EU BUDGET FOR EVERYONE

THE PEOPLE'S GUIDE TO THE FINANCIAL PROGRAMMING OF THE EUROPEAN UNION

DID YOU KNOW THAT EUROPE HAS ITS OWN BUDGET AND THAT EVERY COUNTRY IN THE EUROPEAN UNION CONTRIBUTES TO IT?

That's about

140 000 000 000 € every year

Influencing the lives of some 500 million Europeans. The EU budget is used to deliver the objectives of the European Union, whether these are related to social well-being, economic development or the environment. Taken together, this can translate into

- STABLE ECONOMY AND EMPLOYMENT
- QUALITY EDUCATION
- GOOD HEALTH AND BALANCED NUTRITION
- GUARANTEEING A CLEAN ENVIRONMENT
- AFFORDABLE AND ACCESSIBLE TRANSPORTATION

Since the EU budget comes from taxes paid by every European[1], it should be spent on things that serve the public's interest.

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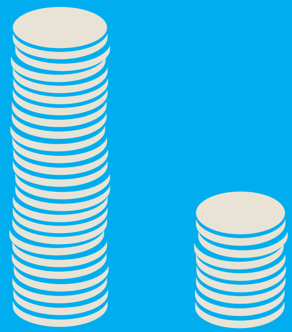
EU BUDGET AT A GLANCE

THE EU BUDGET IS 1% OF EU GROSS NATIONAL INCOME[2], OR 140 BILLION EUROS EACH YEAR

This is about three times as much as the annual budget of the Czech Republic[3].

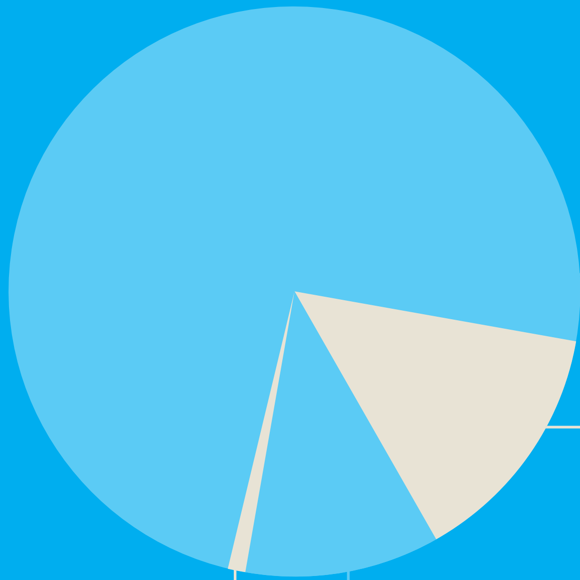
While this seems like only a small fraction, it equals on average 140 billion Euros every year. If spent wisely, the money can be used to bring a number of benefits to Europe's people. But in order to do so, the **QUALITY OF INVESTMENT** rather than its quantity must be prioritised – we should ask what is the EU budget paying for and why, as the outcomes of the spending are directly linked to our quality of life.



1%
of EU's gross national income

Czech Republic's annual budget

WHERE DOES THE MONEY COME FROM?



76% of the EU budget is made up by national contributions of the member states according to their GNI, which means that countries with stronger economies contribute with higher amounts

Customs duties imposed on the goods that Europe imports account for 12% of the budget

Value added tax, or VAT based contributions, raise 11% of the budget. EU countries put in around one-third of one per cent of their overall VAT revenue

1% Other

The EU has a set of priorities outlined in its so-called 'Europe 2020' strategy (see box on the right). Most of these are long-term goals and so require long-term funding. Every seven years, the EU designs a "financial framework", basically a plan on how to spend the budget. The current financial framework began in 2007 and will end in 2013, and during that time nearly one trillion euros will be spent in Europe and beyond.

2007 2013 2020

976 billion EUR

1 025 billion EUR proposed

EUROPE 2020 STRATEGY – OBJECTIVES FOR THE FUTURE

While the year 2020 is more likely to be thought of in science fiction novels, it is an important marker for the long-term planning of EU policy. All members of the EU agreed to the objectives of the Europe 2020 strategy, which include:

Employment

for 75 per cent of 20-64 year olds

Research & development

3 per cent of the EU's gross domestic product is spent in these fields

Climate change and energy

reduce greenhouse gas emissions by 20 per cent compared to 1990 levels and obtain 20 per cent of energy from renewable energy sources, while also increasing energy efficiency by 20 per cent

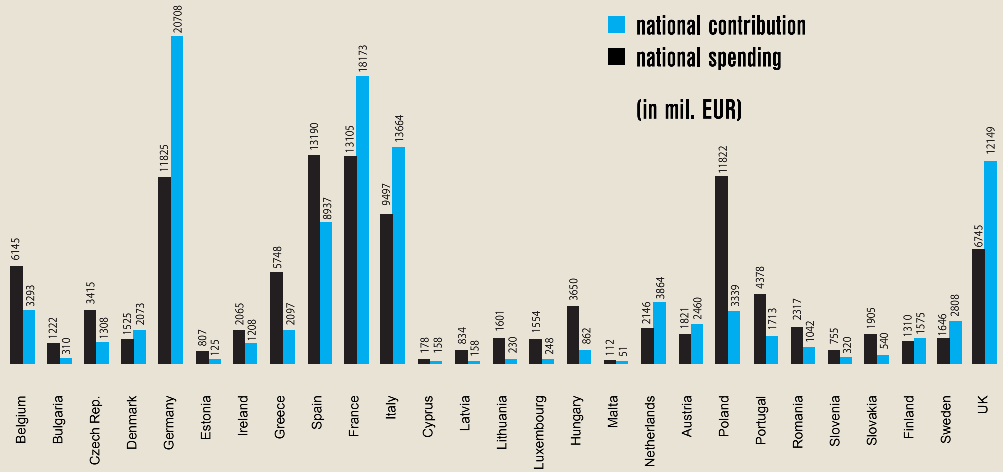
Education

reduce dropout rates below 10 per cent, and at least 40 per cent of 30-34 year-olds complete third-level education

Poverty and social exclusion

reduce by 20 million people the number of people living in poverty or at risk of social exclusion

National contributions to the EU budget are roughly proportionate to each country's economic prosperity. The budget is then split up according to the relevant policies and common priorities. There are two terms frequently used to describe a country's relationship with the EU budget: 'net payers' are those countries that pay more than they receive, and 'net recipients' get more than they contribute. The figure below shows who's who in this regard[4].



While it may seem like the 'net payers' get the short end of the stick with this set-up, there are a number of benefits for them as well. Net payers directly benefit by doing business in net recipient countries, they win tenders and sell goods. Indirect benefits come from the advantages of the single market. This means there are no border controls to hinder the trade of goods, no custom duties to increase its costs, while the common currency protects against exchange rate risks.

Thanks to the advantages brought by the customs union, goods and services sold within the EU have a higher competitive rate. For example, in 2010 more than 60 per cent of German goods export went to other EU Member States as a result of this[5].

On the other hand, the net recipients benefit economically by having in place a policy that supports the additional demand for certain goods and services imported from the 'richer' EU countries. To illustrate this point, for each net euro of the budget that is invested in Poland, the Czech Republic, Slovakia or Hungary, some net payers benefit by receiving 61 cents that come in the form of exports[6].

WHAT IS A FINANCIAL TRANSACTION TAX?

In 2011, the European Commission made a proposal for a new funding resource for the EU budget. The new Financial transaction tax (FTT) could become an important resource, reducing the share of national GNI-based contributions by half. If very small tax rates were applied to certain financial transactions, such as shares and bonds (0.1 per cent) or derivatives (0.01 per cent), between 50 and 60 billion EUR could be levied every year, ensuring the sector makes a fair contribution to public budgets in an austere economic climate. More information about the FTT can be found here: www.financialtransactiontax.eu

HOW IS THE MONEY SPENT?

Where the money goes is broken down in the figure below[7]. The largest share of Europe's budget (currently 408 billion euros available in the 2007 - 2013 period, or more than 40 per cent) is spent on supporting agriculture. Traditionally the lion's share of EU money has gone in support of the EU's Common Agricultural Policy (CAP). CAP is supposed to provide consumers with quality food at fair prices, support rural development, preserve rural heritage, respect the environment and ensure animal welfare. However, a large part of CAP is still spent on activities that harm the environment, such as industrialised food production or poisoning the soil through over-fertilization. Even though agriculture is the sector that most depends on the quality of the environment, agricultural support from the EU budget is still not conditioned on high environmental standards, and very little money goes to targeted, well-designed and well-implemented forms of conservation.

41 % Agricultural policies | 35 % Structural funds | 12 % Competitiveness policies | 6 % Administration | 6 % Global challenges | 1 % Citizenship

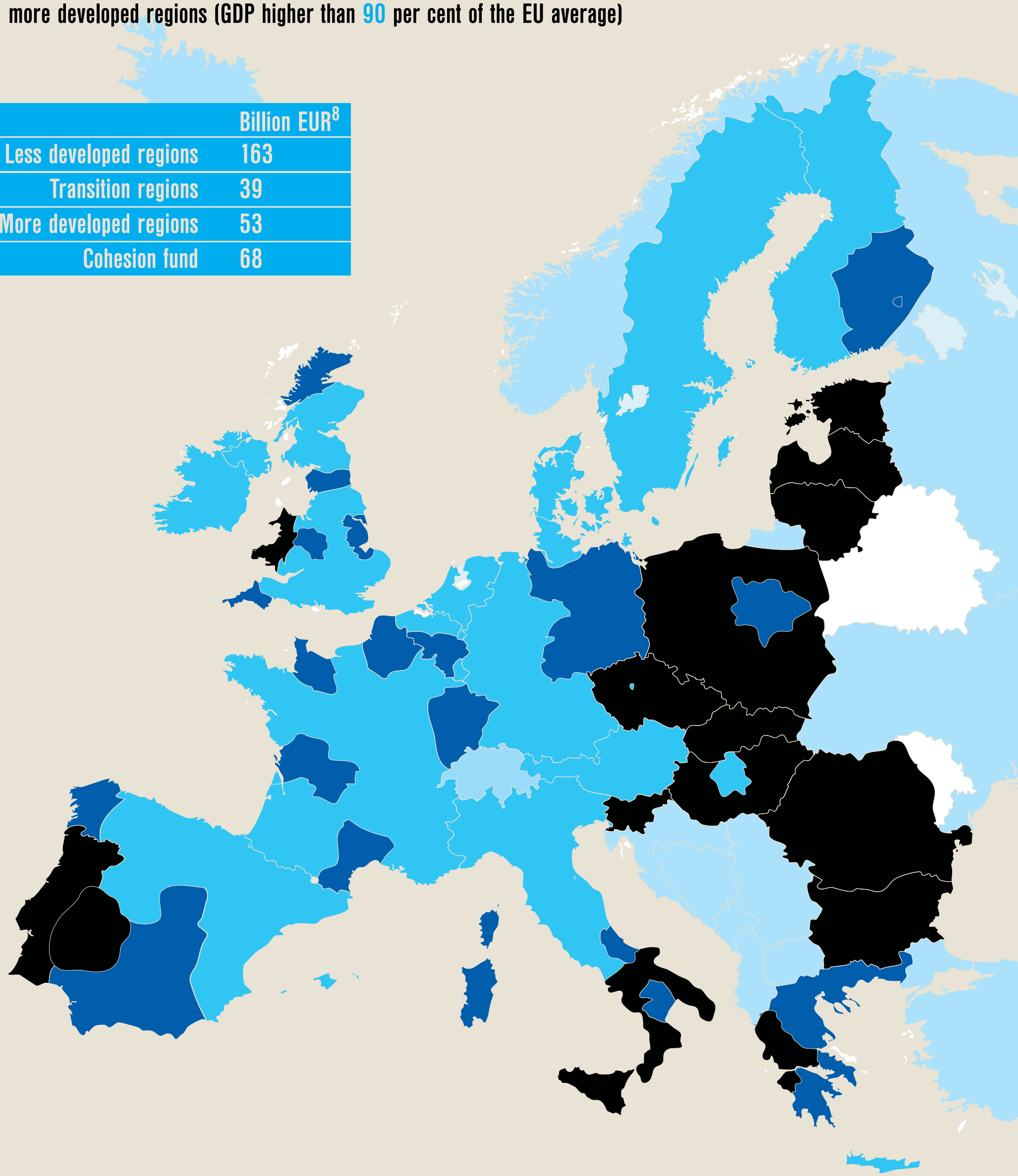
At more than one third of the EU budget (374 billion euros for 2007-2013), the second largest portion of the budget is the so-called Structural funds. These are used to finance the EU's Regional Development Policy, the overall aim of which is to reduce inequalities in terms of income, wealth and development across Europe. Structural funds are divided into:

European Regional Development Fund | Cohesion Fund | European Social Fund

The European Regional Development Fund provides support mostly to regions where gross domestic product per person is lower than 75 per cent of the EU average. Those disadvantaged areas benefit from the EU funds in the form of investment in infrastructure, the regeneration of urban areas, support for small and medium-sized business to create new jobs or by improving the conditions of local job markets.

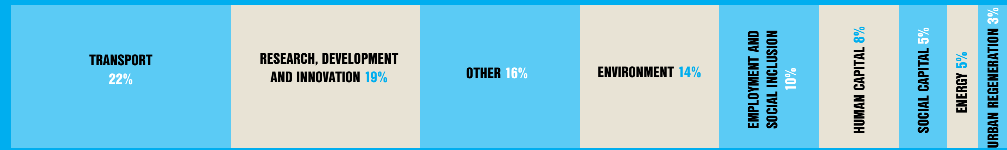
DISTRIBUTION OF THE STRUCTURAL FUNDS

- less developed regions (GDP lower than 75 per cent of the EU average)
- transition regions (GDP between 75 and 90 per cent of the EU average)
- more developed regions (GDP higher than 90 per cent of the EU average)



	Billion EUR[8]
Less developed regions	163
Transition regions	39
More developed regions	53
Cohesion fund	68

EU INVESTMENT IN REGIONAL DEVELOPMENT



While intended to support the common objectives of the EU, the purposes of the structural funds are regularly neglected by European countries. For example as the breakdown above shows, the greatest share of the Cohesion policy goes to transportation, and mostly the development of road networks. Consequently, the pollution caused by cars increases, disturbing both people in cities and nature in the countryside. Moving away from a reliance on roads can ensure cleaner air, reduce Europe's dependency on oil, and at the same time can create new jobs connected to the switch to other forms of transportation. Giving roads the priority over other means of transport affects citizens, in particular in central and eastern Europe, where they rely on public transportation more often, as only one in three people in this region owns a car[9]. Lack of money for public transportation then usually results in cancellation of train or coach connections.

Officially 14% of these regional policy funds go for the environment but

in reality far too much emphasis is placed on dealing with problems after they're caused, rather than preventing them from happening in the first place. For example, instead of building waste water treatment plants or waste incinerators, which increase the pressure on the environment, incentives that bring direct benefits to citizens should be prioritised. Energy efficiency improvements, such as a thermal insulation of your flat or house, can lower your energy bills and create new jobs and business opportunities; while recycling and better waste management make the air cleaner and the environment healthier.

THERE ARE ALSO GOOD EXAMPLES OF EU SPENDING

Elementary school in Slivenec in CZECH REPUBLIC

Before 2007, the Slivenec school children did not enjoy tuition very much. The school's shabby interior lacked facilities for both teaching and teachers and wasted tons of energy. Thanks to funding from the European Regional Development Fund, the local municipality was able to hire architects to transform the school into a modern and energy-efficient building. The project now complies with modern, low-energy building standards, and the amount of energy the school used decreased by 90 per cent, as did the costs.

There are also other areas that the EU budget supports. To boost Europe's competitiveness in the global economy, five per cent of the budget is dedicated to research and development and seven per cent to support the single market, education and training. Some of the money also goes to projects outside Europe. The Instrument for Pre-accession Assistance receives one per cent and supports the economic, social and rural development of countries that are on their way to becoming members of the EU. Another one per cent of the budget goes to the European Neighbourhood and Partnership Instrument, which is active in countries of the former Soviet Union, North Africa and the Middle East, aiding the transition to democracy and market economies, and areas such as human rights, sustainable development and promoting civil society. The Development Cooperation Instrument receives two per cent of the budget and at its core has similar objectives as the other two noted above, cooperating in 47 developing countries of Latin America, Asia, the Gulf region and South Africa.

TEN POINT CHECKLIST FOR FUTURE REGIONAL POLICY

If Europe is to shift towards a sustainable economy for all, the future EU funds should follow these guidelines:

1. ensure energy and material savings
2. support renewable energy resources
3. invest in sustainable energy infrastructure like smart grids and green energy storage technologies
4. refurbish housing and housing stock, and promote passive housing
5. develop advanced industrial eco-innovative products and processes
6. move towards the decarbonisation of the transport sector
7. recycle waste and promote its reduction
8. build green infrastructure and invest in habitat and ecosystem protection and restoration
9. prevent investments that are harmful to people and the environment
10. involve people in the planning and spending of the EU funds

WHO MANAGES THE MONEY?

Every year an annual budget is prepared in line with the broader, seven year financial framework. The European Commission proposes a budget to the European Parliament. After negotiations between them the Commission's proposal is then adopted.

This is not to suggest that all the decisions about the budget are made in Brussels. Even though the European Commission is responsible for the budget, almost 80 per cent is spent by the member states. It is up to the national governments to ensure that the money is spent correctly. If they fail to do so, then the European Commission can intervene and, in some cases, even suspend or stop the payments.

EU BUDGET MANAGEMENT

It is also up to the individual countries to decide how exactly the money received from the budget will be spent.

Each country submits its national spending strategies and commitments, to explain how they intend to translate European objectives into country-specific plans, Partnership Contracts and operational programmes (OPs). Through these concrete investment priorities and targets are set. Then it is up to the relevant authorities to implement the OPs by selecting individual projects best suited to the criteria set by their hierarchy, while keeping in mind the specific needs of their region.

WHO CAN PARTICIPATE?

In an effort to manage and spend the European budget more effectively and efficiently, the European Commission recently revised its so-called 'Partnership principle'. This means that decisions taken locally about the EU budget should include different partners: associations, non-profit organisations, businesses and trade unions. Such engagement brings EU policies closer to European people and strengthens confidence in the institutions that develop and deliver them. Public participation also helps prevent against fraud and the misuse of money. The first step in getting the public to participate is by making information available, after which people can make informed decisions about the types of spending they want to see in their communities.

THERE ARE SEVERAL WAYS OF GETTING DIRECTLY INVOLVED IN THE PROCESS

During programming

when a country is deciding how to spend the money, strong public opinion and information from people involved is extremely useful. Citizens can influence local, regional and even national decisions and decision-makers by proposing their own solutions, supporting NGO positions and demanding responsible action.

During implementation

projects are realised on the regional level, so it is up to your local municipality to propose, monitor and ensure that every thing is going according to the plan. If you suspect any misuse, flag it up to local NGOs or watchdog organisations to look into the issue.

Becoming a beneficiary

if you are an entrepreneur or an organisation that is looking for funding, there may be some money available for you. Innovative ideas are always welcome!

ENSURE A BRIGHTER FUTURE FOR EUROPE

The European Commission is currently working on a new proposal for the next seven year budget. From 2014 to 2020 at least 20 per cent of the total EU budget (roughly 205 billion EUR) should be used to tackle the challenges of climate change and environmental protection. Because the scale of these problems is not limited just to the environment, considerable investments in education and training, transportation and agriculture are also very necessary.

In early 2013, final decisions about Europe's next budget will be made, and it is up to you to make sure it delivers for the public. Have your say.

Find out more information at:

www.bankwatch.org/contest
www.bankwatch.org/eufunds

1 Europeans indirectly contribute to the EU budget by buying products and services, or paying local taxes. In 2012 every EU citizen will contribute 294 EUR to the budget.

2 Gross national income (GNI) is the total of incomes of all European households related to a specific time period (usually one year). It is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living.

3 Both figures for 2012 budgets.

4 European Commission, Directorate General for Budget and Financial Programming. Financial Report 2010. Brussels, 2011.

5 European Commission, Eurostat. Statistics in focus 3/2012. Luxembourg, 2012.

6 Polish Ministry for Regional Development, Institute for Structural Research. 'Evaluation of benefits to the EU-15 countries resulting from the implementation of the Cohesion Policy in the Visegrad Group countries'. Warsaw, 2012.

7 European Commission, Directorate for Budget and Financial Programming. New Funds Better Rules. Brussels, 2008.

8 European Commission. Cohesion Policy 2014-2020: Investing in Growth and Jobs. Luxembourg, 2011.

9 European Commission. Eurostat. 'Motorisation rate by NUTS 2 regions as of 1 January 2009'.

This publication has been produced with the financial assistance of the European Union. The content of this publication is the sole responsibility of CEE Bankwatch Network and can under no circumstances be regarded as reflecting the position of the European Union.

Europeans need to decide what type of society we want to live in and how we will meet our basic needs in the future. The money from the EU budget has a crucial role to play, since the decisions we make today will set the direction of Europe for decades to come. While decisions made in Brussels might seem like something from a different planet, they do have an impact on how each country acts and even the choices that are made in your region. We hope this guide will give you a better understanding of what Europe's budget is, how it works and how you can be involved in the process.

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July 2012