

## Executive Summary

*Budgeting for the Future, Building another Europe*, edited by Sbilanciamoci!, puts forward a critical civil society outlook on the 2007/2013 Financial Perspectives. In order to achieve this goal Sbilanciamoci! decided to create a civil society network, with a European dimension, guaranteeing full expertise on the different topics and issues listed in the Multiannual Financial Framework's headings. The opening of the book is dedicated to two different approaches concerning the Treaty of Lisbon.

The presentation of the Treaty made by Giuseppe Bronzini of **Magistratura Democratica** shows merits and faults. The most important and radical change in the Treaty of Lisbon is the fact that the norms included in the Charter of Nice have now the same legal value of those included in the Treaties. The Charter solemnly lists all the most significant rights of first, second, third and fourth generation. Its rules will have the same importance of EU's primary norms and the courts of the EU at all levels will be able to draw on its guidelines to assess the legitimacy of implementation measures by the Union and the Member States. It introduces important elements of rationalization of the "European government" but the proliferation of choices at "variable geometry" set the basis for an intergovernmental model for the future of Europe instead of a federalist one. On the social side, the agreement of Lisbon does not bring much innovation, leaving in the hands of the European Parliament the building of an authentic democratic and social Europe.

In the contribution by Susan George, Chair of the **Transnational Institute**, the European elites have never digested the French and Dutch 'No' votes on the Constitution and now they are striking back with the so-called "Reform Treaty". This latest, being pushed through the European process with unseemly haste so that European citizens cannot interfere, is just as complicated, just as neo-liberal, just as unjust as the defunct Constitution it replaces.

Following a general presentation of the European budget, Jack Thurston of **Farmsubsidy.org** assesses the level of transparency of the European budget. There is little transparency on how the 130 billions which cascades from Brussels each year are spent. This money passes through a multi-layered patchwork of jurisdictions, agencies and programmes that

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vary greatly in their levels of transparency and accountability. For the most part, the picture is not good, although there are some grounds for optimism about the future.

### Heading 1: Sustainable Growth

The contributions concerning the first heading, Sustainable Growth, are conceived in the framework of Lisbon Strategy's targets: research and development, education structural and cohesion funds, TEN. With a total amount of 350 billion Euro available for the period 2007-2013, the Regional Funds under the EU Cohesion Policy are the largest item of the EU budget (44% of the EU budget compared to 43% for agriculture and fisheries together).

The contribution on R&D by **Lunaria** highlights that although we have gone a long way from the past financial perspective, more resources are needed in order to make the EU a knowledge driven economic area. The analysis of the subject also concludes that the quantity of resources spent is not a panacea for achieving high quality research.

Much more attention has to be given to the social cohesion effects of R & D policies.

The Lisbon strategy is tackled by the **EuroMemorandum Group** who argues that the primacy of economic goals over social ones derives from the fact that the internal market and the monetary union are the main pillars of the socio-economic framework of the EU, defined and applied on the Community level, while social issues are subsumed within this framework, to be dealt with by member states on the national level. The fundamental asymmetry between economic and social policy, whereby the former sets the pace and the latter follows, is maintained in the Lisbon Agenda. This asymmetry is further exacerbated (a) by the fact that the member states have very few macroeconomic policy tools left at their disposal, since fiscal policy is regulated by the Stability and Growth Pact, while monetary policy is carried out independently by the European Central Bank; and (b) by the limited size and inappropriate structure of the EU budget, which is thus not in a position to compensate for at least part of the loss of policy autonomy of member states.

As regards education, **Obessu** proposes to lay down a Student's Rights declaration capable of sustaining a pre-existing constellation of rights not yet covered by European legislation. The declaration aims at sustaining cohesion through the assignment of equal rights for education across Europe.

Cohesion and Structural Funds are analysed under different points of view according to their impact on poverty and social inclusion, on climate change and on the environment.

Energy and transport policies have been analysed by **Bankwatch**. Many of the selected projects pose environmental threats, and in several cases proper strategic and environmental impact assessments have not yet been completed. The economical benefits from the TEN-T projects are also highly questionable. The TENs policy promotes a development model based on continuous traffic growth. Fourteen years into the policy, the geographical scope is no longer restricted to the EU and our immediate neighbours, but is also laying the policy groundwork for cross-continental links.

**EAPN** calls for an increase in attention to the real objectives of cohesion funds. Beyond economic convergence, structural funds are a massive opportunity for greater social cohesion. Looking at the method of governance and delivery of the Funds, a better partnership with civil society and NGOs would strengthen the legitimacy of the process. Their added value, due to their roots in the communities and more flexible approaches, is essential to ensure an efficient use of EU monies. Civil society and NGOs should as well constantly monitor how structural funds are spent and promote revisions of European sending priorities.

In the analysis made by **Bankwatch** and **Friends of the Earth** Structural and Cohesion Funds have a central role to play in realising the EU climate strategy. They should help the beneficiary countries move onto the low-carbon development path. For this, EU cohesion policy itself needs to be "decarbonised". To make EU funding climate-friendly, a comparable effort would have to be made to earmark high minimum funding allocations for the main low-carbon investments such as energy efficiency, renewable and clean urban transport. Although these investments are included on the list of the promoted "Lisbon-friendly" investments, so are major motorways and airports that heavily contribute to increasing greenhouse gas emissions.

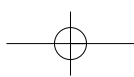
According to **WWF**, all investments supported by the EU should have a positive environmental impact and not breach the EU environmental legislation. No exceptions should be allowed anymore. If EU countries want to continue on the old-fashioned path of development at the price of the environment, they should not be rewarded by European public money.

## Heading 2: Preservation and Management of Natural Resources

However planned to decrease over time, Common Agricultural Policy (CAP) still represent 43% of the EU budget. **BirdLife International** is calling to the EU and Member State governments to grasp the opportunity to replace the CAP system with a common policy for sustainable land management and rural development, designed to deliver the benefits that the public need from farming and land management. Such a re-aligned policy should also provide farmers with long term signals they need to plan in a changing world, and the resources to provide those public goods the public expects.

CAP is assessed also by the **Coordination Paysanne Européenne**, especially from the point of view of its unfair distribution and lack of legitimacy. CPE advances many proposals for reforming the CAP starting from the assumption that if citizens want that food is produced directly by independent farmers, that agriculture takes place in all regions, for reasons of diversity, quality of food and for the positive multifunctional role of sustainable family farms, then we need to keep and develop farms which can be maintained by the next generation, with many young people enough attracted by this job, by this life in countryside. For that, farmers need economical, social, cultural recognition. Then we need a very different CAP where market prices recognize the costs of an environmentally and socially sustainable production, including the remuneration of farmer's work.

According to **WWF** the link between the current fisheries crisis and EU subsidies is broad-



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ly accepted by governments worldwide (see the 2002 Johannesburg World Summit on Sustainable Development, and discussions within the WTO Doha Round of negotiations). It is crucial for the EU to target aid for the transition to a well-managed, socially and environmentally sustainable fisheries sector. In particular, the next financing instrument should: exclude the most harmful subsidies, such as aid for engine replacement; target aid to adapting EU fleet's capacity to existing resources; provide more support to areas of common concern, such as monitoring and enforcement instead of supporting individual operators.

### Heading 3: Freedom, Security and Justice

The third set of contributions assesses key issues such as migration flows, security, external borders, common immigration, asylum policies, visa and Schengen, security and free movement of people. At the same time complementary issues such as fundamental rights and citizenship, intergenerational and youth programmes and health and consumer protection are approached.

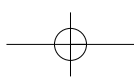
**ENAR** maintains that if the European Union is to guarantee its citizens a common space of real freedom, security and justice, investments reflecting these goals are needed. Freedom cannot be understood as a right of the few. Security is a consequence of freedom and inclusion as well as a condition for them. Finally, a justice friendly environment cannot be created without a persistent attention to the respect of human rights.

According to **Lunaria** substantial increases in the availability of funds for youth policies are urgent. Otherwise no alibi will be credible for the EU democratic gap and young people's lack of trust in EU institutions. More funds are also needed for co operation with the southern-shore Mediterranean countries and those partners in the European Neighbourhood Policy (ENP) where the presence of youth is more significant. Lunaria further proposes to involve high school students (both individual students and classes) in a renewed and enlarged *Erasmus* initiative. Finally volunteering, participation and active citizenship should be fostered beyond youth-centred policies.

Health care is still a sector of national rather than EU competence. Community action in the field of public health shall fully respect the responsibilities of Member States for the organisation and delivery of health services and medical care. According to **EPHA** many of the most important threats to health cannot be solved by national public health policies, nor are they restricted by geographical borders. Coordinated EU action on public health is increasingly important. Civil society has played an increasingly significant role in shaping and delivering health outcomes at local, regional, national and the European level. It will continue to play a key role in undertaking actions which add value and complement the work done by the EU and Member States to make citizens healthier and safer.

### Heading 4: EU as a Global Partner

The fourth set of contributions looks at the external dimension of the European Union, "EU as a global partner".



An overview of the current international development policy is provided by **Eurostep**. Simon Stocker's contribution focuses on the consequences of the adoption of the Lisbon Treaty as a new legal base for Europe's development cooperation policy as well as for foreign policy in general. Against the danger that the significant levels of EU development funds will be used to finance EU's foreign policy objectives, Eurostep calls for a consistency of future EU budget with the Treaty, the creation of separate instruments for other external policy areas, the inclusion of the EDF within the budget and a major rationalization of responsibilities with the reunion of all programs under EuropeAid.

Trade policies and the "Global Europe" strategy have been examined by **Seattle to Brussels Network**. The values and interests at the core of the Commission's new 'Global Europe' strategy are clear. Up to now, pro-development language was used to hide an aggressive pro-corporate agenda. Trade policy can no longer be an issue which a few groups address from a development or an environmental angle. It has to be understood within the context of how the EU is pushing forward a neoliberal agenda not only in countries outside of the EU, but also within the EU borders

**CRBM** focuses more specifically on the EU aid-for-trade initiative. It concludes that more resources are needed in order for such initiative to be significant. It stresses that funds should be spent according to the recipients' needs and featuring the highest possible level of autonomy. It also makes clear that aid-for-trade funds should not be used as bargaining chips when it comes to trade policy. It also maintains that evaluation and monitoring of the impact of capacity building for its social, economic and environmental effects needs to be integrated into all proposals and funding mechanisms.

## Outside the budget

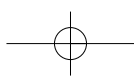
Finally some issues outside the budget (but definitely part of European policies) are approached critically. These are the own resources system, tax competition in Europe and the biggest development bank in the world today, the European Investment Bank (EIB).

### Own resources

The current system applied to finance the budget should be able to:

- Generate "own resources" so to overtake negotiations based on net contributions.
- Give stability and an amount of resources sufficient to cover the EU expenditures.
- Be transparent.
- Guarantee vertical and horizontal equity.

A pure system of own resources should be based either on a harmonized tax levied at European level, or on a slice of an already existing national tax. From **Sbilanciamoci!** point of view a tax system has to be fair, provide vertical equity, and have side effects able to promote public goods. An overall energy tax, a corrected-for-equity VAT, VAT on imports or a currency transactions tax are different feasible options for a renewed own resources system.



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### Tax competition

Tax competition is a very serious constraint on national tax policies. All over Europe, politicians argue that tax competition compels them to reduce tax rates to maintain their local advantages for international investment. It is impossible to have both, the benefits of an internal market without borders and effective tax sovereignty for member states.

Only a European solution can reinstall a democratic organization of tax policy, because the realm of tax policy is anything other than a political vacuum. According to **Compass** a Compulsory Common Consolidated Tax Base (CCCTB) with a minimum tax rate offers a good starting point for a more far-reaching reform of European corporate taxation. Such a reform would forestall unfair tax competition, enable Member States to regain their lost political autonomy to organize efficient and socially just tax systems and contribute to European solidarity.

### European Investment Bank

Critical Elements of the EIB statue and operations are: coherence with the EU goals; transparency and participation; safeguards policies; human rights; accountability, global loans. The **Counterbalance Campaign** argues that the EIB should ensure that all future projects financed contribute to sustainable development and, while lending outside Europe, they must show how they contribute to meeting the Millennium Development Goals of the UN; EIB should:

- phase out support for projects that are essentially incoherent with poverty alleviation and sustainability;
- inform and listen to affected communities;
- set up an Advisory Committee for Sustainable Investment and Lending;
- adopt a full-fledged accountability and compliance mechanism.

### The European Bank for Reconstruction and Development

The EBRD was established in 1991 in London. During the years of its operation, the EBRD has become involved in a number of problematic projects and its management is characterized by very low levels of transparency. Bankwatch calls for the inclusion in the new policy strategies gender, labour and poverty impact of its investments, the acceptance of broad definition of project boundaries according to the project areas of influence making it subject to public consultation. Loan beneficiaries should as well meet EBRD environmental and social standards for all operations.

