

MANIFESTO ON THE FUTURE OF EU PUBLIC FINANCES:

Our priorities for delivering a just and ecological transformation

Since the launch of the European Green Deal (EGD) in 2019, its goals have proven more urgent than ever. Climate change has manifested itself in increasingly intense and disruptive wildfires, floods and heatwaves, while biodiversity loss continues to accelerate each year. The pandemic has brought social life and many sectors of the economy to an unforeseen standstill, making us painfully aware of how essential it is to prioritise human well-being. At the same time, the importance of maintaining healthy and resilient ecosystems to counteract the spread of diseases and the impacts of climate change has become even clearer. The pandemic exposed a number of pre-existing crises that have been further exacerbated by the war in Ukraine. These include rising energy and food prices, which have led to a cost-of-living crisis and an overall decline in the living standards of citizens.

The EGD now faces unprecedented challenges. Powerful corporations are using their considerable lobbying power to slow down the environmental agenda and preserve their short-term, hazardous business models. They and others with vested business interests would have us believe that tackling the cost-of-living crisis requires the continuation of the fossil fuel-based economy, overlooking the need to provide green essential public services like housing, energy and transport for all and failing to recognise the socio-economic benefits of tackling the climate crisis.

Simply put, four years after the EGD was announced, we now have a mountain to climb if we are to adequately tackle climate change, prevent biodiversity loss, and deliver a socio-economic transformation that leaves no one behind, both in Europe and beyond. Currently, the EGD does not take into account Europe's historical responsibility for the environmental crisis or the need for reparations. Nor does it consider the impact of its green transition scenarios on the Global South.

Public investment has a crucial role to play in tackling the various crises we face today by prioritising what is not profitable now, but essential in the long term. The measures proposed below will ensure that public money gets to the places and people that need it most. For this to happen, the EU must fulfil its international human rights and environmental obligations in order to protect the environment and improve the lives of its residents. It must also take historical responsibility for delivering justice to the Global South by providing its people with the resources they need to bring about a just and ecological transformation.



1. IMPLEMENT A CONSISTENT GOVERNANCE AND POLICY FRAMEWORK FOR ALL EU FUNDS AND EU BANKS

EU funds and investments should uphold the EU's core principles of human rights, democracy, the rule of law and sustainable development. Good governance frameworks and requirements for EU funds to comply with EU law and international agreements should be consistent across all EU financial instruments to avoid creating double standards and inefficient frameworks that fail to apply EU values.

Binding criteria must be applied across all EU financial instruments. This involves the participation of all rights holders in decision-making processes, thorough *ex ante* and *ex post* impact assessments, and civic monitoring to ensure alignment with EU values. There should also be a strong emphasis on prioritising investments that significantly contribute to meeting the EU's long-term societal and environmental targets.



2. DIRECT EU FUNDS TO TRANSFORMATIVE PROJECTS ONLY

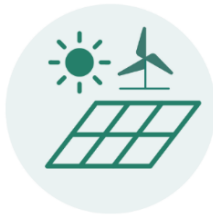
If we are to respond to the systemic changes needed to achieve the EU's climate objectives, the implementation of climate-friendly and transformative investments must be accelerated. EU funds should take the lead in driving the comprehensive, rapid and socially just transformation that we so urgently require. Policymakers must prioritise only truly transformative investments that address the climate, biodiversity and resources crises while simultaneously reducing social and gender inequalities. The 'do no significant harm' principle alone is not a sufficient guarantee that EU public finances will be solely directed towards transformative projects. Therefore, this approach should be strengthened and complemented by the principle of 'do significant benefit'. This will ensure that EU funds support the types of transformative projects that contribute to EU policy objectives and make the transition socially and environmentally just.



3. INTRODUCE A DEDICATED NATURE FUND

A new approach is needed to improve the effectiveness of EU biodiversity financing. A separate, dedicated nature fund should be established in order to increase the quality and quantity of funding and align spending with actual biodiversity needs. The [EU Biodiversity Strategy for 2030](#) already includes a number of key objectives that urgently need financing, such as restoring 25,000 kilometres of free-flowing rivers and protecting 30 per cent of the EU's land and sea territories. The

fund could be used to directly finance not only these objectives, but also a variety of others, such as the control and management of invasive species, habitat restoration, biodiversity monitoring and citizens' science projects. COP15 discussions centred around the need to urgently increase financing for biodiversity internally, leading to the creation of the Global Biodiversity Framework Fund to finance the COP15 goals. A similar approach should be taken at the EU level in order to finance initiatives that increase and safeguard biodiversity internationally.



4. MOVE BEYOND FOSSIL FUELS

European public finances, including export credits, must end all forms of public support for the fossil fuel industry. In particular, the future Multiannual Financial Framework must exclude all support for solutions that deepen the climate crisis, and instead increase further climate financing across all EU financial instruments, including grants and concessional finance. More money for climate and clean energy should be accompanied by a governance framework to transpose climate goals and legislation, raise awareness of EU targets and prioritise investments in energy savings and efficiency. As private and multinational energy companies continue to emphasise the financial returns of decarbonisation, public funds should be channelled to rebuild a public energy sector that can democratically decarbonise society. The next EU budget should incorporate improved climate accounting and reporting methodologies to allow transparent and effective ex ante and ex post monitoring. The EU should also work to establish European legislation applicable to the export credit agencies of Member States, introducing a legally binding ban on export support for fossil fuel projects in all EU Member States.



5. MAKE PUBLIC FINANCE LOCAL

Resources must be directed towards transformation at the local level to promote long-term structural social, gender and ecological justice. Public institutions and local authorities are well positioned to work together and deliver public goods and services and social security policies that benefit low-income citizens, develop locally adapted climate plans, and create public–community partnerships that foster an enabling environment for a cooperative and equitable local economy. But for this to be achieved, they will need funding for capacity building, human resources and public participation practices. The next EU budget should provide instruments that enable local authorities to receive direct financing through democratically controlled, debt-free and gender-responsive grants combined with concessional loans from public banks in Member States where these options exist. Such direct financial support will avoid privatisation and involvement of private investors who undermine essential public services by extracting profits, as well as the weaponisation of EU funds by national authorities due to political differences.



6. REQUIRE COMPANIES TO DISCLOSE TRANSITION PLANS

Companies receiving EU financial support must respect human rights by adhering to the [Corporate Sustainability Due Diligence Directive](#) and not breaching human rights law or being involved in pending procedures in international human rights courts. They should also fully implement the United Nations Guidelines on Business and Human Rights throughout the whole value chain, including any outsourced activities and procurement. Companies must have a climate and environment plan that respects the 1.5-degree limit and aligns with the targets of the Kunming–Montreal Global Biodiversity Framework. Companies must refrain from artificially inflating their profits, limit shareholder payouts and reinvest them into sustainable productive activities, and cap bonuses for executives. They should pay their fair share of taxes and not engage in tax avoidance activities or operate in tax havens. Moreover, companies must respect labour rights, offer quality jobs, ensure that economic and social benefits as well as jobs are equally available to women and minority groups, and implement plans to address gender and other forms of inequality in the workplace across all their operations.



7. EMPOWER PUBLIC SECTOR COMPANIES TO TAKE DEMOCRATIC CONTROL

The EU's current public investment strategy ignores the market's inability to effectively provide badly needed essential public services in line with its international human rights obligations. This means that many people and households remain without access to affordable housing, energy, transport, water supply, and wastewater services, and are prevented from enjoying the benefits of an efficient and environmentally sound circular economy. While public finance has the ability to cover the financing of these services, public sector companies, due to their size and their ability to operate with a non-profit mandate, have the potential to provide these services on a large scale. In the new legislature, we need to make a strategic shift and put the financing of public service companies and new models of co-owned community projects like energy communities on the top of the EU public investment agenda. This requires upscaling of EU financial support for public companies and community projects.

We should not blindly finance public sector companies, but demand that they fulfil their potential by adopting strong social and environmental mandates, as well as democratic accountability measures for elected representatives and civil society. Public sector companies must comply with the same conditions as the ones we propose for private companies. It is imperative that all activities undertaken by these companies pursue environmental goals and tackle inequality and social injustice.



8. INVEST IN HUMAN DEVELOPMENT AND EDUCATION PROGRAMMES

Education is the key to understanding the need for a green, gender-sensitive and socially just transition. The role of education must be strengthened to ensure that all citizens are aware of today's challenges and are provided with the necessary skills to lead the transition. We therefore call for funding for programmes that focus on education, information sharing and skills development. These programmes should target all groups, from citizens to local authorities and municipalities. This should translate into building partnerships with schools and universities with the aim of introducing new subjects of study, such as climate and environment or human rights and social justice, and providing training programmes for academics to enable them to participate in the just transition towards a green economy. The European Commission should develop guidance on green jobs to ensure consistency and raise awareness.



9. STRENGTHEN CIVIC MONITORING TO ENSURE ACCOUNTABILITY

The public plays a key role in monitoring EU funds and raising cases of non-compliance. However, the current means for the public to do so are limited and too slow to prevent or stem harm or misuse. Within the EU, a separate, easy-to-use mechanism should be established to allow members of the public to initiate independent civic monitoring actions that can lead to the direct reporting of cases where EU funds have been misused, particularly in relation to financing environmentally damaging activities. For projects financed outside the EU, such as development financing, funding must be channelled through institutions that are accountable for their actions, that engage in meaningful participatory consultations with local communities, provide effective and accessible independent complaints mechanisms via monitoring and evaluation processes, adhere to robust transparency standards, and embed respect for the rights of affected communities and workers in their policies through binding criteria and due diligence standards aligned with EU provisions.



10. PLACE CITIZENS AT THE CENTRE OF THE TRANSFORMATION

The future of the EU depends on the trust of its citizens in a transformation that leaves no one behind and that leads to solidarity, prosperity and the sustainable development of the planet. Placing citizens at the centre of this transformation means generating drivers of social

accountability that enables them to collaborate with institutions to design useful ways of overcoming obstacles and critical issues. The European Code of Conduct on Partnership should be further improved and become a legally binding instrument for multilevel governance in the planning and implementation of all EU funds. For example, to ensure the efficient spending of the Social Climate Fund, we require that socially just climate plans be prepared in an inclusive and participatory way and that they are accompanied by an in-depth analysis of the needs and priority areas for intervention.

Finally, to enhance public oversight of public funds and banks, there is an unmet need for a unique and comprehensive database that can aggregate existing data, present it in an open and interoperable format, and ensure the ongoing and consistent publication of information over time.

The Citizens' Observatory for Green Deal Financing is a coalition that advocates at the EU and national levels for more transparency and a just distribution of EU funds. The Observatory aims to promote the voices of local communities in seven Member States through a series of workshops, public events, virtual tours, roundtables, reports and other activities.

