

The EU Budget - Transparency for All?

Speech by Adam Bartha at the 12th Strasbourg Lunch of the Kangaroo Group

Dear ladies and gentlemen,

Thank you for the kind invitation to be here with you today and address this crucial topic; The future of the EU budget.

We are all familiar with the problem of money. There is simply never enough of it to satisfy all our needs. Whether it's the family budget and the need to buy a new car, whether it's Macron's budget and his need to finance the newly promised tax cuts, or whether it's the EU budget and the aim to do bigger and better things, ultimately they all depend on the available sum of money.

The Commission has proposed to prioritise six areas in the next EU budget: 1. Cohesion and values, 2. natural resources and environment, 3. single market, innovation and digital topics 4. migration and border management, 5. security and defence, 6. neighbourhood and the world.

I would like to address the first point in my talk today, the one about cohesion and values. As a pro-EU think tanker from Eastern Europe, I sincerely believe in the need to make the union bigger and better. The four freedoms of the EU – the free movement of goods, services, people, and capital – has made every member state richer and a better place to live.

So it is unquestionable, that protecting these four freedoms is a common goal and a task for all of us. However, the question is how we go about it. In a time of increased euroscepticism and the rise of authoritarian populist voices throughout Europe, it is essential that citizens feel that their tax euros are going to the right place. With Brexit around the corner, potentially even without a deal, one of the main net contributors of the EU budget is out of the picture, sad as it is. So in my talk today, I'm going to address one particular aspect of the EU budget; Civil society and NGOs.

The role of civil society in well-functioning liberal democracies

For a well-functioning liberal democracy, civil society and strong NGOs that represent a wide spectrum of political opinions is essential. They can provide politicians with the critical viewpoints they need to hear before making vital decisions and explain complex public policy issues to the electorate in a digestible manner. In short, they are a two-way bridge between legislators and the electorate. However, it's important that NGOs don't commit to either side; Independent think tanks and NGOs represent a particular worldview, but they should not be party political or act as a mouthpiece for various governments. On the either side, they also should not claim to represent the voice of the whole electorate. Our role in the civil society is to provide the facts and figures for policy makers and interact with the public to make them engaged in political issues.

Unfortunately, the Commission's first budget item goes against this principle in many regards. Public financing by the Commission of NGOs that lobby for particular policy outcomes is a dangerous path to go down. It is dangerous, not because the values or the particular public policy proposals that government funded NGOs support are problematic in themselves. But because this sets a precedent by the Commission that also encourages member states to meddle more in the civil society, which decreases the independence and credibility of the sector. I would like to outline two cases in Europe to make the picture clearer.

Hungary

So let's start with Hungary, my home country. Since 2010, Hungary became the spotlight of EU affairs as the country's nationalist/populist prime minister declared an end of liberal democracy in the country. The life of government critical civil society was made more difficult, especially for the ones who cover areas related to corruption, the rule of law, and migration. NGOs need to pay an additional 25% tax rate, if they are publicly stating opinions that are not to the liking of the Hungarian government. They call it the migration surcharge and claim it is only there to finance border control, through additional tax revenue from organisations that promote pro-migration policies. However, in essence, it can be used against any NGO expressing liberal political opinions. I'm sure that there is full agreement in this room, that limiting freedom of speech is completely unacceptable by any member state.

But what about promoting speech with taxpayers money that's just reiterating the government messages? What about the vast number of government funded NGOs that use public money to spread illiberal messages and that help the Hungarian government to disseminate false information domestically and internationally alike? The EU can only critique the **messages** spread by government-friendly NGOs, but not the **method** they are financed by, as the Commission is doing the same.

UK

Leaving Hungary aside for a moment and going to another problem-child of the union: The United Kingdom. Our British member think tank, the Institute of Economic Affairs has covered this topic extensively in previous years. The British government used to finance various NGOs and lobby groups earlier this decade.

In essence, the British government was handing over money to lobby groups that lobby the government in return with the very same money handed over to them. All of this financed by the taxpayers, which of course covers a very wide group of people, with very different political opinions and public policy stances. It is questionable at best, why taxpayers should be forced to finance political lobby groups that might express a very different opinion and lobby for different causes than what the individual person stands for. In the UK, this method of publicly financed lobbying was especially prevalent in the health & lifestyle sector and for green NGOs.

However, a few years ago the British government realized the absurdity of the system that eventually it is lobbying itself with its own money. So they have implemented a "no-lobbying clause in all grant agreements" that they hand out to civil society. This still enables the government to support causes that are considered vital, but it stops organisations to solely depend on government grants, if their only purpose is to lobby the government. They forbid NGOs that receive government grants to do the following things:

- 1. Undertake activities intended to influence or attempt to influence Parliament
- 2. Attempting to influence legislative or regulatory action
- 3. Using grant funds to directly enable one part of government to challenge another on topics unrelated to the agreed purpose of the grant (This will become highly relevant in a later part of my talk, as the European Commission is especially bad on this front.)
- 4. Using grant funding to petition for additional funding
- 5. They also forbid to claim expenses such as for entertaining, specifically aimed at exerting undue influence to change government policy (This is basically the definition of corruption)

These rules are aimed to facilitate the continued financing of important civil society work, whilst also creating more transparent and accountable public spending. Politicians have a duty to take the best care of public money; indeed the vast majority of politicians always emphasize the need to fight for accountability and transparency. Having a clear line between civil society, lobbying, and government branches enables to improve this goal and creates more trust in the electorate towards responsible public spending and the civil society as well.

European Commission

After reviewing how two of the more Eurosceptic member states dealt with the issue of civil society funding, let's take a look at Brussels. I would like to emphasize again, that the primary concern should be about government funds being used to lobby government officials. I'm not addressing the value of the cause, often they are ones that I happen to agree with – like protection of minority rights – but often they are for causes that I happen to disagree with – like anti-globalisation, protectionist messages against free trade. But the cause of the lobbying efforts matters very little; it's the principle that counts, as other entities on the national or regional level can and do adopt the same principles as the Commission does, which can come back and bite the Commission in the hand.

Unfortunately, the Commission is incredibly vague, when it comes to transparency and accountability of grants provided to civil society. Just as a sidenote: I believe there is a good case for civil society not to disclose their funding sources, when they come from private individuals and organisations. Indeed, many well-know organisations, such as Greenpeace, choose not to disclose the names of their funders. They have every right to do so, and often also a good reason; political opinions and public policy advocacy are inherently controversial. People who enable these NGOs to function, would often suffer in their private and professional lives if their support for certain causes became public. However, governments and public entities have a duty to be open and transparent about the expenditure towards the people who fund them; who are the taxpayers.

I would like to outline a particular case that demonstrates the problem quite well. This is a case about anti-TTIP campaign groups. In the good old days – that weren't too long ago – the United States stood as the bastion of free trade and globalisation. There was significant political determination both on the American side and European side to strike a free trade deal between the trading blocs. Both the EU's negotiating team and the Obama administration used significant political capital to make TTIP happen. However, due to widespread opposition from campaigners, especially within Germany, the discussions have proven to be difficult and the political momentum after the American presidential elections vanished.

So how did TTIP become so unpopular in the largest European exporter country? The short answer is through well-organised NGO campaign groups that were funded partially by the European Commission. ECIPE and our Swedish member think tank Timbro, released an extensive 140 pages long study in 2016 that looked at the causes of discontent against free trade agreements in Europe. One chapter of the study especially addresses NGO funding by the Commission and reveals how European taxpayers' money is spent on causes that explicitly campaign against the official stance of the European Commission, which back then was to strike a free trade deal with the US.

At least 35 different NGOs and political campaign groups received funding directly or indirectly from the European Commission. All of them expressed strong views against the trade agreement and many of them were connected to one large NGO that served as the distributor of European funds.

Despite the delicate nature of political campaign groups, the European Commission does not publish the assessment criteria for public grants, nor does it provide public assessment of the key

achievements that were accomplished as a result. What is even more problematic, that there is no consumer-friendly database that provides an overview of what public monies were provided to which NGOs and campaign groups and how those funds were used. As the above example proves, the Commission doesn't assess, whether the goals of the supported NGOs align with the goals of the Commission itself.

Now one can argue that this a good thing, as the Commission proves its impartiality by providing grants to organisations that have different opinions to itself.

Indeed this is also the argument the Commission uses. It has stated that it is funding civil society organisations on the grounds that it wants to hear from every part of society, including - and especially - non-corporate interests who might otherwise not have the financial clout to represent themselves in Brussels.

I think it is an interesting theoretical debate to have, how civil society functions the best. Organised from a top-down approach, where central administrators assign various sums of money to certain NGOs and political campaign groups that claim to represent the voice of a certain part of the electorate. Or organise civil society with a bottom-up approach, where citizens support the political causes they believe in, which creates enough momentum for decision-makers to take notice. I happen to support the latter approach, because I believe that decentralised systems and spontaneous order works better than central planning.

However, besides the theoretical debate, there is also the practical question of public expenditure and government accountability. The fact that the Commission is spending taxpayers' money means that it need to improve its record on transparency and accountability. I know that British politics nowadays is rather a Monty Python comedy than a good example to follow, but I do have to say that it would not harm the transparency and accountability of the Commission, if it implemented the same grant rules as the British government did last year.

Just to recap the rules in the UK;

- NGOs that receive government funding cannot lobby the government for specific policy outcomes
- They cannot use the government funds to apply for further government funds
- They are also forbidden to use the funds for entertainment purposes of government officials

These rules are fairly simple and straightforward and resulted in a much more transparent grant system in the United Kingdom. As an upcoming publication by our British member think tank proves, it also resulted in a decreased public funding of NGOs, which means there have been many cases in the past, where funds were used for lobbying purposes only. On the other hand, this upcoming publication also proves, that there has been a steady increase of funding provided by the Commission to NGO lobbying groups in the EU.

So to conclude my thoughts, ahead of the next EU budget, I think it is important to emphasize the need for more clarity and accountability of public spending for the civil society sector. There is an increased pressure on the EU to raise the necessary funds to function well and there is also more scrutiny on spending from the eurosceptic voices as well. So let's implement solutions that provide an answer for both of these problems and I hope I can count on your support for this.

Thank you very much!