

## **Civil Society Contact Group<sup>1</sup> -Statement on European Commission Communication on the Budget Review (Com (2010) 700)**

### **Introduction**

Budgets reflect the priorities of those who set them. This is particularly so in the context of governments and a supranational and intergovernmental body such as the EU. The founders of the EU understood the importance of budgets when they designed the own resources system; but this system has essentially broken down and instead, a system of medium term financial planning and annual budgeting has developed which is dependent on agreement between Member States' governments on the level of expenditure the EU is permitted to incur. This has led to horse-trading between national interests which have been more focused on questions of net contributions, just returns, and net gains, than on the values enshrined in the EU Treaties and the policies the EU has developed at EU level.

This mismatch between the commitments made and current political reality in the system is one of the major concerns of the Civil Society Contact Group and one of the key drivers behind the engagement of our platform in the ongoing discussions about the future shape of the EU budget.

The other key driver is our concern that any public budget such as that of the EU must be transparent and accountable; that means that both the income and expenditure side of the budget must be clear, must be understandable, must reflect the values and policies of the EU and must be debated in an open way with citizens and other people living in the Member States.

In 2005, the Council of the European Union agreed to undertake a thorough review of the budget before the next multi-annual financial framework had to be agreed.

From the point of view of the Civil Society Contact Group the process and the result have been disappointing.

The process, after an enthusiastic and inclusive start, suffered delays and finally fizzled out with a leaked document in October 2009 which was immediately disclaimed by the European Commission. The efforts of civil society, academic institutions and others in contributing to the consultation did not lead to a coherent or systematic analysis of and response to the views expressed. The slowed-down timescale designed to ensure essentially no time between publication of the Commission Communication and the start of the discussions about the next MFF appears intentionally to remove the scope for meaningful discussion between the EU and other stakeholders about the shape and purpose of the budget rather than budget lines, size and length of the next framework.

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<sup>1</sup> *The EU Civil Society Contact Group brings together some of the biggest European platforms of public interest organisations coming from different sectors - culture (Culture Action Europe), development (CONCORD), environment (Green 10), human rights (HRDN), lifelong learning (EUCIS-LLL), public health (EPHA), social issues (Social Platform) and equality between women and men (EWL). Encompassing hundreds of European NGOs and thousands of national affiliates, together we work to develop a common vision for the European Union and the dialogue between public interest organisations and the EU institutions as an essential part of strengthening participatory democracy. [www.act4europe.org](http://www.act4europe.org)*

The content is equally disappointing. Comparing the shape of the current budget and the proposals for the shape of the next budget shows that there is little innovation and little commitment to doing things in a way that better reflects the EU values and principles or to give voice and space to the so-called 'new' policy priorities of climate change, energy security and the EU as a 'global actor'. Nor does it show any intent to review the focus and structure of current policies and programmes in terms of how they are reflected in the financial framework. Instead, this is a marginal re-packaging of the status quo.

### **Summary of CSCG Recommendations**

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework

- Express reference to the values and principles of the Union and sets out how they are furthered by the proposals in that Communication, in particular the 'universal values of the inviolable and inalienable rights of the human person, freedom, democracy, equality and the rule of law'<sup>2</sup>;
- Express reference to the definition of European Public Goods and sets out how they are to be achieved through the implementation of the proposals put forward;
- Express reference to a broader concept of solidarity and how it can be furthered through this MFF;
- Express reference to ways in which sustainability and social justice can be achieved without a relentless belief in economic growth;
- Express reference to limitations of funding for technology research and innovation on the one hand and infrastructure projects on the other to projects which aim to contribute to the reduction of the environmental footprint and use of resources;
- Express reference to a methodology for involving citizens in the debates about the proposals and in the process of reviewing progress and achievements within future MFFs and budgets which the Commission proposes to put in place. We ask that this includes a structured dialogue which allows for discussion that is timely and meaningful;
- Express reference to transparency in the financing of the EU budget and how this can be achieved;
- Express reference to how good governance tools, including gender budgeting, will be implemented to improve efficiency, accountability and fairness.
- Express reference to a methodology by which it will ensure a meaningful review of the cross-policy impact of all EU spending;
- Express reference to a dialogue with civil society as part of the mid-term review of the MFF;
- Express reference to the need for better and clearer information for civil society and for citizens - including programmes for students engaged in secondary and further education - which are designed to explain the EU's finances in such a way as to allow meaningful participation in such dialogue and plans for implementing them.

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<sup>2</sup> Preamble of the Consolidated Treaty on European Union

## CSCG Principles

The Civil Society Contact Group wishes to remind decision-makers of the principles we argued should underpin and guide the budget review in light of this communication.

### **The EU budget must respect and promote the values and rights as outlined in the Lisbon Treaty and contribute to achieving the Treaty aims and objectives**

We note the principles set out in the Treaty on European Union as amended by the Treaty of Lisbon of ‘liberty, democracy, respect for human rights and fundamental freedoms, the rule of law, and sustainable development’. We applaud the ‘fundamental social rights as defined in the European Social Charter and the commitment to promote peace, security and progress in Europe and in the world, to promote economic and social progress’ and to ‘promote a society in which pluralism, non-discrimination, tolerance, justice, solidarity’ between people across borders and generations ‘and equality between women and men prevail’. We support the ‘values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights’. We support a European Union that ‘combats social exclusion and discrimination, and which promotes social justice’<sup>3</sup>.

We are concerned and disappointed that there is little or no reference to most of these values and principles in the Commission Communication.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to values and principles of the Union and sets out how they are furthered by the proposals in that Communication, in particular the ‘universal values of the inviolable and inalienable rights of the human person, freedom, democracy, equality and the rule of law’<sup>4</sup>;

### **EU money is public money and it must serve the European public interest**

Whilst the Commission Communication refers to European Added Value, this is only defined in relatively technical terms such as:

- Maximising the efficiency of Member States’ finances
- Helping to reduce total expenditure,
- Pooling common services and resources to benefit from economies of scale
- Financing
  - EU public goods
  - Actions that Member States and regions cannot finance themselves
- Securing better results

These terms do not address the question of what the European public interest is and how it can be furthered by either the expenditure incurred at EU level or by the means by which the money available to the EU is raised.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to the definition of European Public Goods and sets out how they are to be achieved through the implementation of the proposals put forward.

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<sup>3</sup> All quotes in this paragraph from the Preamble and Articles 2 and 3 from the Consolidated Treaty on European Union (as amended by the Treaty of Lisbon), accessed on 14 November 2010 at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0013:0046:EN:PDF>

<sup>4</sup> Preamble of the Consolidated Treaty on European Union

### **EU funds must respect the principle of solidarity**

The current Treaty on European Union - as other EU Treaties before it - is clear that solidarity between people and peoples is a core value and a core driver of the European project.

That this solidarity has to include inter-generational solidarity is becoming ever clearer at a time when the issue of climate change is putting the lives and livelihoods of future generations at risk. We mean by inter-generational solidarity a conscious commitment to ensuring that all generations both now and in the future can live fulfilled lives to the best of their ability; that younger people receive the education and have the opportunities which is in line with sustainability; that older people have the resources and the care they need to live and die in dignity; and that generations to come have an earth which sustains meaningful life. We are committed to extending this solidarity beyond the borders of Europe. That must include a commitment to budgetary decisions that support human rights, equality, including gender equality poverty eradication and peacebuilding in Europe and in the world.

Whilst the Commission Communication refers to solidarity in a number of instances, the issue of inter-generational solidarity is not addressed at all. The approach to solidarity is intrinsically linked with growth rather than with justice in terms of how the limited resources we have are shared. This approach is short-sighted because it ignores the limits to growth.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to this broader concept of solidarity and how it can be furthered through this MFF.

### **Sustainable development must be the overarching goal of a new EU budget**

We note that the Commission Communication refers to sustainability. Indeed, one of the approaches to growth in the proposals is headlined as 'sustainable growth'. We believe that this approach shows that there is a lack of understanding of what sustainability really means; it means that growth must be limited; that we may have to face reductions in the use of resources and even in the size of the economy as measured by GDP; that it will be necessary to develop new measures for progress; and that growth cannot be the only policy driver.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to ways in which sustainability and social justice can be achieved without a relentless belief in economic growth.

The fact that reference to climate change is made only as a subsidiary priority within the overall growth agenda also shows that this is still not being taken seriously enough.

Mitigating climate change should be an explicit and implicit goal of all EU action and therefore all EU spending. This is particularly the case in the context of technology research and innovation where only programmes which aim to limit the use of resources and the environmental footprint of human activity should be funded; it is also particularly important in the case of infrastructure projects where only projects which reduce the environmental footprint of such infrastructure and its use should be funded.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to limitations of funding for technology research and innovation

on the one hand and infrastructure projects on the other to projects which aim to contribute to the reduction of the environmental footprint and use of resources.

**Public budgeting and spending must be a transparent and accountable process which needs to allow for meaningful participation from public interest organisations**

We have expressed our disappointment with the delays in the process of the budget review and the lack of attention that has been paid to the civil society contributions to it.

The delays have led to a situation where the time for meaningful exchange about the present Commission Communication before the publication of the Commission Communication on the next Multi-annual Financial Framework is very limited.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to a methodology for involving citizens in the debates about the proposals and in the process of reviewing progress and achievements within future MFFs and budgets which the Commission proposes to put in place. We ask that this includes a structured dialogue which allows for discussion that is timely and meaningful.

There is little knowledge among EU citizens about how the EU budget is financed. This is at least in part due to the fact that the financing of the EU budget is complex and not directly visible as a form of taxation.

To achieve transparency and accountability, there is a need to ensure that the financing of the EU budget is clear and comprehensible; whether this is achieved through a new own resource or through some other means, it is important that it is achieved.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to transparency in the financing of the EU budget and how this can be achieved. This should include reference to measures of good governance establishing rules, processes and actions in order for decisions on budgetary issues to be made in a way that is participatory, accountable, transparent, predictable, consensus orientated, responsive, efficient and equitable. Gender budgeting methods should be among such measures<sup>5</sup>. A substantial analysis of gender issues in the European budget planning process will improve the targeting of resources in such a way that equality and social cohesion are enhanced.

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<sup>5</sup> Gender budgeting (GB) is a practical and systematic approach to the fact that population consists of two genders, which still experience different living conditions and different expectations from society. GB identifies the different implications that public income and spending have on women as compared to men. The final objective of GB is to shape budgets so that they are actively promoting gender equality. Direct and indirect costs of gender blind budgetary policies can be measured in lower economic efficiency, lower output, lower development of people's capacities and a lower quality of life.

**EU funds must be allocated to reflect the EU's policy priorities, that supports policy coherence and that ends to all perverse subsidies**

The proposals included in the Commission Communication reveals little real change in the structure of the budget. This is reflected in the possible headings of the next MFF structure currently being discussed.

This will do little to address the lack of coherence between different policies and the perverse situation where some EU expenditure directly supports policies which undermine other policies and other spending priorities. Examples would include policies relating to agriculture, fisheries, trade, and energy which directly contradict development policy objectives; and policies relating to agriculture, energy, transport, and competition which directly contradict climate change policy objectives.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to a methodology by which it will ensure a meaningful review of the cross-policy impact of all EU spending.

**EU spending should be subject to regular evaluation**

The Commission Communication suggests an MFF of 5 + 5 years with a thorough mid-term review. It is important that such a review includes substantial and meaningful dialogue with civil society.

We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to a dialogue with civil society as part of the mid-term review of the MFF.

Finally, we ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to the need for better and clearer information for civil society and for citizens - including programmes for students engaged in secondary and further education - which are designed to explain the EU's finances in such a way as to allow meaningful participation in such dialogue and plans for implementing them.