

Cyprus bailout: The most vulnerable groups must not pay for correcting banks' errors

Reacting to a [statement](#) by Olli Rehn, European Commission Vice-President and Christine Lagarde, Managing Director of the International Monetary Fund on the multiannual-reform programme agreed for Cyprus, Caritas Europa has called on the EU to ensure that it does not result in a worsening of the situation of the poor and the most vulnerable groups there.

“When deciding on the concrete reforms that will be introduced in Cyprus as a condition for receiving bailout assistance, it is of utmost importance to avoid applying solutions that may worsen the situation of vulnerable groups of Cypriot society and expand the number of those living in poverty” says the Secretary General of Caritas Europa, Mr Jorge Nuno Mayer. “At this stage it is possible to draw clear conclusions from the experiences of people living in countries most affected by the crisis where heavy austerity measures have been introduced as part of bailout agreements.”

Caritas Europa’s recent report “[The Impact of the European Crisis](#)” revealed clear trends where the prioritisation of economic policies at the expense of social policies in a period of crisis had had a devastating impact not only on people and welfare systems across Europe but also had undermined the political legitimacy of the European Union.

“The socio-economic situation of ordinary citizens in Cyprus is bleak at present” says Mr Nuno Mayer. Unemployment has rocketed [from 9.7% in 2011 to 14.7% in 2012](#). The European Commission’s social monitoring report reveals that every fifth child lives at risk of poverty in Cyprus. The country also tops the EU’s ranking of Member States with the highest share of poor people living in households with heavy financial burdens stemming from housing costs. Caritas Europa’s [analysis of the social situation](#) in Cyprus presented in its [Shadow Report on Europe 2020](#) highlights that the elderly are the most significant group facing poverty, while single parents and families with more than 3 children are among those having greatest difficulty in making ends meet.

“These pre-existing circumstances should be taken into consideration when any revision of the social welfare system is taking place in Cyprus as part of planned reforms” says Mr Jorge Nuño Mayer. “The experience of Caritas organisations in their daily work in the countries that have received financial assistance under the IMF/ECB programmes is that the main burden of the austerity measures and cuts is borne by the most vulnerable groups. So, in fact, the worst impacts are borne by people who did not cause the crisis in the banking and financial sectors in the first place. The EU should learn from these experiences. All reforms to welfare assistance in Cyprus should be structured in a way that will not affect the poorest groups in Cypriot society”.

In its [last summit](#) the European Council stated “It is crucial to tackle the social consequences of the crisis and fight poverty and social exclusion”. The President of the European Council Mr Van Rompuy also said “We must all work hard to alleviate the social impact of the crisis in Cyprus.” **Caritas Europa strongly believes that the EU and national authorities have choices when defining the policies to tackle the effects of financial and economic crisis, and calls for a fair solution to the debt crisis to be found.**

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