0%	982,350	0.8%	778,124	0.4%	417,980
UK	14.3%	14,300,251	11.2%	11,231,777	13.0%	13,002,920	10.3%	10,333,359
Belgium	2.0%	1,964,960	1.9%	1,936,153	1.8%	1,769,578	1.2%	1,164,783
Sweden	1.4%	1,353,084	1.6%	1,625,828	1.2%	1,188,761	0.9%	866,997
Denmark	0.8%	811,672	1.0%	969,174	0.7%	708,634	0.4%	442,936
Austria	1.3%	1,339,176	1.5%	1,462,857	1.2%	1,158,735	0.7%	670,933
Netherlands	2.0%	2,035,639	2.8%	2,843,247	1.7%	1,732,421	1.1%	1,102,202
Ireland	0.9%	944,183	0.7%	673,834	0.7%	739,034	0.5%	468,368
Luxembourg	0.1%	81,843	0.0%	16,190	0.0%	13,810	0.0%	19,565
EU 27	100%	100,000,000	100%	100,000,000	100%	100,000,000	100%	100,000,000

ANNEX 10

INCOME POVERTY AND MATERIAL DEPRIVATION IN EUROPE

On 23-24 March 2000, the European Council held in Lisbon agreed a new strategic goal for the Union in order to strengthen employment, economic reform and social cohesion as part of a knowledge-based economy¹⁹. In that occasion was already affirmed the need to have reliable statistics on poverty, income and social exclusion.

At the Laeken Council in December 2001, EU Heads of State and Government adopted a first set of 18 common statistical indicators of social exclusion and poverty. The scope was to allow the EU to follow the progress in achieving the social inclusion targets set at the 2000 meeting of the Council in Nice and to improve the understanding of poverty and social exclusion in the European context.

Since then Eurostat has developed different statistical platforms²⁰ to be able to respond to this need. The indicators initially selected focussed more on monetary poverty by covering four important dimensions of social inclusion (financial poverty, employment, health and education).

This first set of indicators has been successively expanded to include indicators on material deprivation (non-monetary indicators). A complete list of them is reported in Annex.

This note gives a picture of the state of poverty and social exclusion in Europe. The first part describes poverty by making more use of monetary indicators; the second part illustrates the state of material deprivation in Europe. The third part gives some elements of the relationship existing between poverty and food consumption expenditures.

1. POVERTY AS A RELATIVE CONCEPT (EUROSTAT)

The indicator mostly frequently used by Eurostat to measure income poverty is the "at risk of poverty threshold". This indicator represents the share of persons with an income below 60% of the national equivalised median income²¹. The household income that is considered is the total household income (including earnings of all household members, social transfers received by individual household members or the household as a whole, capital income...).

The indicator is expressed in "equivalised" income to take into account the household size and its composition²² and can be calculated for two illustrative household types:

¹⁹ European Commission website http://ec.europa.eu/growthandjobs/index_en.htm

²⁰ European Community Household Panel (ECHP) replaced by EU-SILC (Community Statistics on Income and living Conditions) in 2003 (Council Regulation (EC) N°1177/2003, 13 June 2003).

²¹ The advantage of using the median is that it is not influenced by extreme values.

²² Equivalised income is defined as the household's total income divided by its equivalent size, to take account of the size and composition of the household, and is attributed to each household member. The total household income is divided by its equivalent size using the so-called modified OECD equivalence scale, a revised version of a scale advocated by the OECD. This scale gives a

- Single person household
- Household with 2 adults, 2 children

By making reference to the distribution of income within each Member State, poverty is calculated by Eurostat in relative terms. Eurostat gives two reasons why the indicator is calculated in relative terms (national reference) and not in absolute terms (European reference):

1. "Firstly, the key challenge for Europe is to make the whole population share the benefits of high average prosperity, and not to reach basic standards of living, as in less developed parts of the world.
2. Secondly, what is regarded as minimal acceptable living standards depends largely on the general level of social and economic development, which tends to vary considerably across countries" European Commission (2004)²³.

In Eurostat official document it is said that the choice of taking 60% of national median equivalised income as the threshold is purely conventional, although behind this choice, there are statistical considerations²⁴.

Taking 60% of national median equivalised income as threshold, in 2006, on average, 16% of the EU-25 population were at risk of poverty. **This involves more than 74 million of citizens in EU-25 and a little bit less of 80 million in EU-27.**

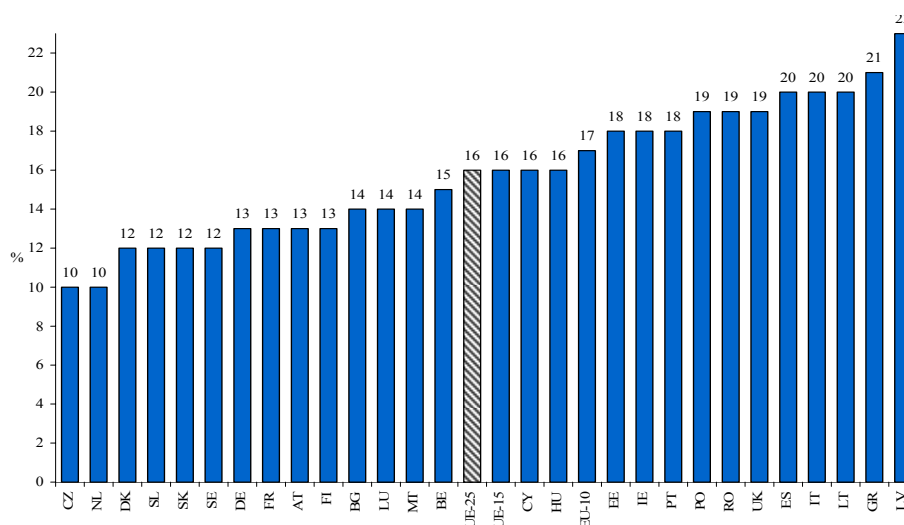
Graph1 shows the proportion of the population at risk of poverty in each country. The rate ranges between 10 and 23%. In 2006, Czech Republic and the Netherlands had the lowest rate followed by Denmark, Slovenia, Slovakia and Sweden. On the other extreme, Latvia had the highest share of the population at a risk of poverty (23%), followed by Greece (21%), Lithuania, Italy and Spain (20%).

weight of 1.0 to the first adult, 0.5 to any other household member aged 14 years and over, and 0.3 to each child.

²³ Joint Report on Social inclusion, Office for Official Publications of the European Communities, Luxembourg.

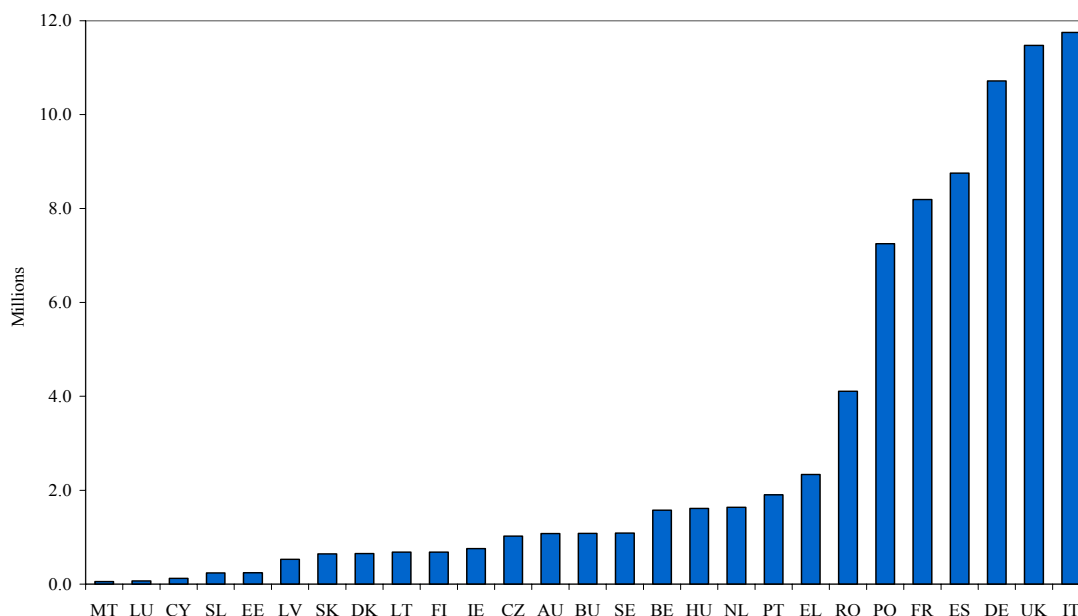
²⁴ More robustness of this indicator compared to equivalent indicators set at different thresholds.

Graph 1 – At risk of poverty rate (threshold of 60% of the national equivalised median income, after social transfers) – 2006



At Member State level, in terms of population, Italy, UK and Germany have the highest number of citizens at risk of poverty. In Italy the number is just below 12 million of people, in the UK is around 11.5 million, in Germany 10.7 million. With 4 million, Romania is the first country of the new Member State with the highest number of citizens at risk of poverty.

Graph 2 – Number of citizens at risk of poverty rate (threshold of 60% of the national equivalised median income, after social transfers) – 2006



The rate of persons at risk of poverty, 60% of the median income, has been fairly stable over the last ten years. For EU-15 after falling to 15% in the early 2000s, it rose slightly

to 17% and then stabilised at 16%. The same percentage concerns today EU-25 and EU-27 statistics.

Looking at the only rate of poverty can be in a certain way limitative. New Member States in fact even if have a risk of poverty rate quite close to EU-15, have a living standard much lower than EU-15.

Table 1 shows the monthly at risk of poverty threshold (illustrative value) for a **"2 adults - 2 children" household and "single person"** in EURO and PPS.

The standard of living of poor people varies greatly across the EU. While in 13 of the 15 old Member States these thresholds are higher than 1500€ for a household with 2 adults and 2 children, poor families with the equivalent size have to cope with less than 500 € per month in 7 out of the ten of the new member States.

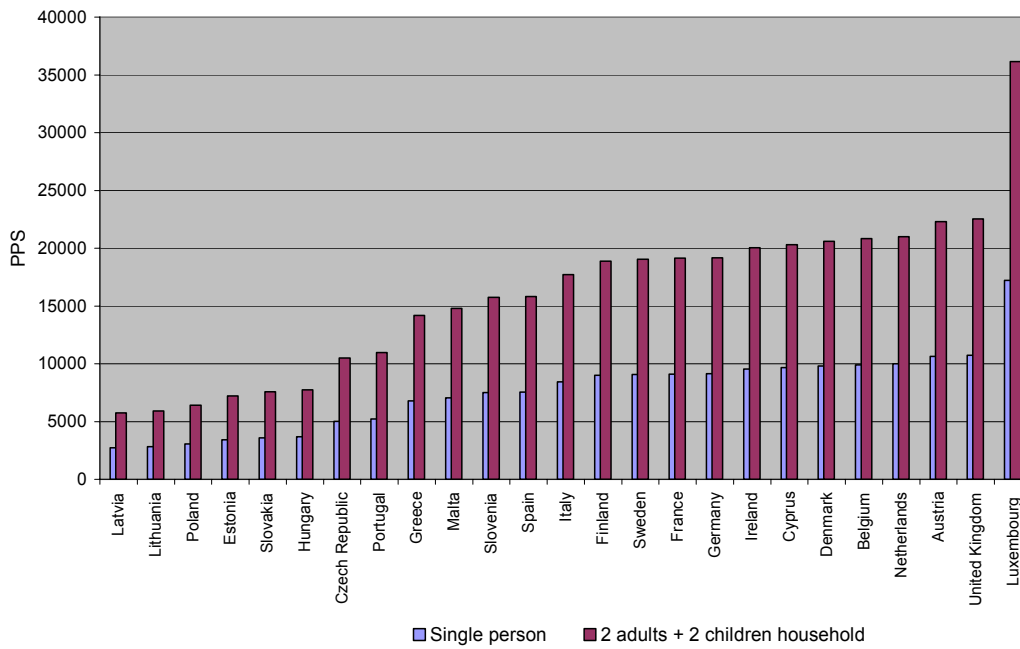
Even when corrected for the differences in the cost of living (i.e. when expressed in PPS), the poverty thresholds range from 478 PPS in Latvia to more than 1800 PPS in Austria and the UK, and up to more than 3000 PPS in Luxembourg. The variation in the value of the national thresholds is thus approximately one to five if we compare the average of the three countries with the lowest income with that of three countries with the highest value.

Table 1: Monthly at risk of poverty threshold for a "2 adults - 2 children" household and "single person" illustrative value – EURO and PPS, 2006

	Single person	Single person	Two adults with two children younger than 14 years	Two adults with two children younger than 14 years
	<i>EUR</i>	<i>PPS</i>	<i>EUR</i>	<i>PPS</i>
EU-25	697		1464	
EU-15	771		1620	
NMS	178		373	
Belgium	860	826	1805	1735
Czech Republic	240	417	504	875
Denmark	1133	817	2380	1716
Germany	781	760	1640	1596
Estonia	182	286	382	600
Ireland	984	795	2066	1669
Greece	493	564	1034	1183
Spain	572	628	1201	1318
France	809	760	1700	1596
Italy	726	703	1525	1476
Cyprus	727	806	1526	1692
Latvia	127	228	266	478
Lithuania	127	234	266	492
Luxembourg	1484	1434	3116	3011
Hungary	192	308	404	646
Malta	423	587	888	1233
Netherlands	863	834	1812	1751
Austria	893	885	1875	1858
Poland	156	255	327	535
Portugal	366	435	768	913
Slovenia	466	625	978	1313
Slovakia	166	300	348	630
Finland	916	749	1923	1573
Sweden	887	756	1862	1587
United Kingdom	965	894	2027	1877

For most of them in fact the threshold expressed in value (Purchasing Power Standard - PPS), set at 60%, is lower than 10000 (Latvia, Lithuania, Poland, Estonia, Slovakia, Hungary), while is more than 15000 PPS for the majority of EU-15 Member States.

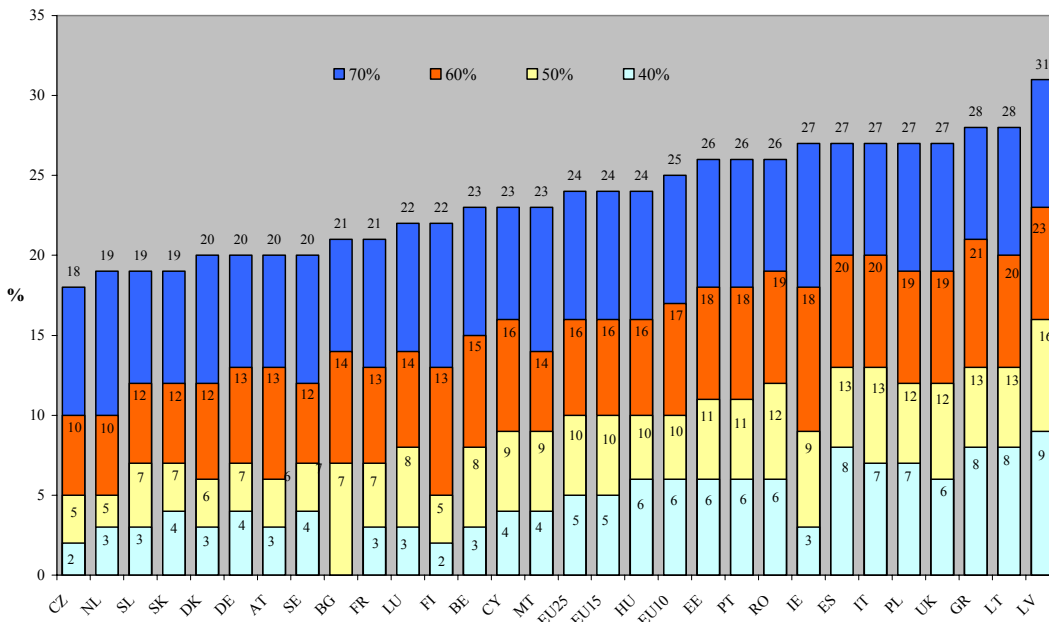
Graph 3 - Illustrative value of the at-risk of poverty threshold for a "2 adults - 2 children" household and "single person" - PPS - 2006



1.1. At risk of poverty by different thresholds

Even though, for conventional reasons, Eurostat sets at 60% of national median equivalised income the cut off to determine the poverty threshold, other additional thresholds are as well computed. In particular, graph 4 shows the rate at risk of poverty when three other possible thresholds are chosen: 40%, 50% and 70%. This allows examining the sensitivity of the risk of poverty to the choice of alternative levels.

Graph 4 - At risk of poverty by different thresholds, 2006

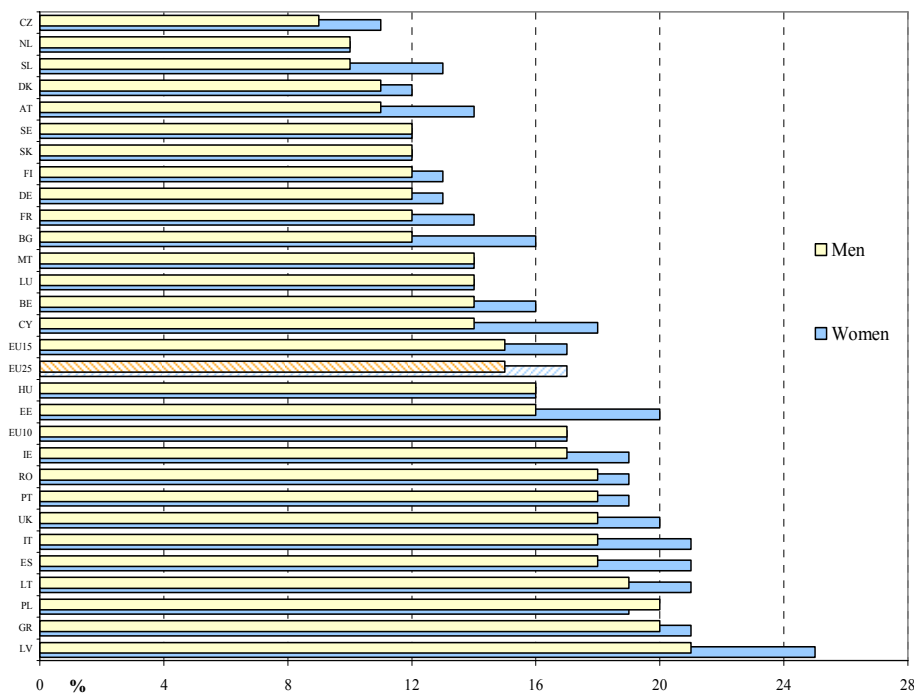


At EU-25 level, the rate of being at a risk of poverty can be 5%, 10%, 16% or 24%, respectively for threshold set at 40%, 50%, 60% and 70%. This means that the population considered at risk of poverty can vary from 23 (when a cut off of 40% is employed) to 111 millions of citizens (with a cut off of 70%) for EU-25. When Bulgaria²⁵ and Romania are included these figures raise to 25 and 118 millions of habitants respectively.

1.2. Who are the poor? Income poverty by gender, age, household type and work intensity

By comparing the rate of people at risk of poverty by gender, we see that, except few Member States, **women are at a greater risk of being in income poverty than men**. In 2006, in EU-25, 17% of women lived in income poverty compared to 15% of men. The bigger gap between the rate at risk of poverty of men and women is realised in Estonia and Cyprus, where the difference is of 4 points (respectively 16% for men 20% for women and 14%, 18%). Only in Poland the situation is reversed with a rate of poverty higher for men than for women. For some Member States (Netherlands, Sweden, Slovakia, Malta, Luxembourg and Hungary) the likelihood of being at risk of poverty is at the same level.

Graph 5 - Income poverty by gender



The risk of poverty is **higher for children** (under 18 years old) **and elderly people** (67 years old and over). On average, in the new Member States the youngest are at higher risk than elderly people, while the contrary occurs in EU-15. An exception is Cyprus where 52% of people with more than 67 years are at a risk of poverty, while the rate for children is at 11%.

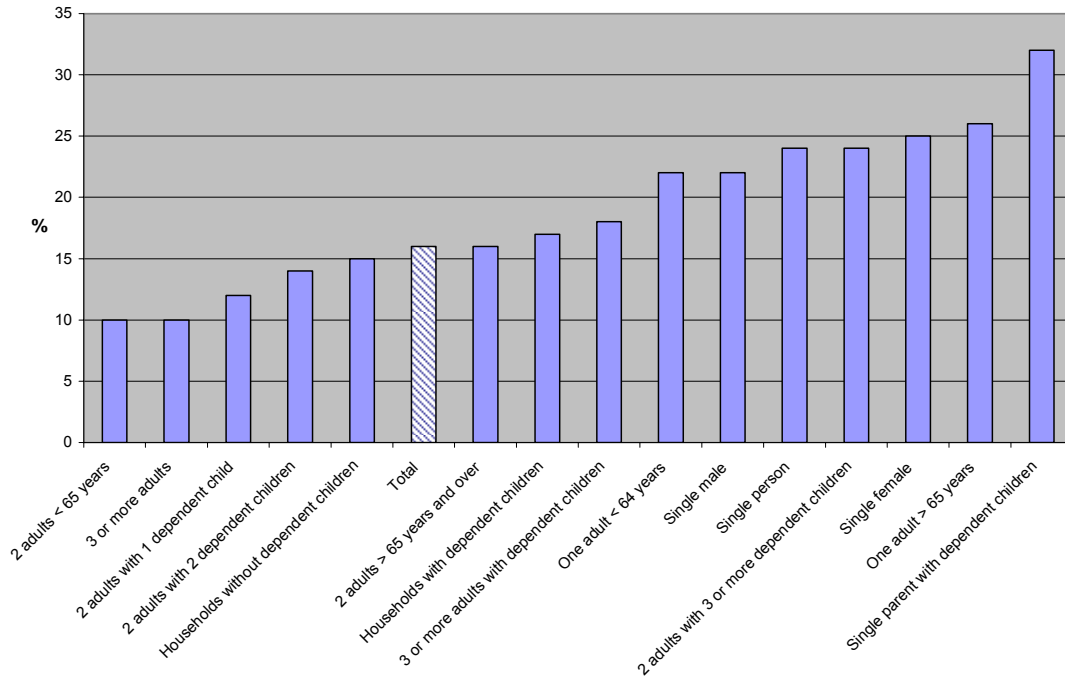
²⁵ As in case of Bulgaria, the rate of population at a risk of poverty is not computed for the threshold at 40%, we considered, the rate calculated at 50%.

As in 2006 there were 97.5 million children (about 20% of population) aged 0-17 and about 78 million (16% of population) classified as elderly people, this mean that in that year there were **19 million children living under the poverty threshold** and about **15 millions** aged more than 67 years old.

	< 18 years	Between 18 and 64	>= 67 years
Latvia	26	21	30
Poland	26	19	8
Italy	25	18	22
Lithuania	25	18	22
Hungary	25	15	9
Spain	24	16	31
United Kingdom	24	16	28
Greece	23	18	26
Ireland	22	15	27
Portugal	21	16	26
Estonia	20	16	25
Luxembourg	20	13	8
Malta	19	11	21
Slovakia	17	11	8
Bulgaria	16	12	18
Czech Republic	16	9	6
Belgium	15	12	23
Austria	15	11	16
Sweden	15	11	12
France	14	12	16
Netherlands	14	9	6
Germany	12	13	13
Slovenia	12	10	20
Cyprus	11	11	52
Denmark	10	11	17
Finland	10	11	22
EU-10	23	16	11
EU-15	18	14	20
EU-25	19	15	19

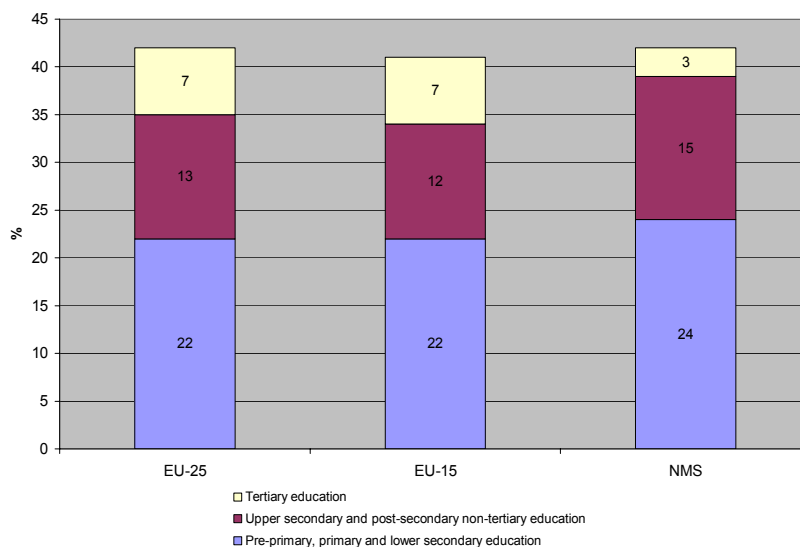
With regard to the type of household, **single parent with dependent children are at higher risk of being poor (32%, on average)**. This percentage is even higher for EU-10 where the rate reaches 36% (See Annex). The risk is lower for two adults with less than 65 years old or when the household is composed by three or more adults (around 10%).

Graph 6 - at risk of poverty rate by household type, EU-25 (2006)



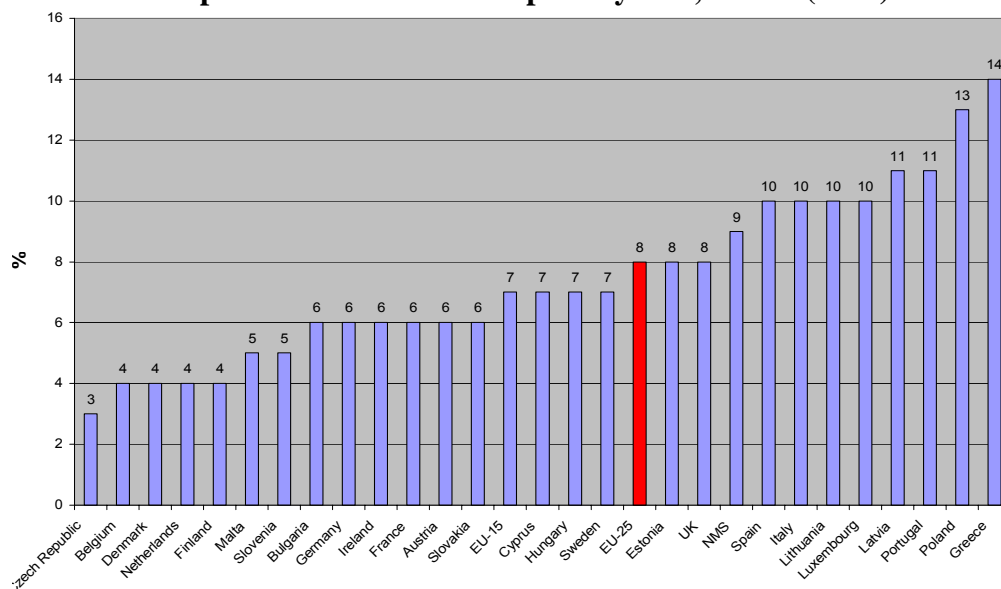
People with a lower level of education are clearly at greater risk of poverty than those with a higher level of education. As shown in Graph 7, on average in EU-25, the poverty risk rate for people with lower education was 22% against 7% for those with higher education. What is interesting to notice is that in the more "developed countries" (i.e. the old Member States) there is a higher incidence of people at risk of poverty among those with a higher level of education compared to the new Member States (7% vs 3%).

Graph 7: At risk of poverty rate by level of education, EU-25 (2006)



A quite high percentage of people at risk of poverty are employed. Graph 8 presents the incidence of in-work poverty by country in the EU-25. The in-work poor are defined as those individuals who are employed and whose household equivalised disposable income is below 60% of national median equivalised income. On average, at EU-25 level, 8% of population in work is at risk of poverty. The range is between 3% for Czech Republic and 14% for Greece. Considering only the population in work, this results in a total of approximately 14 million "in work poor" in the EU-25.

Graph 8: In work at risk of poverty rate, EU-25 (2006)



Generally, households with dependent children and jobless (work intensity²⁶=0) are at higher risk of poverty. The following table shows that, on average, in the EU-25 the poverty risk rate for people in such households was as high as 62% in the presence of dependent children and 30% in the absence of dependent children.

	Households without dependent children	Households with dependent children
Household with work intensity = 0	30	62
Household with work intensity between 0 and 1	10	22
Household with work intensity = 1	5	7
Household with work intensity between 0 and 0.5	21	42
Household with work intensity between 0.5 and 1	7	18

At the other extreme, only 5% of individuals living in households without dependent children where all working age adults are working full-year, are at poverty risk against a rate of 7% for households with dependent children.

²⁶ Work intensity is defined as the overall degree of work attachment of working-age members in a household. It is calculated by dividing the sum of all the months actually worked by the working age members of the household by the sum of the workable months in the household, i.e. the number of months spent in any activity status by working age members of the household.

2. MEASURES OF INEQUALITIES

In order to have indication about the overall income distribution in each Member State two indicators can be employed: the ratio S80/S20 and Gini coefficient.

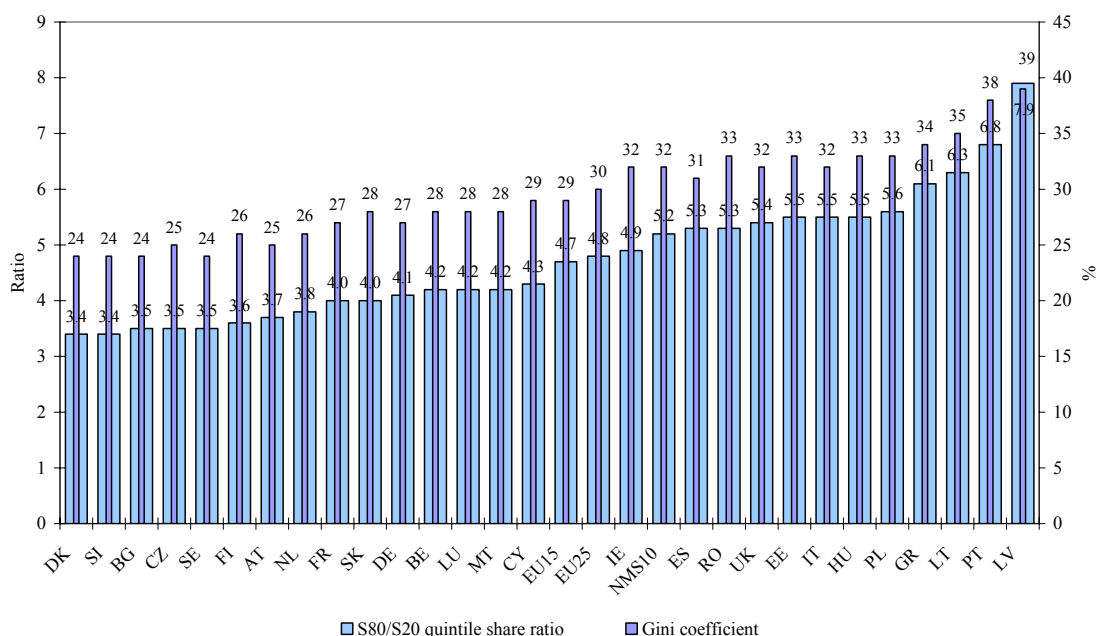
The ratio S80/S20 compares the total equivalised income received by the top income quintile (20% of the population with the highest equivalised income) to that received by the bottom income quintile (20% with the lowest equivalised income). In other words it allows telling what the difference in income between these two groups is.

While the ratio between the top and the bottom income quintile share takes into consideration only the extremes, Gini coefficient allows taking into account the whole distribution of income. When each person receives the same income, Gini index would be equal to 0% (perfect equality), when one single person concentrates any income Gini index would be equal to 100% (perfect inequality).

The ratio S80/S20 ranges between 3.4 and 7.9. The minimum level is reached in Denmark, while the highest in Latvia. On average, for EU-25, the share S80/S20 is equal to 4.6 while is 5.2 for EU-10. This means that, in 2006, the wealthiest quintile had 4.6 times more than the poorest in EU-25. The difference between the top and the bottom quintile of the population was even more accentuated for the new Member States, where this indicator reached 5.2 in the same year.

Disparities between these two quintiles are higher in Latvia, Portugal and Lithuania, while they are less pronounced in Denmark, Slovenia, Bulgaria, Czech Republic, Sweden and Finland.

Graph 9- S80/S20 quintile share ratio and Gini coefficient (2006)



Inequalities calculated taking into account the full distribution of income (Gini index) vary between 24% and 39%. On average, the index is higher for the New Member States (32%) than EU-15 (29%). As for the ration S80/S20, Latvia had, in 2006, the highest income inequalities distribution (39%).

As showed in Graph 9, the rankings of S80/S20 ratios and national Gini coefficient are quite similar. But, in some member states, the situation is more favourable when inequalities is measured taking into account the full distribution than only the extremes of the distribution. This is the case, for example, of Sweden, Austria, Germany, Spain, the UK and Italy.

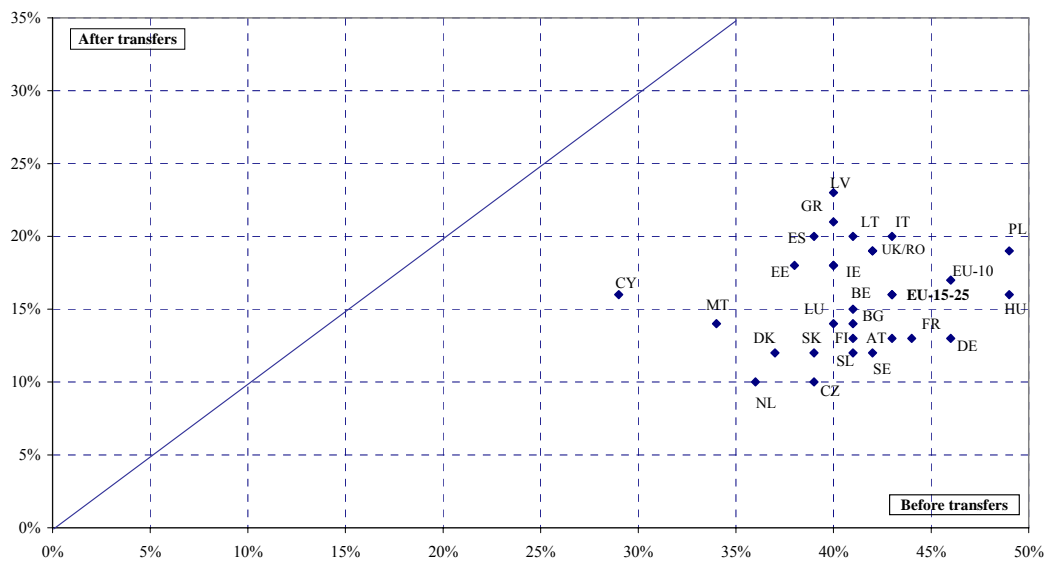
3. RE-DISTRIBUTIVE EFFECT OF SOCIAL TRANSFERS

Graph 10 compares the different at risk of poverty rates, before and after social transfers.

The diagonal line indicates perfect equality between the rate of the population at a risk of poverty before and after social transfers. In other words, this is equivalent to say that social transfers do not modify (alter) at all the rate of population at a risk of poverty, and therefore, the social transfer policy is ineffective. For the area below the diagonal line, the rate of people at risk of poverty after transfer is lower than the equivalent rate before transfer. The greater the distance from the diagonal line, the more effective the social transfer policy is in reducing the rate of people at a risk of poverty.

Social benefits reduce the percentage of citizens at a risk of poverty in all Member States. In absence of all social transfers (pensions included) the percentage of people at a risk of poverty would be 43% (instead of 16% after social transfers).

Graph 10 – Percentage of the population at a risk of poverty before and after social transfers (pension considered as social transfer)

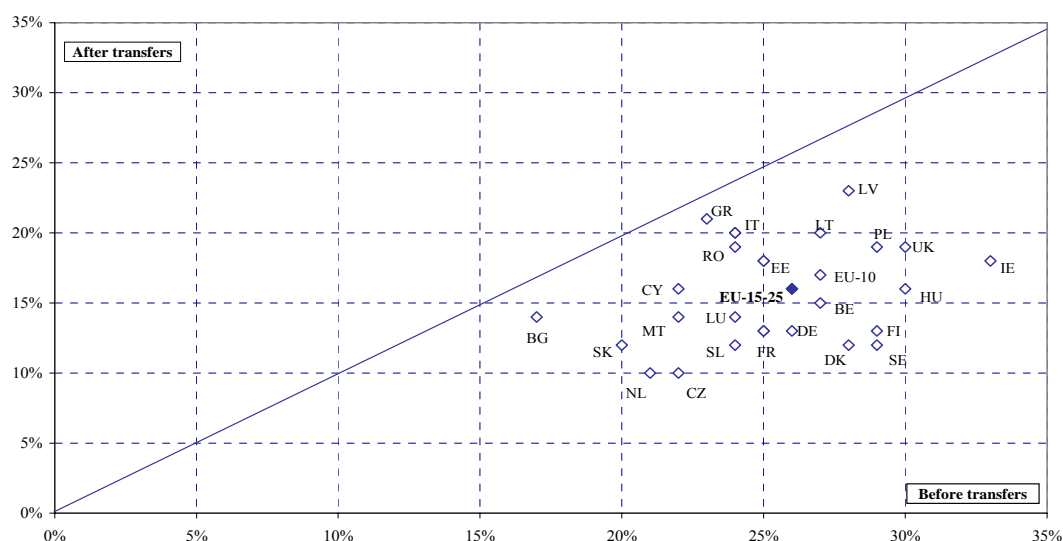


The reduction is smaller in Cyprus, Malta, Greece, Spain and Estonia, while social transfers are more effective in Denmark, surprisingly, in Hungary, Sweden, Austria and Poland.

Graph 11 illustrates what happens when pensions are considered as primary income rather than social transfers. For the EU-25, the average poverty would increase from 16% to 26%. After social transfers, the poverty is then reduced by 10 percentage points.

Again, the impact of social transfers is quite differentiated among Member States. Social transfers play a negligible role in reducing the internal rate of poverty in Greece, Italy, Romania, Bulgaria and Latvia, whereas, the role carried out is more significant for Sweden, Denmark, Finland and again Hungary.

Graph 11– Percentage of the population at a risk of poverty before and after social transfers (pension considered as primary income)



4. MATERIAL DEPRIVATION AND "POPULATION IN NEED OF FOOD AID"

Material deprivation is another important approach to measuring poverty. This is an attempt to move beyond just monetary indicators and to take better into account the actual standard of living that people enjoy²⁷. Essentially the approach involves identifying goods or activities which are seen as basic necessities in the country where someone is living, according three different dimensions ("economic strain", enforced lack of durables and problems with housing). The items included by Eurostat are as follows:

Economic strain: could not afford if wanted to

- ✓ To face unexpected expenses
- ✓ One week annual holiday away from home
- ✓ To pay for arrears (mortgage or rent, utility bills or hire purchase instalments)
- ✓ A meal with meat, chicken or fish every second day
- ✓ To keep home adequately warm

Enforced lack of:

- ✓ Washing machine
- ✓ Colour TV
- ✓ Telephone
- ✓ Personal car

"Poor housing conditions" which groups the following sets of items:

- ✓ 1 or more of the three problems: leaking roof/damp walls/floors/foundations or rot in window frames

²⁷ For clarification, see "Material Deprivation in the EU", Statistics in focus, European Commission, 21/2005.

- ✓ Accommodation too dark
- ✓ No bath or shower
- ✓ No indoor flushing toilet for sole use of the household

Deprivation is defined by Eurostat as people lacking at least two of the 5 items included in the economic strain dimension.

Table 2 gives an overview of the material deprivation across the European countries. The figures show large variations across countries in terms of the share of people affected by problems of material deprivation.

If we look at the percentage, in Luxembourg, Sweden, Denmark and the Netherlands around 10%-15% of the population suffer from missing at least two items in the economic strain, whereas the percentage is much higher in Latvia (71.5%), Lithuania (67.6%) and Poland (65.7%).

The enforced lack of durables (at least one) affects a smaller proportion of the population. The indicator ranges between a minimum of 5.5% in Sweden to a maximum of more than 42% in Latvia.

In terms of housing deprivation, still Latvia appears as the country facing the highest problems, with more than 52% of people declaring to have at least more than one problem in this dimension.

Table 2 - Share of people affected by material deprivation in each dimension (%)

	BE	CZ	DK	DE	EE	IE	GR	ES	FR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK
Economic strain 0	62.8	42.2	66.5	65.7	30.2	66.2	35.9	48.2	54	51.9	33.6	13.4	17.3	74.58	21.8	24.7	67.6	62.4	19.4	32.4	46.3	21.7	59.1	70.6	62.9
Economic strain 1	15.5	20.4	19.6	15.2	31.3	16.7	21.7	23	18.1	20	17.8	15.2	15.2	14.78	20.4	34.4	16	19	14.9	25	21.4	19	19	15.3	14.5
Economic strain 2	10.5	19.1	7.63	10.8	24.1	8.79	18.9	20.1	15.7	14.5	18.1	23.4	22.9	7.1	22.5	26.2	9.67	11.1	19.9	25.7	19	22.4	12.9	6.94	12.8
Economic strain 3	7.09	11.9	3.93	5.54	10.7	5.28	13.6	6.75	7.95	8.25	19.5	23.1	23.9	2.12	19.3	10.1	4.41	5.15	18.2	12.4	9.86	23.1	5.96	3.07	6.83
Economic strain 4	3.23	4.69	1.01	2.2	3.03	2.23	6.4	1.56	2.94	3.67	9.74	17.2	15.8	1.13	11.3	3.77	1.2	1.67	18.5	3.96	2.65	10.8	1.23	0.75	2.47
Economic strain 5	0.79	1.71	0.07	0.39	0.57	0.81	3.54	0.22	0.72	1.59	1.24	7.67	4.95	0.05	4.08	0.85	0.13	0.2	9.12	0.47	0.64	1.23	0.15	0.06	0.38
Economic strain 2+	21.6	37.4	12.6	19	38.4	17.1	42.4	28.6	27.3	28	48.6	71.5	67.6	10.42	57.2	40.9	15.4	18.1	65.7	42.5	32.1	57.5	20.2	10.8	22.5
Durables 0	92	84.1	90	91.9	68.6	88	88.8	93.4	94.9	96	96.7	57.4	67.4	98.04	76.3	95.8	94.1	95.6	73	85.8	94.9	70.7	89.8	92.2	94.3
Durables 1	6.22	14	8.68	7.2	25.5	11.3	9.96	5.61	4.34	3.22	2.83	29.8	22.6	1.54	20.1	3.35	5.7	3.9	23.1	11	4.22	26.6	8.54	4.68	5.36
Durables 2	1.5	1.62	1.21	0.72	4.7	0.69	1.12	0.46	0.65	0.6	0.36	9.18	7.39	0.23	2.79	0.54	0.1	0.4	3.25	2.59	0.52	1.89	1.28	0.73	0.27
Durables 3	0.21	0.3	0.09	0.08	0.87	0.07	0.1	0.05	0.1	0.19	0.05	2.63	1.98	0.01	0.56	0.24	0.01	0.07	0.58	0.52	0.2	0.47	0.12	0.02	0.06
Durables 4	0.04	0.06	0	0.01	0.39	0.01	0.06	0	0.03	0.04	0.03	0.77	0.7	0.01	0.18	0.03	0	0	0.13	0.14	0.04	0.22	0.01	0.02	0.02
Durables 1+	7.97	15.9	9.98	8.01	31.4	12	11.2	6.12	5.12	4.05	3.26	42.4	32.6	1.78	23.6	4.16	5.81	4.37	27	14.2	4.99	29.1	9.95	5.45	5.71
Housing 0	77.7	75.9	88.2	81.1	59.9	84.3	75.1	75.7	82	73.8	61.5	47.4	49.7	81.3	61.2	86	0	84.3	52	67.3	76.8	88.3	89.7	90.3	76.5
Housing 1	17.9	19.6	10.1	13.8	20.9	12.7	18.9	20.5	14.5	20.7	33	25.3	23.9	14.69	25.4	11.4	0	12.8	33.7	24.3	18.4	8.14	8.58	7.71	19.5
Housing 2	3.98	3.5	1.2	1.78	11.8	2.82	5.08	3.5	3.13	5.12	4.46	12.1	15	3.04	8.13	2.32	0	2.58	7.91	6.1	3.69	2.48	1.23	0.51	3.94
Housing 3	0.3	0.49	0.04	0.06	5.49	0.15	0.75	0.13	0.31	0.34	0.77	9.13	7.17	0.12	3.017	0.26	0	0.26	4.35	1.57	0.59	0.59	0.06	0.01	0.01
Housing 4	0.11	0.51	0	0	1.96	0.06	0.19	0.09	0.04	0.06	0.19	6.09	4.23	0	2.03	0.05	0	0.05	2.02	0.78	0.45	0.37	0.04	0	0
Housing 1+	22.3	24.1	11.3	15.7	40.1	15.7	24.9	24.2	17.9	26.2	38.5	52.6	50.3	17.85	38.8	14	0	15.7	48	32.7	23.1	11.6	9.92	8.23	23.4

4.1. What percentage of people cannot afford a meal with meat, chicken or fish every second day?

Among the items individualised by Eurostat to define economic strain deprivation compares also the inability of people to afford a meal with meat, chicken or fish every second day²⁸.

The following table shows for each country, the number of population, the percentage and the number of people that cannot afford a meal. As before, data show a much greater diversity of national situations than would be inferred on the basis of the relative poverty risk indicator.

In 2006, the percentage of people that cannot afford a meal with meat, chicken or fish every second day varied between a minimum of about 2% in Luxembourg to a maximum of 37% in Slovakia. In 5 out of ten New Member States the indicator is above 20% and it is more widespread than in EU-15.

Table: % and number of people that cannot afford a meal with meat, chicken or fish every second day

Countries	Population		%		People unable to afford a meal	
	2005	2006	2005	2006	2005	2006
MT	402668	405006	9.9	6.3	39,864	25,515
LU	461230	469086	2.4	1.9	11,070	8,913
CY	749175	766414	5.7	6.3	42,703	48,284
EE	1347510	1344684	11.4	8.2	153,616	110,264
SI	1997590	2003358	9.3	10.7	185,776	214,359
LV	2306434	2294590	37.1	31.9	855,687	731,974
LT	3425324	3403284	28	23.3	959,091	792,965
IE	4109173	4209019	2.9	2.4	119,166	101,016
FI	5236611	5255580	2.9	2.6	151,862	136,645
SK	5384822	5389180	41.4	36.9	2,229,316	1,988,607
DK	5411405	5427459	1.9	1.8	102,817	97,694
AT	8206524	8265925	8.7	9.3	713,968	768,731
SE	9011392	9047752	3.2	3.6	288,365	325,719
HU	10097549	10076581	31.2	27.7	3,150,435	2,791,213
CZ	10220577	10251079	17.8	16.2	1,819,263	1,660,675
BE	10445852	10511382	3.8	4.2	396,942	441,478
PT	10529255	10569592	4	3.8	421,170	401,644
GR	11082751	11125179	5.8	7.9	642,800	878,889
NL	16305526	16334210	2.6	2.7	423,944	441,024
PL	38173835	38157055	35.3	28.4	13,475,364	10,836,604
ES	43038035	43758250	2.3	3.8	989,875	1,662,814
IT	58462375	58751711	6.3	5.6	3,683,130	3,290,096
UK	60059900	60393100	6.1	4.5	3,663,654	2,717,690
FR	62637596	62998773	6.4	5.6	4,008,806	3,527,931
DE	82500849	82437995	11	11.1	9,075,093	9,150,617
Total					47,605,780	43,153,368

²⁸

Another indicator related with people in need of food is provided by the Irish EU-SILC is “No substantial meal on at least one day in the past two weeks”. According to the Irish Report, the proportion of persons at risk of poverty and in the condition of not having a substantial meal at least on day in the past two weeks was around 2% in 2005 and less in 2006 (1,7%) of those unable to afford a meal every second day.

Between 2005 and 2006 the range between the maximum and the minimum has decreased. The situation has definitely improved in most of the new Member States. For example, in Poland the proportion of people unable to afford a meal with meat, chicken or fish every second day decreased, passing from 35% to 28%. In Slovakia the reduction was of 4.5 points percentage (from 41% to 37%).

In the EU-15 Member States, the same indicator has in most cases remained on the same level or worsened.

4.1.1. Are the deprived also financially disadvantaged?

Some attempts have been made by Eurostat to mix the monetary poverty and deprivation indicators. Even if the degree of overlap between them is far from perfect, it offers interesting elements to discuss.

	Poverty	Strain 2+	Both
SE	9.3	10.8	2.4
DK	11.8	12.6	3.7
NL	10.8	15.4	4.1
AT	12.3	18.1	5.2
LU	13.0	10.4	5.2
FI	11.7	20.2	5.7
DE	13.1	19.0	6.9
FR	13.0	27.3	7.6
SL	12.2	32.1	7.7
IE	19.7	17.1	8.0
UK	17.6	22.5	8.0
CZ	10.4	37.4	8.1
BE	14.9	21.6	8.5
SK	13.3	57.5	9.4
MT	14.9	40.9	9.5
ES	19.7	28.6	10.0
HU	13.4	57.2	10.9
IT	19.0	28.0	11.3
CY	16.2	48.6	12.8
GR	19.6	42.4	13.1
EE	18.3	38.4	13.3
PT	20.3	42.5	13.5
LV	19.2	71.5	17.8
PL	20.6	65.7	17.8
LT	20.5	67.6	18.5

The intersection between the proportion of people facing relative monetary poverty and material deprivation, offers the possibility to have other measures of poverty such as the percentage of people definable as “**consistently poor**” (i.e. being deprived and poor at the same time). By definition, the "consistent poverty rate" is a subset of the poverty and the deprivation rates.

According to data referred to 2005, the proportion of consistent poverty (% of income poor that are also deprived) ranges from 2,4% in Sweden to 18,5% in Lithuania. Notably, the highest consistent poverty rate can be found in the New Member States.

The same type of exercise is provided by the Irish Report on EU-SILC indicators, which considers the overlapping between being at risk of poverty and the incapability to afford a meal.

According to the last report published²⁹ the percentage of persons at risk of poverty and reporting inability to afford a meal was 2% in 2005 and raised to 2,3% in 2006.

²⁹

EU Survey on Income and Living Conditions (EU-SILC), 2006, Dublin, Ireland.

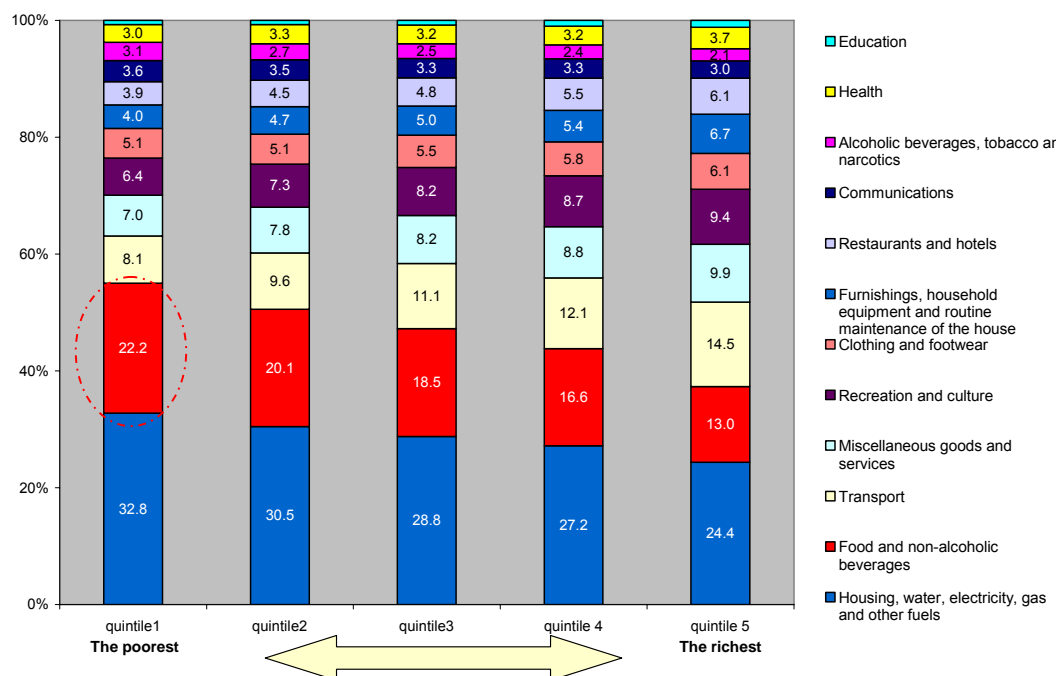
5. POOR PEOPLE AND FOOD CONSUMPTION EXPENDITURE

This section examines some aspect of the relationship existing between poverty and food consumption expenditure.

In EU-27, generally households spend in total 24630 PPS for total consumption expenditures. The first quintile, being the poorest, spends in total three times less than the richest group (the "5th quintile" – 14152 PPS vs. 39205 PPS). Food expenditure represents around 11.5% of total expenditures.

If we consider the breakdown of consumption expenditures by income quintile, we see that considerable differences in EU-27 consumption patterns across the five different income groups. Food represents more than 22% of total expenditure of low income households, while it represents only 13% of total budget of high income group.

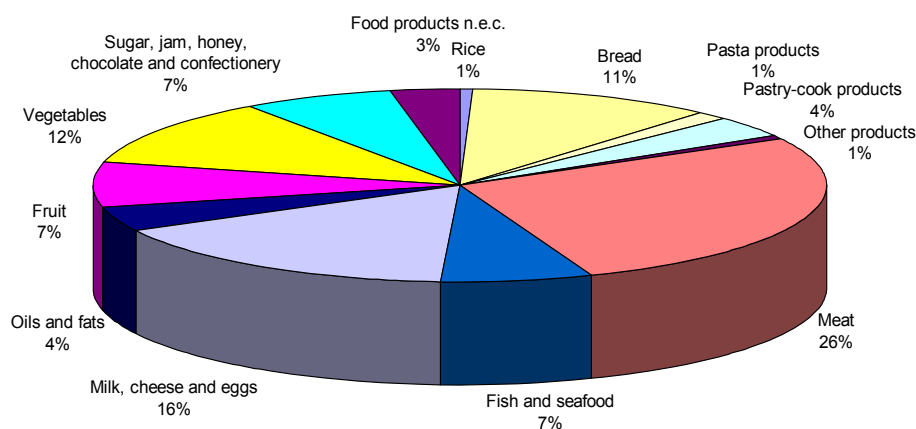
Graph 12 - Structure of consumption expenditure by income quintile, EU-27 (2005)



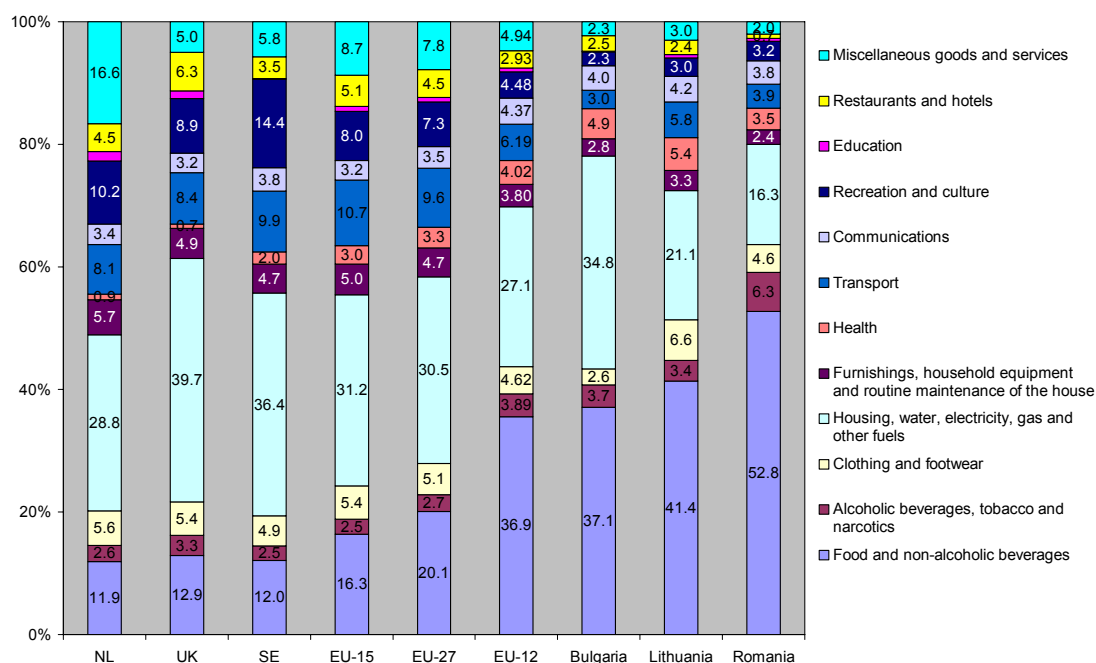
The consumption habits vary substantially among the 27 MS (see graphs in Annex). The enlargement to the new Member States has made these differences even more accentuated than before.

In EU-15, even for the lowest income group (first quintile), housing accounts for the largest share of household expenditure (31%). The other basic necessity (food) occupies second place, at only 16% of the total household budget. The pattern is inverted for most of the new Member States. In EU-12, food comes first with a share of about 37%, housing ranks second far behind food with a share of 27%. For some new member States (i.e. Bulgaria, Romania and Lithuania) food represents almost half of total expenditure of low income households. For Romania it accounts for more than 50%.

The composition of food consumption (table in Annex) is quite variegated. In EU-27, meat accounts for 27% of the household consumption for food, but it reaches till 32% in Poland. The second most consumed item is cheese and eggs with 16%, followed by vegetables at 12%. Bread and cereals products (pasta and pastry products) account together for 16% in EU-27, on average.



Graph 13 Structure of consumption expenditure in the 1st quintile by EU-15, EU-27 and some Member State, (2005)

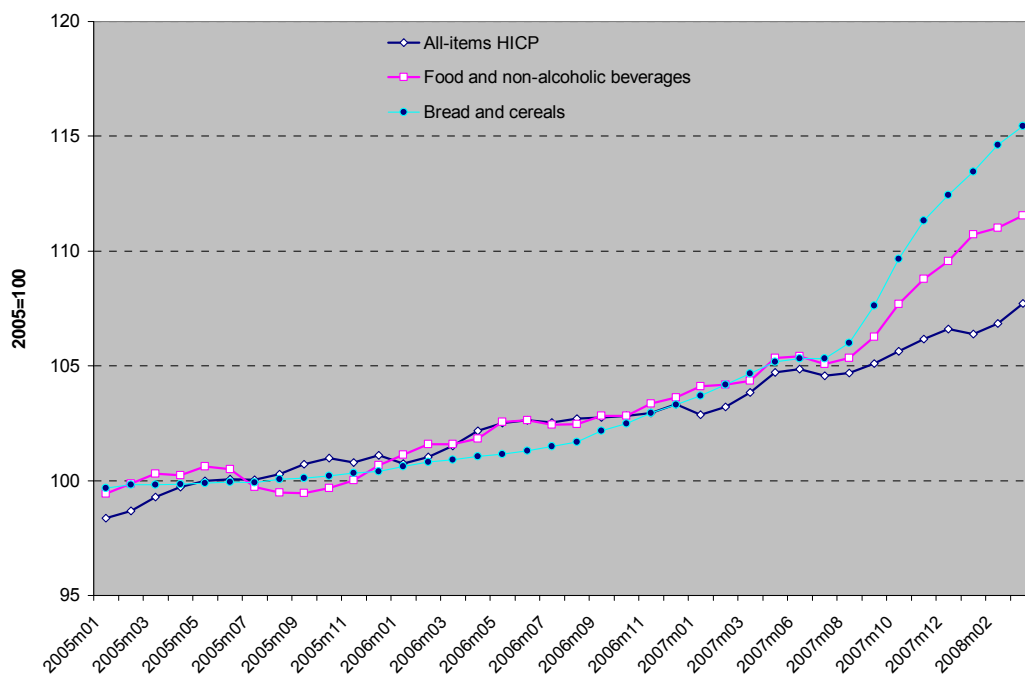


Having a different composition of expenditure, households are differently exposed to price dynamic. The low-income households (having a higher share of food expenditure) are more affected by food price increase than those with a higher level of income and, consequently, less flexibility to adjust.

The dynamic of different items of prices is shown in Graph 18. As it is possible to see, on average, since 2005, prices rose by 7.7%, (all items Harmonised Index of Consumer Prices (HICP), food and for bread and cereals by, respectively, 11.8% and 15.5%. Since

the month of September last year (2007), bread and cereals index prices increased at a much higher rate than total prices.

Graph 14 Development of EU-27 consumer price indices for different items (2005=100)



**Overall structure of consumption expenditures by detailed COICOP (Classification of Individual Consumption according to Purpose)
by Member State**

	eu27	eu15	be	bg	cz	dk	ie	gr	es	fr	it	cy	lv	lt	hu	nl	at	pl	pt	ro	si	sk	fi	se	uk
Rice	1%	1%	0%	1%	1%	1%	0%	1%	1%	1%	1%	1%	0%	1%	0%	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%
Bread	11%	11%	12%	13%	4%	11%	9%	9%	9%	14%	11%	8%	9%	7%	11%	11%	12%	10%	11%	16%	13%	12%	9%	9%	9%
Pasta products	1%	2%	2%	1%	1%	1%	0%	1%	1%	2%	3%	2%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Pastry-cook products	4%	4%	4%	3%	10%	2%	7%	1%	4%	4%		7%	3%	4%	1%	6%	4%	4%	2%	0%	3%	2%	6%	5%	4%
Other products	1%	2%	2%	1%	1%		4%	0%	0%				0%	0%	1%		2%		0%			0%	0%	2%	4%
Meat	27%	26%	28%	25%	27%	25%	25%	24%	28%	28%	26%	21%	28%	32%	33%	23%	26%	32%	26%	29%	27%	29%	20%	20%	24%
Fish and seafood	7%	9%	7%	2%	2%	5%	3%	8%	15%	7%	10%	4%	5%	5%	1%	3%	3%	3%	17%	3%	3%	3%	5%	6%	4%
Milk, cheese and eggs	16%	15%	13%	19%	21%	16%	13%	19%	14%	16%	16%	20%	18%	16%	18%	16%	17%	16%	14%	19%	15%	19%	19%	17%	14%
Oils and fats	4%	3%	2%	4%	5%	3%	3%	7%	4%	2%	4%	3%	4%	4%	5%	3%	4%	6%	5%	4%	3%	6%	3%	3%	2%
Fruit	7%	8%	7%	6%	7%	8%	7%	7%	9%	7%	10%	11%	7%	6%	6%	8%	8%	6%	8%	6%	10%	6%	8%	9%	9%
Vegetables	12%	11%	11%	16%	8%	12%	13%	13%	10%	11%	11%	15%	14%	12%	10%	12%	11%	12%	10%	15%	12%	7%	10%	12%	15%
Sugar, jam, honey, chocolat	7%	6%	7%	6%	8%	12%	8%	7%	4%	7%	7%	5%	8%	8%	7%	7%	9%	7%	3%	5%	8%	10%	9%	10%	7%
Food products n.e.c.	3%	3%	4%	2%	4%	4%	8%	1%	2%	3%	1%	2%	2%	3%	3%	7%	4%	3%	1%	1%	5%	3%	9%	4%	4%
Food	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

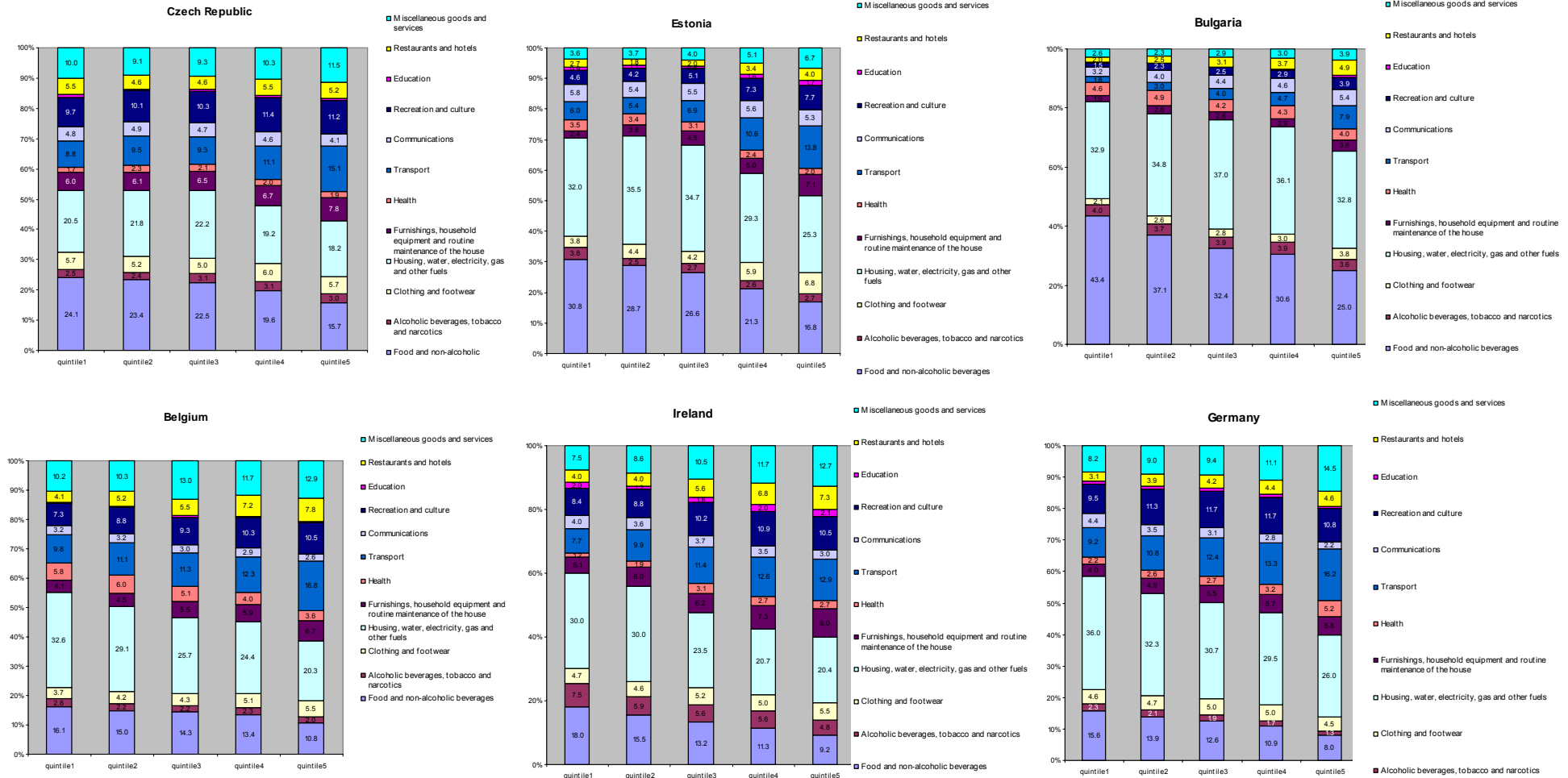
Appendix: List of indicators calculated by Eurostat

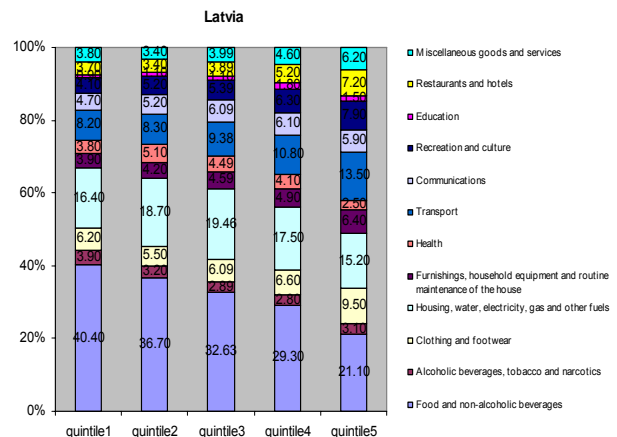
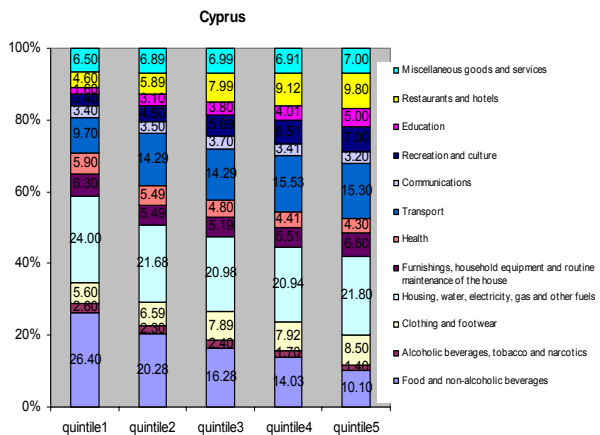
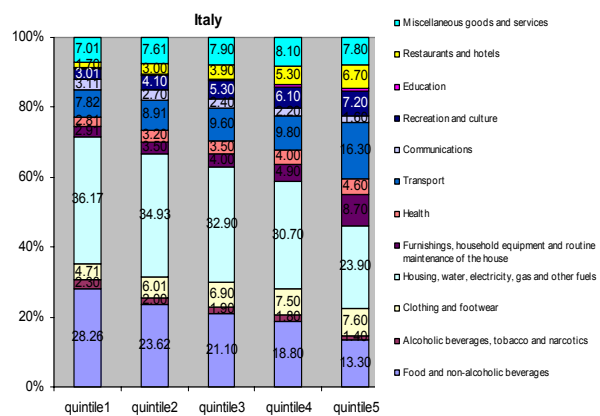
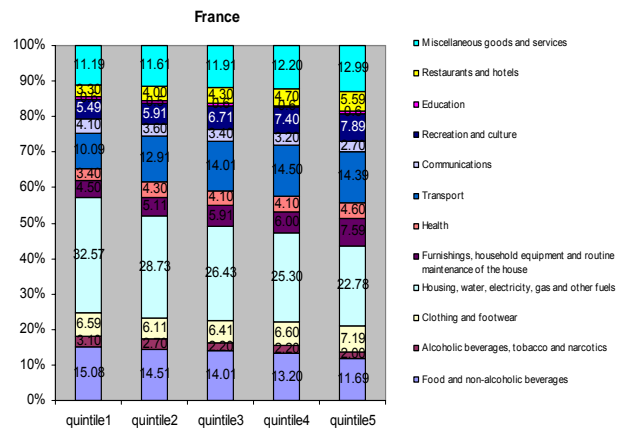
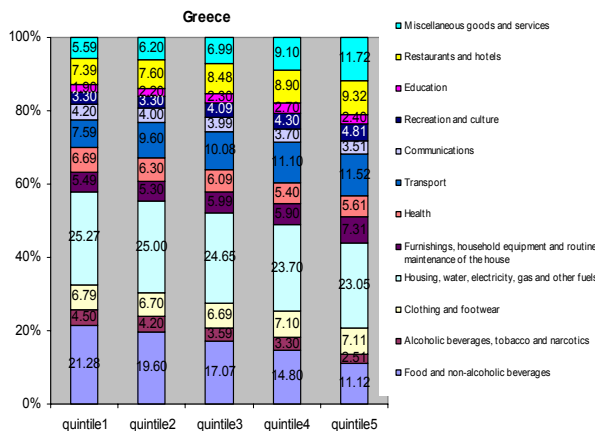
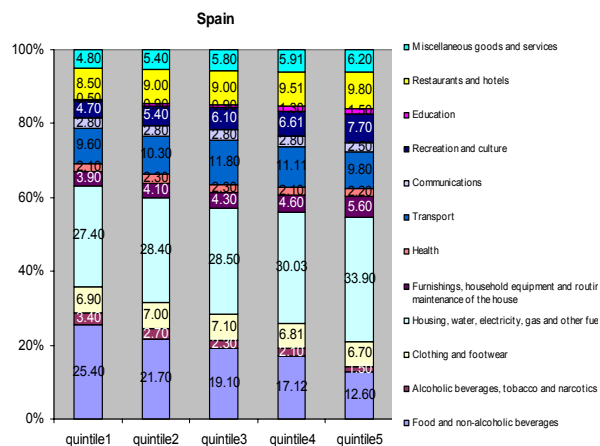
Indicator	Definition
At risk of poverty rate after social transfers, by gender and selected age groups and by household type	Share of persons with an equivalised disposable income below 60% of the national equivalised median income. Equivalised median income is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member. Breakdowns by age and gender, household type, work intensity of households, most frequent activity status, accommodation tenure status.
At risk of poverty threshold (illustrative value)	The value of the at risk of poverty threshold (60% median national equivalised income) in PPS, Euro and national currency for two illustrative household types: <ul style="list-style-type: none"> – single person household – household with 2 adults, 2 children
Income quintile ratio (S80/S20)	Ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income
Persistent at risk of poverty rate	Share of persons with an equivalised income of persons below the at risk of poverty threshold in the current year and in at least two of the preceding three years.
Relative median poverty risk gap	Difference between the median equivalised income of persons below the at risk of poverty threshold and the threshold itself, expressed as a percentage of the at risk of poverty threshold
Dispersion around the at risk of poverty threshold	Share of persons with an equivalised disposable income below 40%, 50% and 70% of the national equivalised median income
At risk of poverty rate anchored at a moment in time	In year t, share of persons with an equivalised disposable income below the at risk of poverty threshold in year t-3, uprated by inflation over the three years
At risk of poverty rate before social cash transfers except old-age and survivors benefits	Relative at risk of poverty rate where equivalised income is calculated as follows: <ul style="list-style-type: none"> – excluding all social cash transfers – including retirement and survivors pensions and excluding all other social cash transfers – including all social cash transfers (=indicator 1) The same at risk of poverty threshold is used for the three statistics, and is set at 60% of the national median equivalised disposable income (after social cash transfers)
Gini coefficient	Summary measure of the cumulative share of equivalised income accounted for by the cumulative percentages of the number of individuals Its value ranges from 0% (complete equality) to 100% (complete inequality)
Persistent at risk of poverty rate (50% of median equivalised income)	Share of persons with an equivalised disposable income below 50% of the national median equivalised income in the current year and in at least two of the preceding three years
In work poverty risk	Individuals who are classified as employed (distinguishing between wage and salary employment and self-employment) according to the definition of most frequent activity status (indicator 1) and who are at risk of poverty. This indicator needs to be analysed according to personal, job and household characteristics.
Self defined health status by income level by gender and age	

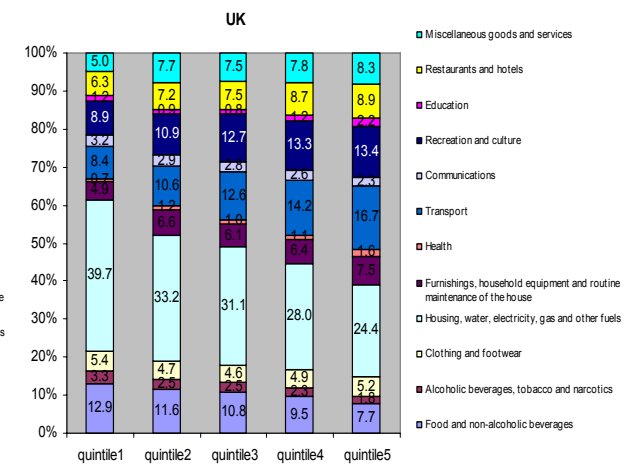
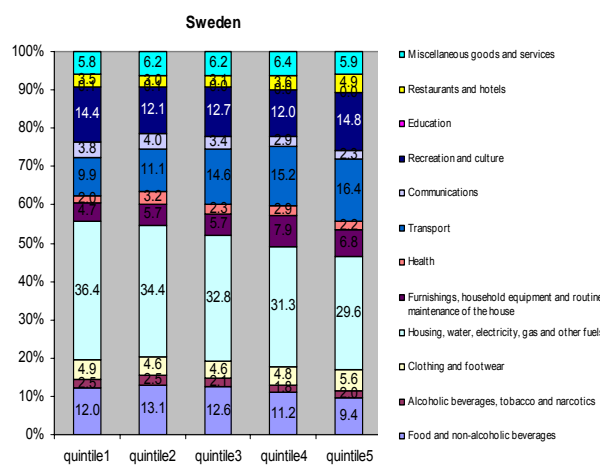
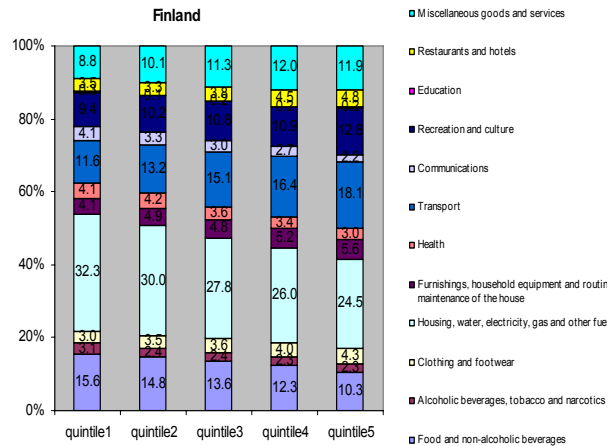
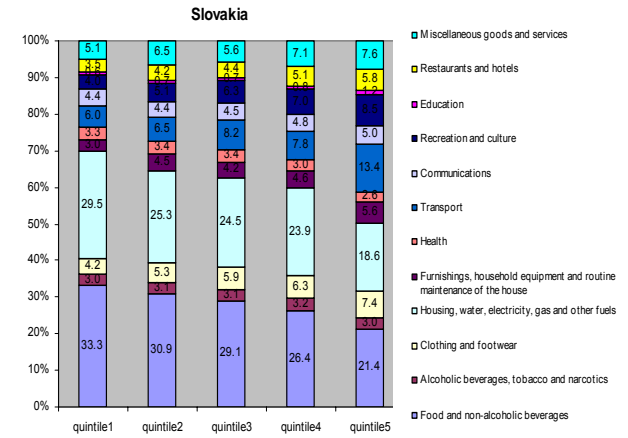
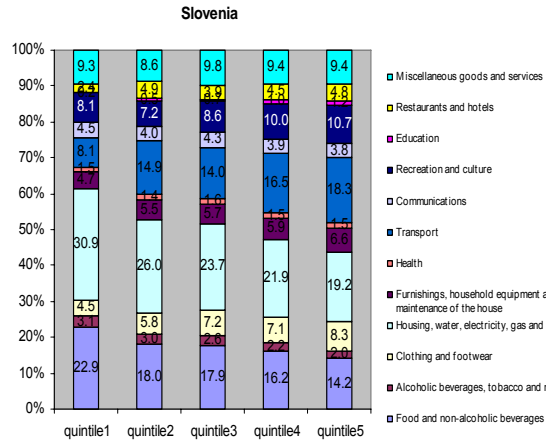
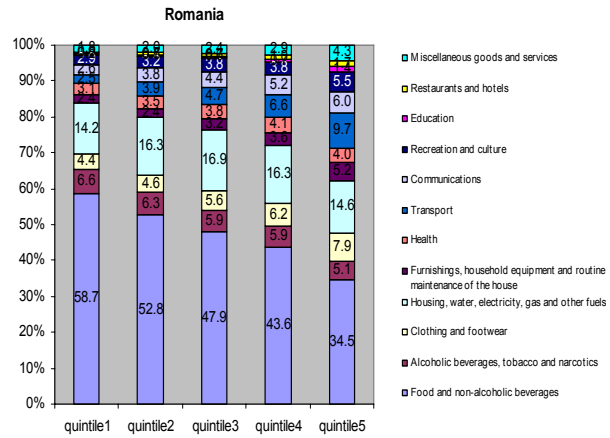
Table: at risk of poverty by household types (cut-off point: 60% of national median equivalised income after social transfers)

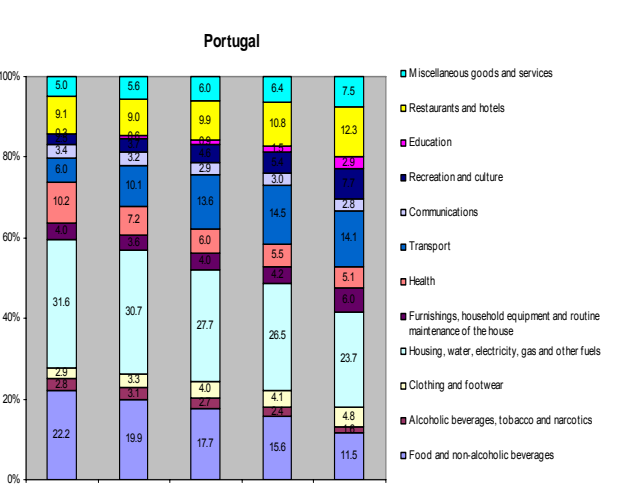
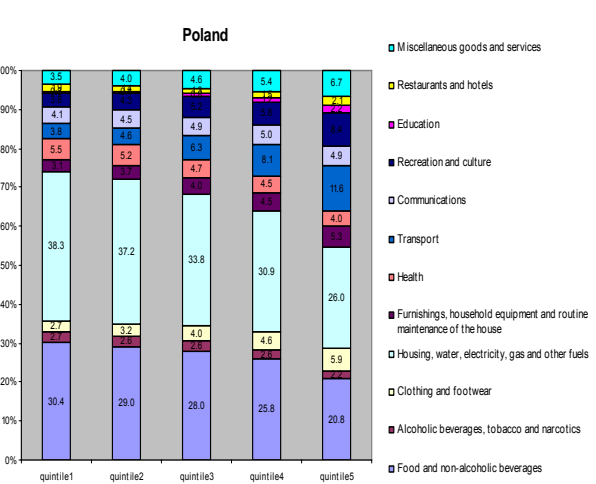
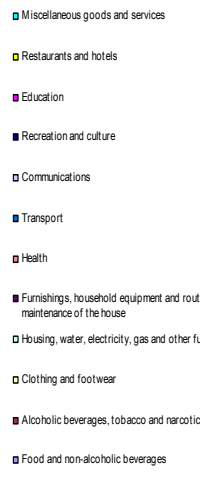
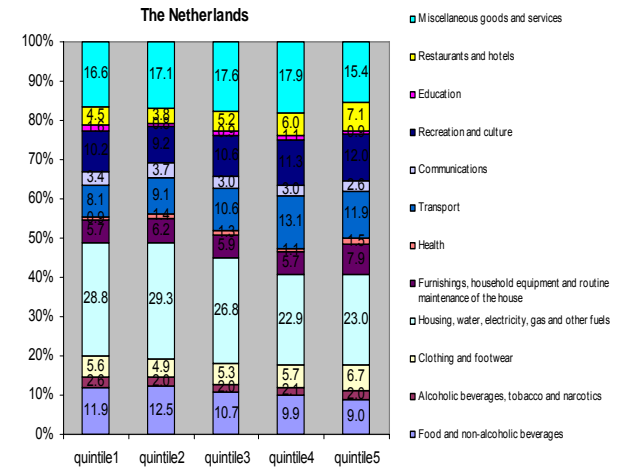
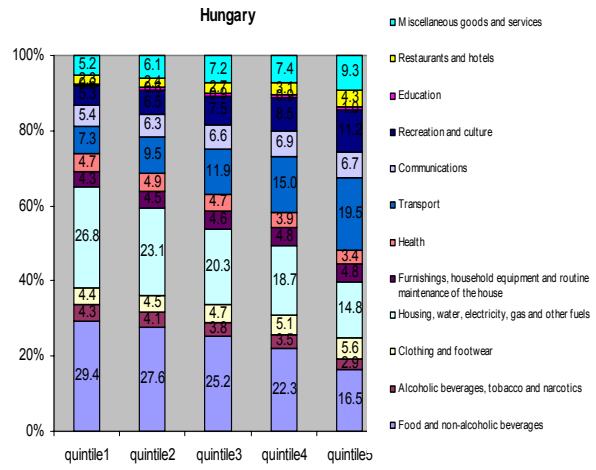
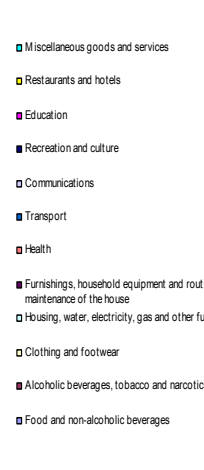
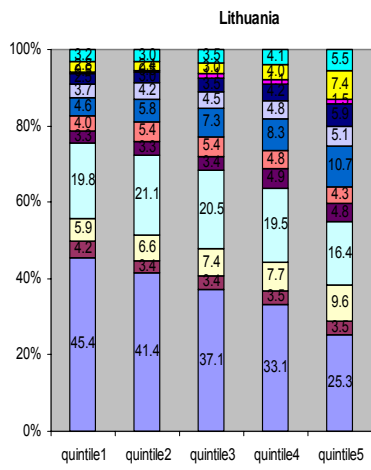
	Total	Single person	1 adult younger than 64 years	1 adult older than 65 years	Single parent with dependent children	Single female	Single male	2 adults younger than 65 years	2 adults, at least one aged 65 years and over	2 adults with one dependent child	2 adults with two dependent children	2 adults with 3 or more dependent children	3 or more adults	3 or more adults with dependent children	Households without dependent children	Households with dependent children	
BE	Belgium	15	24	21	27	33	28	18	10	21	9	8	14	8	15	16	13
BG	Bulgaria		33	25	37	31	37	18	6	9	11	10	29	10	18	13	14
CZ	Czech Republic	10	17	19	14	41	18	15	5	3	7	10	30	3	8	6	13
DK	Denmark	12	25	27	21	19	25	26	5	13	4	4	12	3	10	15	8
DE	Germany	13	22	24	18	24	21	23	11	11	8	9	13	6	8	14	11
EE	Estonia	18	42	34	53	41	45	37	14	8	13	12	24	7	11	20	17
IE	Ireland	18	46	35	58	47	51	41	14	12	10	15	22	7	12	18	19
GR	Greece	21	25	15	34	30	28	18	16	24	15	21	38	15	30	19	23
ES	Spain	20	35	20	48	38	44	22	10	30	15	22	42	12	20	18	22
FR	France	13	19	17	21	29	20	16	8	13	10	9	19	11	18	13	13
IT	Italy	20	27	21	34	32	33	19	11	18	18	22	41	9	23	16	23
CY	Cyprus	16	43	22	70	34	52	28	16	51	8	8	12	11	7	27	10
LV	Latvia	23	55	42	69	40	58	49	22	16	15	22	52	11	16	25	22
LT	Lithuania	20	38	35	41	44	39	36	14	12	16	15	42	9	13	19	21
LU	Luxembourg	14	16	21	8	49	16	17	7	7	10	14	24	8	18	10	17
HU	Hungary	16	18	22	13	39	14	25	10	8	14	18	34	6	14	10	21
MT	Malta	14	20	22	18	37	20	19	12	26	15	14	32	4	7	12	16
NL	Netherlands	10	15	20	4	32	12	18	5	7	6	8	16	5	6	9	11
AT	Austria	13	22	20	26	29	26	16	10	12	9	11	19	6	5	13	12
PL	Poland	19	16	24	8	32	11	27	14	6	14	21	38	12	24	12	23
PT	Portugal	18	35	26	40	41	38	28	18	26	12	19	38	10	16	19	18
RO	Romania	19	27	19	33	27	30	20	11	13	10	18	45	14	22	15	21
SL	Slovenia	12	43	39	45	22	45	38	13	12	9	8	15	6	7	15	9
SK	Slovakia	12	17	19	15	29	16	20	9	4	8	14	24	5	12	8	14
FI	Finland	13	33	29	42	18	33	33	7	9	5	6	12	5	7	16	9
SE	Sweden	12	21	22	20	32	21	21	7	5	6	6	13	5	16	12	12
UK	United Kingdom	19	29	23	36	41	31	26	10	23	14	13	25	13	18	18	21
EU25	European Union	16	24	22	26	32	25	22	10	16	12	14	24	10	18	15	17
EU15	European Union	16	24	22	27	32	26	22	10	17	12	14	22	10	17	15	17
EU10	New Member States	17	20	25	16	36	18	26	11	7	13	17	34	8	19	12	20

Structure of consumption expenditure by income quintile, by Member State (2005)









ANNEX 11
THE "LAST MINUTE MARKET" PROJECT



Ethics and sustainability of free food distribution
The experience of the University of Bologna's Agriculture Faculty
and the Last Minute Market project

Mr. Andrea Segrè
Mr. Matteo Guidi
Mrs. Eleonora Morganti
University of Bologna, Italia

The future of the European Programme of Food Distribution to the Most Deprived
Persons in the Community - Stakeholder Meeting
Bruxelles 11 April 2008



ALMA MATER STUDIORUM • UNIVERSITÀ DI BOLOGNA
DIPARTIMENTO DI ECONOMIA E INGEGNERIA AGRARIE



Since 1998 The research (1) the “no supply”

For different reasons the developed economies produce a
growing quantity of food surplus

This surplus is everywhere in the food chain: from the
agricultural production to the retail system

**This surplus is no more a perfect product for sale but it is
still safe to eat and without price**



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Since 2000 The research (2) “the no-demand”

We had a **potential supply** – the unsold products, the surplus

We needed a demand

A **potential demand** is represented by “poor people”.
They need, they demand but they can't buy



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Since 2001 The research (3) the “no-market”



A way to provide such a link is to create an intermediate body that acts as a counterpart for supply and demand

The scheme in which the exchange is performed works throughout as a **gift** transfer between the profit and non profit organizations



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Since 2003 The LMM service (1)

The implementation of the **project** was designed as a **service** for:

- the supply - **commercial business**
- the demand - the **poor** through the **welfare agencies** or the **charity organizations**
- the **Public Institutions** (municipalities, provinces, regions, Local Health Authorities)
- the **waste removal companies**



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Since 2003

The LMM service (2)

The LMM service activates a **local network** (profit – no profit - P.A.)

LMM don't recover directly the products: it's a "**logistics service**"

LMM creates a **direct contact** between business and charity org.

LMM **provides support** to the network on different aspects:

- Sanitary-Health issues
- Tax related issues
- Logistics
- Nutritional issues
- Marketing



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Since 2003

The LMM service (3)

The LMM services activate a **dynamic and stable network**

between **profit, non profit** and **public administration**

coordinated by a "control booth" that offers all the necessary skills and guarantees that the goods are used for social ends.

The LMM services provide **social and environmental benefits**, reducing the amount of waste and improving assistance to the most deprived persons.



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Since 2003

The LMM service (4)

The proposed solution is a balanced compromise, filling everyone's needs.

WIN-WIN STRATEGY

Businesses

Win-Win

*Public
Administration*

*Charity
organizations*



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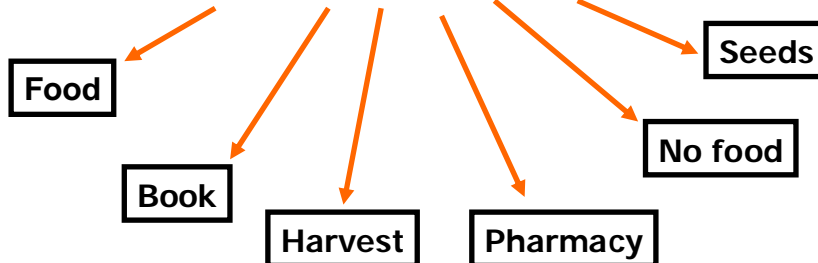


Since 2006

The new LMM services

The same win-win strategy can be applied to other products

LAST MINUTE MARKET



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2006 The OCM and free food distribution (1)

We studied how the free food distribution system of fruit and vegetable CMO works in Emilia-Romagna Region

- The system has many critical points
- At present few products are rescued comparing to the potential quantity
- Supply and demand too rigid
- From the demand side, the access to the CMO system is still complex, and a lot of charity organizations can't reach these products



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2007 The OCM and free food distribution (2)

Period 1998-2007 - last 9 harvest seasons
in Regione Emilia-Romagna

Total products removed from the market:	461.790 tons
Charity for distribution of fresh products:	16.684 tons 3,68%
Charity for distribution of processed products:	9.838 tons 2,1 %



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2008 The OCM and free food distribution (3)

At present , the research deals with the optimisation the free food distribution system within the reformed fruit and vegetable OCM

How to apply the LMM criteria to the fruit and vegetable production chain?



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LMM numbers

Example 1 - Big Supermarket (1 store) Bologna case

Products collected in 2006 **170 tons** (70% human, 30% animal) **Value 600.000 €**
60 % fruit & vegetable 9 % meat products 12 % bulk 6 % dairy products 13 % bread

Furnished **365.000 meals** in 1 year **400 assisted people** for a day

Example 2 - Small stores (15 stores) Ferrara case

(Fruit & vegetable shops, bakeries, etc.)
Products collected in 2006 **49.000 Kg**



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Where is LMM in Italy

17 project
In 10 regions



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Where is LMM in the “World”

Argentina

Brasil



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Where we are going to go...

Israel



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LMM a Bologna

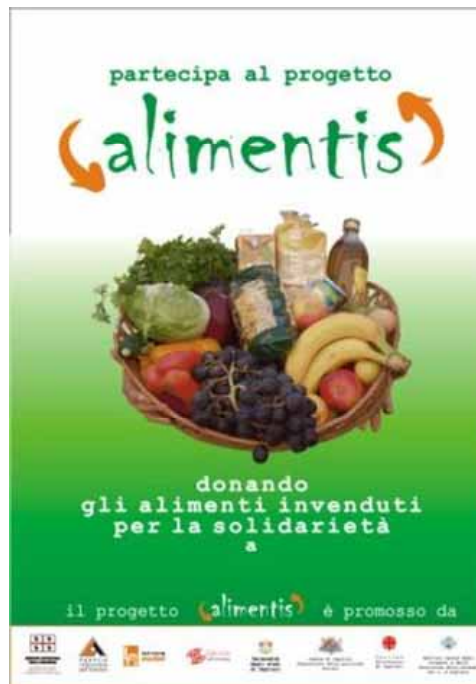


LMM in Sardegna



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- Lmm SEED

06 aprile 2008

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Thank you!



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Eleonora Morganti eleonora.morganti@unibo.it



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ANNEX 12

MID-TERM EVOLUTION OF INTERVENTION STOCKS

This short paper aims at summarising recent forecasts and development as regards future volumes in intervention stocks.

Currently, intervention purchases³⁰ are possible for common wheat, durum wheat, barley, paddy rice and sorghum. Maize intervention will be possible for the last time during marketing year 2008/2009 (and limited to 700 000 t). In the limits of 600 000 t, sugar can be proposed to the intervention until 2009/2010.

Butter can be bought for public intervention, as well as SMP (in the limits of 109 000 t). Public intervention as safety net is also possible for beef, veal and pig meat, under specific arrangements.

- *Mid-term forecasts by DG AGRI services*³¹

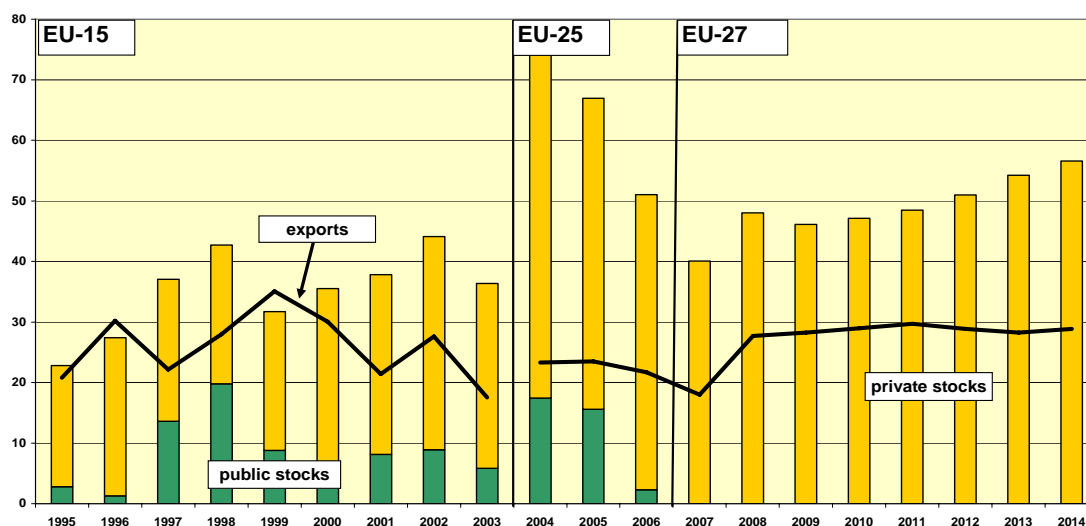
In a report released at the beginning of May, mid-terms projections (until 2014) are available for agricultural commodities on the basis of specific assumptions regarding macro-economic conditions, the agricultural and trade policy environment, weather conditions and international markets. The report is based on the information available at the end of December 2007 and does not take into account any political or market development occurred since then (in particular, Commission's CAP Health Check proposals are not considered).

As regards **cereals**, public stocks fell from a peak of 17.4 mio t in 2004 to 14.6 mio t in 2005 and reached 2.3 mio t in 2006. The low harvest in 2007, the phasing-out of maize intervention as well as the supportive development of domestic demand and exports should leave the markets balanced with limited risks for public stocks.

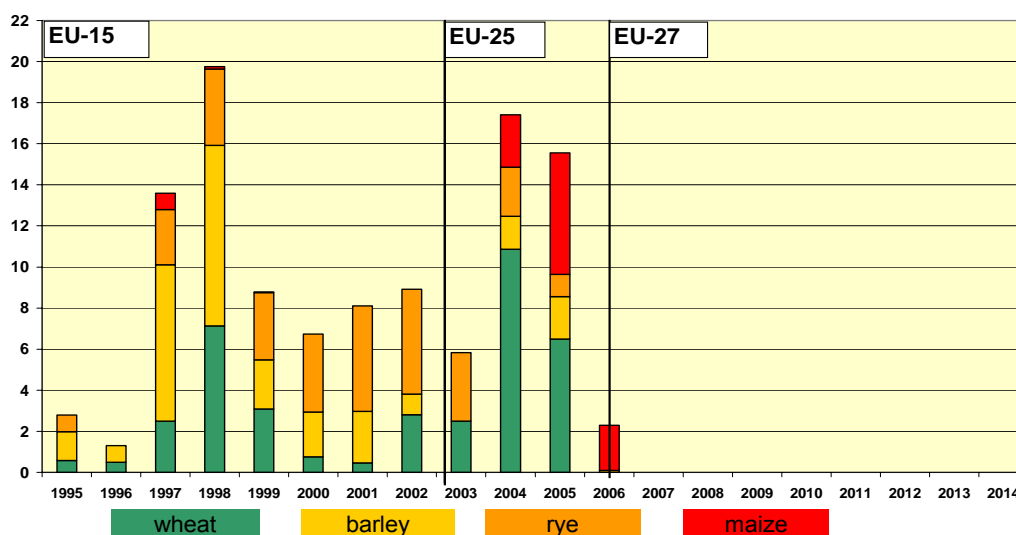
³⁰ Council Regulation (EC) No 1234/2007.

³¹ This summary is based on data from DG AGRI G.2 publication "Prospects for agricultural markets and income in the European Union 2007-2014", March 2008:
http://ec.europa.eu/agriculture/publi/caprep/prospects2007b/index_en.htm

Graph 1: Development in cereal stocks and exports in the EU (mio t), 1995-2014

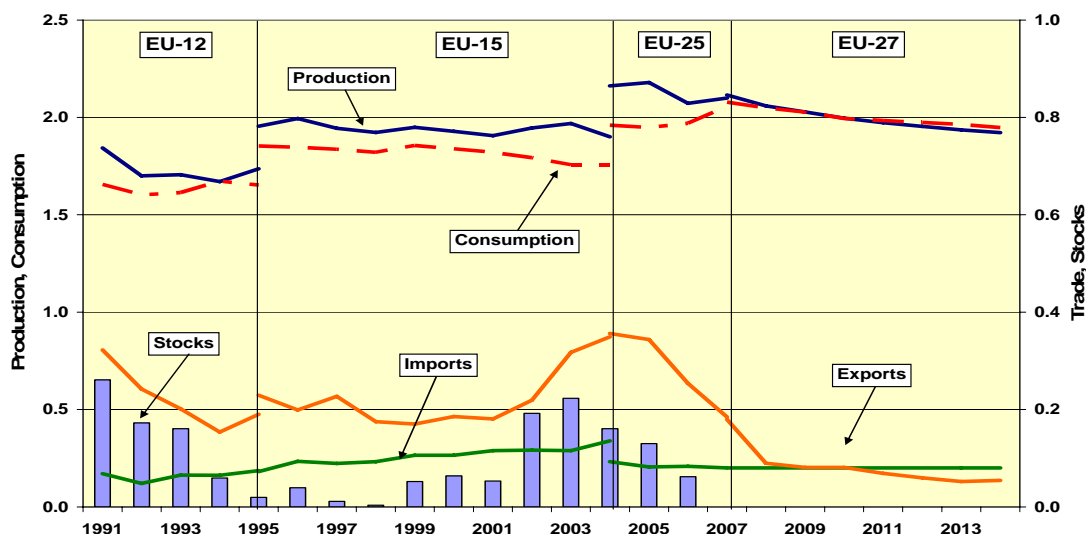


Graph 2: Composition of cereal public stocks in the EU (mio t), 1995-2014



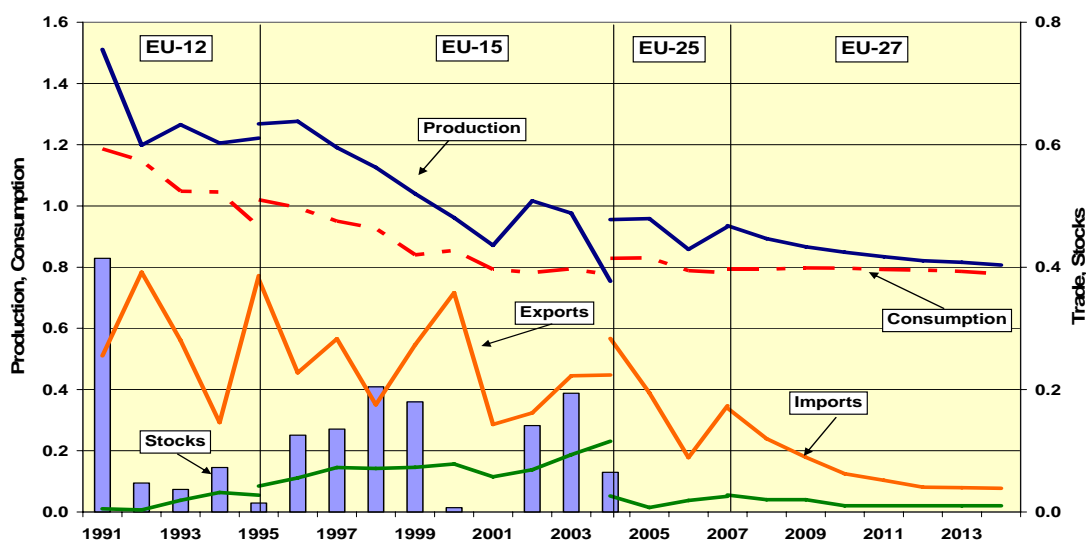
For dairy products, EU-27 **butter** production is expected to decline to 1.9 mio t in 2014 from 2.1 mio t in 2007 (-9%). Overall EU-27 butter consumption is projected to follow a declining trend. Domestic prices are projected to remain firm and well above the intervention price throughout the medium term as the decline in supply would outpace the steady fall in demand. The projected market developments throughout the forecast period mean that intervention stocks will remain empty until the end of 2014.

Graph 3: Butter market developments (mio t), 1991-2014



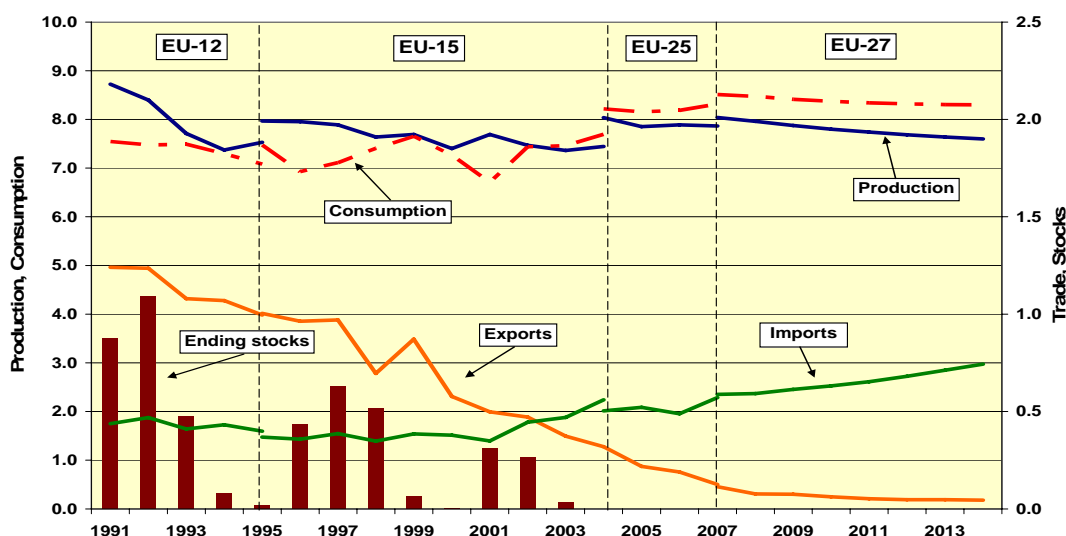
As such the market for **SMP** is expected to remain balanced throughout the projection period with no necessity for intervention buying-in. Domestic prices are projected to remain well above intervention price levels as a consequence of shrinking protein availabilities and a firm demand.

Graph 4: SMP market developments (mio t), 1991-2014



EU-27 **beef** production is projected to decrease to 7.6 mio t by 2014. A steady (albeit slightly declining) demand and this tight domestic supply are expected to result in firm prices over the projection period attracting beef imports that are expected to resume their growth. Consequently, no intervention stocks are expected during the evaluated period.

Graph 5: Beef meat market developments (mio t), 1991-2014



- *Commission's CAP Health Check proposals*

On 20 May 2008, the Commission has presented to the Council and the Parliament proposals for modifying the CAP³². Changes in the products eligible for intervention are proposed.

This Communication states that: "based on analysis, the Commission has concluded that market supply control should not serve to slow down the ability of EU farmers to respond to market signals but they should be turned into a real safety net. To do so, it is proposed to simplify and harmonise the current provisions on public intervention via the extension of a tendering system.

In the cereal sector, it is proposed to introduce tendering for bread wheat, while for feed grains, the same model as for maize (reduce quantitative ceiling at zero) will apply. For durum wheat, taking into account current and expected market conditions, it is proposed to abolish intervention. For the same reasons, for rice and pig meat it is also proposed to abolish intervention. Tendering provisions for butter and skimmed milk powder will also apply".

Thus, if these proposals are adopted without change, public intervention will remain possible for bread wheat, butter and SMP.

³² COM(2008) 306 final, Proposal for a COUNCIL REGULATION on modifications to the common agricultural policy by amending Regulations (EC) No 320/2006, (EC) No 1234/2007, (EC) No 3/2008 and (EC) No [...] /2008.

ANNEX 13
ECONOMIC ASPECTS OF FOOD CONSUMPTION BY LOW INCOME GROUPS

The increase in food prices in recent years at EU level has emphasised the need to increase the budget allocated for food aid to the most deprived people.

As low income groups spend relatively more on food than other groups, they are more affected than other groups by increases in food prices. On average, at EU-27 level, spending on food accounts for more than 22% of their total spending compared with 13% for the highest income households. For most of the new Member States food expenditure accounts for even more reaching, for example, in Romania approximately 59% of total expenditure of low income group compared to 34% of the budget of high income households.

The following table shows the evolution of prices in Europe in the last ten years for some categories. Since the end of 2006, following the extreme agricultural commodity price developments, food prices in the EU have increased more rapidly than overall inflation. In April 2008, the annual increase (April 2008/April 2007) in food prices in the EU was 7.1% compared with 3.6% for overall inflation.

Harmonised indices of consumer prices in the EU-27 (2005=100)

	Average 1998	2005=100	Average 2006	Average 2007	2007 April	2008 April
All-items HICP	83,03	100	102,2	104,4	104,4	108,2
Food and non-alcohol beverages	82,34	100	102,4	105,9	105,1	112,3
Food	85,34	100	102,4	106	105,2	112,7
Bread and cereals	84,32	100	101,7	106,7	104,9	116,2

Source: Eurostat

It should be pointed out that food price inflation remarkably differs among Member States. Annual increase of food prices ranged from 3.2% in Portugal to 25.4% in Bulgaria. This is the result of varied factors such as shares of agricultural raw material values in overall food production costs, the food consumption structure and the degree of processing in each Member State, the effect of enlargement (price convergence in the single market) and the competitive structure of the food supply chain in each Member State.

Even though these differences at Member State level, the total budget allocated, every year, to the most deprived people could be indexed to the increase of food prices, taking as reference the food price index recorded at EU-27 level.

The increase could be index-linked to the annual increase of food price recorded between two periods (elementary price index or unweighted index).

For example, between April 2008 and April 2007 the food price index was 7.1%. If this increase had been taken into account for the preparation of the 2008 annual plan, the total budget allocated to the most deprived people would have been to €327 million instead of 305 (with an increase of about €21.7 million).

Economic patterns of food consumption by low income groups and social benefits granted in the EU

INTRODUCTION

In connection to the world problem of rising food prices, the food consumption of the lowest income groups is highly affected. According to the FAO, eradication of world hunger deepened by the food price inflation requires additional US\$30 billion a year to re-launch agriculture and avert future threats of conflicts over food.

The aim of the paper is to provide an economic reasoning of the existing food aid initiatives developed on the European and international level. In the first chapter, principles of consumer behaviour are presented, which are consequently applied to the problem of food demand concerning the poor people. The theoretical findings are supported by evidence based on data provided by the Eurostat database.

PRINCIPLES OF CONSUMER BEHAVIOUR

Every individual consumer operating within a market economy is equipped with a set of consumption alternatives from which he identifies and selects the most preferred and available in light of his personal tastes. A consumer's utility function is based on the preference relations of the possible choices taking into account that the consumer does not represent a significant force on the market and hence his purchasing decisions do not have influence on the market price.

The consumer demand problem, consisting of a utility-maximization constrained by consumer's budget restriction provides the economic explanation of the demand function. When income and all prices of other goods are held fixed, the relationship between price and quantity of the consumed good provides a derivation of the standard demand curve. In this case, we talk about *Marshallian demand functions*³³.

Analysing the situation from the other perspective, a consumer, instead of searching his or her consumption set of choices with highest utility, might be looking to reach a given level of utility at the lowest expenditures with a given set of prices. This type of demand function is called *Hicksian demand function*. The Hicksian demand is based on the fact that with any kind of price change, the consumer utility is held constant due to appropriate reduction or increase of income. With the knowledge of demand functions, the impact of a price change can be analysed. When the price of the good declines, there are at least two conceptually separate reasons why a change in quantity demanded should be observed. In a first instance, a decline of price causes the good to become relatively cheaper leading to a shift in the demand in favour of this good, a substitution effect of demand. However, due to an increase of purchasing power as a consequence of the expenditure saving, the demanded quantity is affected even for the relatively more expensive good which is the income effect.

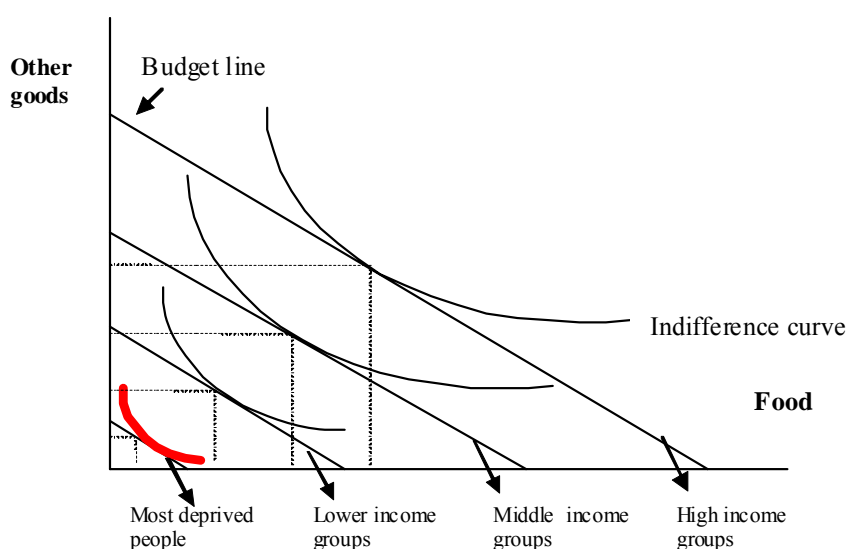
³³ Jehle, G.A., Reny, P.J. *Advanced Microeconomic Theory*. Addison Wesley, USA, 2000, 543 p. ISBN 0-321-07916-7.

FOOD CONSUMPTION BEHAVIOUR RELATED LOW INCOME GROUPS

In case of food demand, preference relations of the consumers are clearly defined since the consumer in the first instance must satisfy his basic needs. Food as such is impossible to be substituted by other goods and therefore the consumer is restricted not only by his or her budget but also by the utility level he needs to reach.

In the case of the Marshallian demand, the consumer's demand function is derived on the basis of utility maximisation with the income constraint. The optimal combinations are expressed in the Chart 1. It is apparent, that the lowest income group which is represented by the most deprived people is able to reach only the lowest utility level, corresponding to the lowest indifference curve.

Chart 1: Optimal consumer choice for different income groups



Nevertheless, the assumption that the poorest people with lowest income can theoretically afford only a limited quantity of food in combination with other goods is not completely valid. It should be considered that the food is a necessity and a certain level of utility must be reached independently on the income level. In this sense, the Hicksian type of demand is probably more suitable to describe the situation of the consumer choice. This is to say that within each category of income, the consumers will always try to satisfy their necessary utility level minimizing their expenditures. Moreover, given that the share of expenditure on food in the lowest income groups is fairly high, the effort of the poorest people to minimize their expenditure on food might be much bigger than in the case of higher income groups.

In line with this assumption the dietary behaviour can be clearly explained. According to the behavioural model developed by USDA it has been shown, that the household behaviour follows the Hicksian demand pattern: when the financial resources representing budget constraint are diminishing, the households tend to consume less expensive foods to maintain energy intakes at lower cost. A reduction in food expenditures is likely to be associated with higher energy-density diets containing increased consumption of starches, added sugars and fats. The main reason for such dietologically unfriendly behaviour is to satisfy the food needs; according to the

US Food Stamp Program participants, the most important concern for choosing foods is to ensure that "*noone could complain that they are still hungry*"³⁴.

This principle factor of satisfying food needs leads to the situation when the highest proportion of energetic intake is derived from sugar and fat which are the cost saving dietary elements³⁵. In the developed countries, technological advances in fat chemistry have reduced energy costs of vegetable oils leading to decline of their retail prices. The study on fat and sugar (Drewnowski, 2003) mentions that the energy costs of potato chips amount 2 USD/10 MJ on contrast to carrots where it reaches about 9.5USD/10 MJ. Moreover, the energy costs are also compounded in retail prices. The Drewnowski's study adverts that while prices of vegetables and fruits in USA grew by 90% within 1982-1997, highly energetic products such as sugar and fats had an average growth of 50%.

In order to find out if the same pattern could be observed in the European Union, the evolution of food prices within selected alimentation groups is provided in the table 1. The harmonised indices of consumer prices³⁶ show that within 1997-2007 the highest price increases could be attributed to the dietary most favourable food categories like fish and sea food, fruits and vegetables. On the other, with the exception of meat, sugar, fats, oils and cereals belonged to the groups with lower price inflation pattern.

The relationship between retail prices and dietary composition of the food clearly shows that the balanced diet and related health conditions of lowest income groups are substantially threaten when spending efforts to minimise their food expenditure.

³⁴ A. Drewnowski: *Fat and Sugar: An Economic Analysis*, [The American Society for Nutritional Sciences](#), J. Nutr. 133:838S-840S, March 2003.

³⁵ Added sugars and fats account for more than 50% of typical American diet.

³⁶ Consumer Price Indices (CPIs) are economic indicators constructed to measure the changes over time in the prices of consumer goods and services acquired, used or paid for by households. Harmonized Indices of Consumer Prices (HICPs) are designed for international comparisons of consumer price inflation. They are used in the assessment of inflation convergence as required under Article 121 of the Treaty of Amsterdam (Article 109j of the Treaty on European Union).

Table 1: Harmonised indices of consumer prices in the European Union * (2005=100)

Food item	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change
Food and non-alcoholic beverages	87.26	88.5	88.75	89.62	93.87	96.25	98.12	99.16	100	102.3	105.8	21%
Food	86.38	87.54	87.96	88.95	93.46	96.01	97.98	99.17	100	102.3	105.9	23%
Cereals	87.47	88.4	89.12	90.14	92.67	95.23	97.18	99.31	100	101.6	106.4	22%
Meat - Total	87.81	87.61	86.62	88.35	94.77	95.63	96.64	98.63	100	101.9	104.7	19%
Fish and seafood	77.56	82.2	84.84	87.54	91.57	95.39	97.66	98.32	100	104.1	107.4	38%
Milk, cheese and eggs	89.74	90.08	89.88	90.54	94.74	97.17	98.82	99.7	100	100.8	105	17%
Fats and oils	90.5	87.97	89.81	89.01	88.94	92.38	94.19	98.07	100	107.4	108.2	20%
Fruit	81.74	84.73	84.77	84.87	91.52	95.97	99.84	99.87	100	101.2	105.1	29%
Vegetables	84.1	87.4	89.48	89.27	95.04	99.49	101.6	99.28	100	105.4	110.7	32%
Sugar, jam, honey, chocolate and confectionery	87.01	88.25	89.45	90.15	91.9	93.99	97.44	99.55	100	101.3	103.1	19%

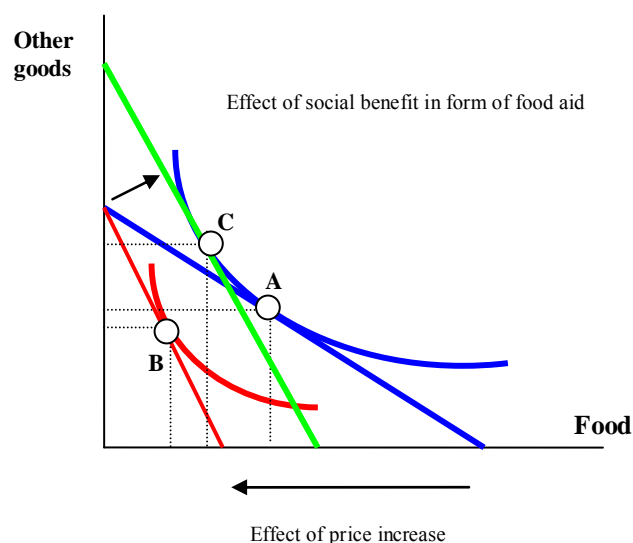
* (EC6-1972, EC9-1980, EC10-1985, EC12-1994, EU15-2004, EU25-2006, EU27), Source: Eurostat

The concept of price and income elasticity is also highly important when analysing food demand of the lowest income groups. As it has been stated, **price elasticity** gives an idea of the reaction of demand to the price changes. It is generally known, that price elasticity is low in case of the necessary goods or goods which do not have easy substitutes. Such products are typically all kinds of basic foodstuffs. The implications for the well-being of the poor people are very important. Due to low price elasticity, the quantity of consumed food remains almost unchanged when the price increases, creating a strong burden on the budget of the poor people. This notion leads to the fact that the poor people are highly vulnerable to the price changes of food.

The **income elasticity** of food products is usually in the interval of 0 to 1. This is to say that expenditures on food may increase with income but not as fast as the income increases itself, thus the proportion of expenditures on food falls as income rises. This observation is known as *Engel's law*.

The economic effects of the food aid initiatives which are designed to mitigate the impacts of rising food prices can be explained by the substitution and income effect theorems. In particular, the **income effect** is highly important in improving the utility levels of the poor people. It can be demonstrated in a situation when the food prices are rising (as shown in the table 1). The initial situation of the targeted group is demonstrated in the point A (chart 2). The point A represents combination of food and other goods demanded by the lowest income group consumers which bring them a certain level of the utility. Provided that the most deprived persons are not given any form of help, when the price of food increases, the new combination of demanded goods is settled in the point B. Due to the **substitution effect**, a decline of the quantity of food demanded is produced and the utility level falls down. However, assuming that the deprived persons are granted food aid, which makes them save the budget for food, they are now endowed with higher income to be spent on all types of goods. As shown in the point C, the food aid provides to beneficiaries higher amount of goods and helps to maintain their utility level.

Chart 2: Consumption behaviour under social aid help



SOCIAL BENEFITS RECEIVED BY THE EU POPULATION

The previous chapter provided economic reasoning of the food aid granted to the low income groups of population. It has been demonstrated that the food aid granted in the periods of rising food prices might serve as a security instrument of maintaining basic consumption level and enabling the poor people to extend their consumption basket for other goods rather than food.

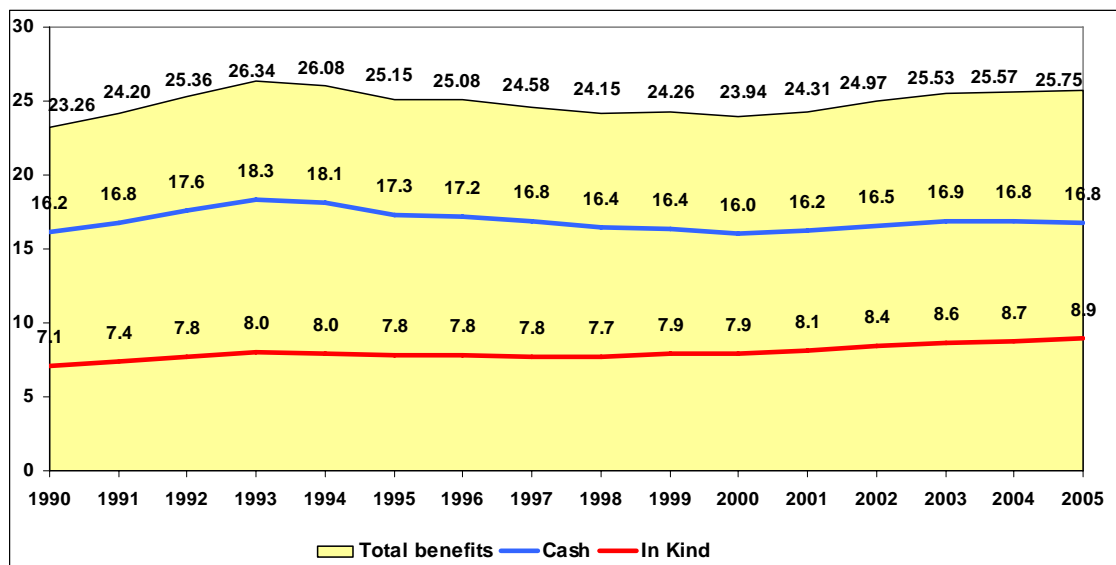
In the following chapter, the attention is shifted to the side of the national governments who are the main contributors of the social help. The main concern is to analyze the development trends of social expenditures and their importance in national economies.

Social help and combating social exclusion represents a very important concern in the European Union. Social benefits consist of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs (ESSPROS)³⁷.

The evolution of social benefits distributed between the years 1990-2005 is provided in the figure 1. The share of total social benefits in the GDP of EU 15 countries has maintained above 20%. The peak level was reached in the year 1993 when the social benefits amounted for more than 26% of the GDP of member states. After 1993, the share of social benefits granted by the member states has been gradually declining. In this period, the concerns of the sustainability of the MS' national budgets became more important and this issue was reflected and emphasised in the requirements postulated in Maastricht Treaty. Nevertheless, after the year 2000 the social benefits recovered their growth and in the year 2005, the share in the GDP almost reached the level of the year 1993.

³⁷ Definition based on **European System of Integrated Social Protection Statistics** methodology, developed by Eurostat, Statistical Office of the European Communities, Unit F3 *Living conditions and social protection statistics*.

Fig. 1: Share of social benefits in the GDP of EU 15



Source: Eurostat

The beneficiaries of the social help receive either cash or in kind aid (definitions of social benefit types are provided in the Appendix 1). There has been different evolution of both forms of social help. While in the 1993, the cash social benefits reached the top 18.3% of the GDP, their share has been slightly decreasing on account of in-kind benefits. In the 2005, the benefits in kind amounted for almost 9% of the GDP of the EU 15 member countries.

Table 3: Share of social benefits in GDP within 1990-2005 in EU15 Member States

Social benefits share in GDP Average of 1990-2005	Total	Rank	Cash	Rank	In kind	Rank	Diff. in rank
Average	24.88		16.88		8.00		
Sweden	32.76	1	19.54	4	13.21	1	3
Denmark	29.41	2	18.51	8	10.89	2	6
France	28.29	3	18.75	6	9.54	3	3
Finland	27.63	4	18.58	7	9.05	5	2
Germany (including ex-GDR from 1991)	27.48	5	19.19	5	8.31	6	-1
Netherlands	27.44	6	19.59	3	7.86	7	-4
Austria	27.34	7	19.79	1	7.56	8	-7
Belgium	26.41	8	19.79	2	6.59	10	-8
United Kingdom	25.82	9	16.77	10	9.08	4	6
Italy	24.10	10	18.14	9	5.96	14	-5
Greece	21.59	11	14.30	13	7.30	9	4
Luxembourg (Grand-Duché)	20.94	12	15.01	11	5.93	15	-4
Spain	20.51	13	14.39	12	6.11	12	0
Portugal	18.89	14	12.37	14	6.51	11	3
Ireland	14.59	15	8.53	15	6.06	13	2

Source: Eurostat

Note: Due to data unavailability, Portugal is excluded from the year 2005

The share of social benefits in the GDP varies in each member state. The table 3 represents a comparison of the social benefits granted by all member states in form of cash or in kind. In the longer term perspective, Sweden has had the highest share of social benefits in the GDP (33%), followed by Denmark (29%) and France (28%). On the other hand, countries with lowest "social care" have been Portugal and Ireland, where the share remained below 20%.

Concerning the two types of social aid, the highest amount of cash benefits can be attributed to Austria and Belgium (19.79%) which in turn are the countries with lower orientation to the in kind form of social benefits. In this respect, Sweden ranks on the first place with in kind donations amounting for more than 13% of the Gross Domestic Product. The differences in ranking presented in the last column show the focus of the countries on the particular kind of help. Numbers with red font indicate relative prevalence of in kind support. Based on the ranking, it is possible to depict group of countries relatively more focused on the in-kind form of aid such as Sweden, Denmark, Finland and France while group of countries such as Netherlands, Austria, Belgium, United Kingdom and Italy are more focused on the cash benefit distribution.

It has been shown that the average level of social benefits granted in the EU reaches one quarter of the EU GDP. Despite of this fact, there are considerable differences across various member states (differences might be even bigger, if all EU 27 MS were included). Therefore it is important to secure sufficient participation of all member states in the social policy by a coordinated social strategy developed in the EU level.

Appendix 1: European System of integrated Social Protection Statistics Manual

Classification of government Social Expenditures by type

The classification of social benefits by type is on two levels: firstly a concise general classification which in principle applies to all functions, and secondly a more detailed classification where the items are only relevant to one or a limited number of functions.

General classification of social benefits by type:

→ Cash benefits

 Periodic

 Lump sum

→ Benefits in kind

A **cash benefit** (ref. 11) is a benefit:

- (i) paid in cash, and;
- (ii) that does not require evidence of actual expenditure by the recipients.

Benefits that require evidence of actual expenditure by the beneficiaries are reimbursements that the System classifies as Benefits in kind (ref. 12).

Periodic cash benefits (ref. 111) are cash benefits paid at regular intervals, such as each week, month or quarter: types of pensions are periodic benefits.

Lump sum benefits (ref. 112) are cash benefits paid on a single occasion or in the form of a lumpsum: examples are maternity benefits, redundancy lump-sums and very small pensions that, for convenience, are paid as a single amount. Exceptionally such benefits may give rise to more than one payment; for example maternity benefits in Luxembourg are paid in three instalments.

Benefits in kind (ref. 12) are benefits granted in the form of goods and services.

They may be provided by way of reimbursement or directly. **Reimbursements** are benefits in the form of payments that reimburse the recipient in whole or in part for certified expenditure on specified goods and services. Directly provided benefits are goods and services granted without any pre-financing by the beneficiary. They may be produced by the institutional unit or units which administer the social protection scheme, or be purchased from other producers. This distinction is important for the valuation of the benefit.

Contributions made by a recipient towards the cost of directly provided goods and services (cost-sharing) are not part of the value of social benefits. These contributions are not recorded in the ESSPROS as they are considered to be consumption expenditure by households (see also paragraph 125).

ANNEX 14 CO-FINANCING

THE CURRENT SITUATION

At present the MDP is 100% financed by the Community budget (EAGF). However, a certain *de facto* co-financing already exists in Member States participating in the scheme:

- Two MS specifically complement the EU programme with national funds, or help finance other independent initiatives. France funds flanking measures, corresponding to about 21% of the budget received in the framework of the EU programme. Poland spends 650 millions zloty a year (about €190 million) on food measures for deprived school children, independent from the MDP and using a different implementation framework.
- A number of MS directly subsidise charities that provide food aid to the deprived.

Funding varies greatly between MS and in some no national initiatives at all are implemented; only private initiatives exist, without state subsidies. This is particularly the case in the EU-12 Member States. For more details see Annex 4.

1. POSSIBLE ADVANTAGES OF CO-FINANCING

- The introduction of co-financing would have no impact on the EU budget. Assuming the Community's contribution to be constant, the introduction of co-financing would result in an immediate increase of the total budget available for food aid, thanks to the MS contributions. Some MS that do not currently participate have informally indicated that they could be interested in joining a renewed, co-financed MDP. The participation of additional MS might entail a higher demand and thus in the long run increase the Programme's budget needs.
- The increase brought to the overall budget by co-financing would enable the scale and impact of the scheme to be extended and mean that more food could be distributed and/or it could be distributed more widely and benefit more people. This is particularly important at a time when rising food prices have both a direct impact on the cost of food distribution programmes and an indirect impact on the number of persons in need of food aid.
- The MDP has now existed for more than 20 years and has brought positive results in participating MS. By further enhancing the involvement of MS authorities, compulsory co-financing could strengthen implementation, promote synergies – in particular with related national or local initiatives - and encourage the development of national or local measures. By way of analogy, this trigger effect has been extensively documented and analysed in the case of the co-funded Leader initiative in rural areas, where Local Action Groups have been able to integrate actions conducted within a single sector, or, most importantly, make links between the different economic, social, cultural, environmental actors and sectors involved in an area.

- There may currently be a tendency for Member States to calibrate their requests for financing according to the available budget, rather than to the total budgetary needs for national food aid measures. While this does not imply that MS requests are systematically over-estimated – the take-up of funds has been particularly high in recent years and charities report increasing needs, especially in the context of high food prices – co-financing could ensure a better match between needs and requests. In particular, if the budget for the programme is increased, it would guarantee that the additional funds result in additional money and not merely in a convenient source of funding for existing national measures.
- It could be argued that the cost of the scheme represents only a limited share of the overall welfare costs borne by MS. Thus, the financial involvement of MS would demonstrate that they consider the issue of food poverty a major one and that they are willing to address the question of the food supply to deprived people in the context of their welfare system.
- Over recent years, initiatives outside the "core" Pillar I measures have increasingly been co-financed by Member States, e.g. information and promotion policy, proposal for a School Fruit Scheme.

2. POSSIBLE DISADVANTAGES OF CO-FINANCING

- Particularly in the "new" MS, until very recently no or very limited food aid, either public or private, was provided to the deprived. For these MS the lack of financial resources could be a limiting factor. In this context, it is not clear whether MS wishing to participate in the Programme might be reluctant to contribute to it financially. Care should be taken that the introduction of co-financing does not reduce the participation of certain MS, in particular the EU-12. The withdrawal of some of these MS from the scheme might mean a return to the previous situation of very limited food aid to the most deprived.
- The switch from purely Community funding to co-financing could be seen as contradicting the justification for the programme. The need for action at EU level has been demonstrated, given the lack of private or public funding for food aid initiatives in many MS and the number of European citizens in a situation of poverty. The purely Community nature of the funding has been an asset for the existing programmes, which demonstrated European solidarity and the usefulness of EU action, which redistributes resources from the EU budget in function of MS needs. Introducing a co-financing would call into question this solidarity by reducing the scheme's cohesive dimension.

3. LEGAL ISSUES

Council Regulation No. 1290/2005 on the financing of the Common Agricultural Policy does not provide for the co-financing of Community measures, with the notable exception of information and promotion measures, for which the Community provides a "financial contribution".

The introduction of compulsory co-financing by participating MS would therefore necessitate the amendment of Article 3(1) of the Regulation, possibly mirroring the provision in d) of this Article for information and promotion measures.

4. CO-FINANCING RATE

It would seem appropriate to align the co-financing rate with that for other Community measures.

EU regional policy comprises several objectives (cohesion, regional competitiveness and employment, and European territorial cooperation) financed by three different funds, the co-financing rules for which vary. However, the "regular" co-financing rate is 50% or 75% (Community's contribution). The co-financing ceiling can rise to 80% when the eligible regions are located in a Member State covered by the Cohesion Fund, and even to 85% in the case of the outermost regions.

In the context of the CAP, several policies are co-financed by the MS:

- Rural Development Policy uses differentiated co-financing rates per region, according to the convergence objectives. For most measures the rate is 50%, rising to 75% in Objective 1 regions. For some measures (Leader, specific environmental measures) the Community contribution is generally 55% and 80% in the Objective 1 regions. The outermost regions benefit from an extra 5%, which allows a maximum 85% EU financing.
- The School Fruit Scheme currently under discussion proposes a Community contribution not exceeding 50% of the total costs of each MS programme, or 75% in convergence regions.
- In the framework of the promotion policy for agricultural products, the Community makes a 50% contribution to an initiative's budget, the MS contributes up to 30% and the remainder is funded by private operators.

In common with current practise for other co-financed agriculture measures, different co-financing rates would seem appropriate for the MDP. A Community contribution of 50% and 75% is the rate most often used and this could logically be applied if co-financing is introduced for the MDP.

As no indicator of poverty by region is available in Eurostat, convergence criteria could not be used to compute the differentiated co-financing rates. It would, however, be straightforward to use the same criteria as the EU Cohesion Fund, which is aimed at Member States whose GNI (Gross National Income) is lower than 90% of the EU average. All the new MS plus Greece and Portugal are concerned³⁸.

In order to smooth the transition to co-financing and avert the risk of MS withdrawing from the scheme due to a possible lack of resources, lower co-financing rates could initially apply. This should ensure the continued high take-up of funds during a phasing-in period. These rates could also mirror co-financing for other initiatives and be set, for example, at 75% and 85% (for Cohesion MS³⁹) of the Programme's overall budget. At the end of the first programming period (3 years) an assessment could be made to evaluate the impact of the change in the scheme's

³⁸ A phasing-out system is currently granted to Member States which would have been eligible for the Cohesion Fund if the threshold had stayed at 90% of the GNI average of the EU-15 rather than EU-25. Spain is concerned by this phasing-out.

³⁹ The maximum rate allowed in the framework of the Cohesion Fund is 85%.

funding and to consider whether it would be opportune to increase the co-financing rate for the following periods.

5. SIMULATION

For illustrative purposes, the following table shows the expected increase in the budget available for the Programme following the introduction of co-financing, using the current methodology for the budget breakdown and the three different methods described in Annex 9. This increase comes from MS matching funds following the introduction of co-financing with MS contributions at 50% or 25%, according to their status. The different methodologies have different consequences for the total, co-financed budget, as they each result in a different budget breakdown between the MS.

		Current Method (Theoretical allocation)	GDP based (Theoretical allocation)	GDP + rate at risk of poverty (Theoretical allocation)	The most cohesive (Theoretical allocation)
Community contribution (million €)		500	500	500	500
19 MS participating	MS contribution (million €)	367.13	352.57	349.83	322.55
	Increase in overall budget thanks to co- financing	+ 73%	+ 71%	+ 70%	+ 65%
EU-27	MS contribution (million €)	409.32	399.66	393.13	361.53
	Increase in overall budget thanks to co- financing	+ 82%	+ 80%	+ 79%	+ 72%

The simulation is made, respectively, for the 19 MS participating in the Programme in 2008 and for all 27 MS. Depending which method is used, the expected budget increase for the Programme is between 65% and 73% (19 Member States) and between 72% and 82% if all MS participate.