**RETHINKING THE EU BUDGET TO ADVANCE SCENARIO 6**

**SUSTAINABILITY PRINCIPLES EXPLAINED**

In order to ensure coherence in the future internal and external EU spending and to put sustainability at the heart of the European project, SDG Watch Europe proposes 8 sustainability principles for forming the EU budget

We call on the European Commission, the European Parliament and the European Council to integrate these principles from the very beginning of the financial policy planning, and prioritise the interests of the citizens and the implementation of the Sustainable Development Goals. SDG Watch Europe will also propose sustainability proofing methods for the future EU budget to help make it happen.

**Principle 1: The EU Budget should work for the people and with the people.**

**What is it about?** The future EU budget must innovate in how it involves and empowers citizens, communities and local authorities in building a brighter future for Europe together.

**How?** Innovative new spending tools are needed in the EU budget to enable European citizens to become more connected to the European project through genuine participation in EU spending towards building the sustainable economy of tomorrow. New tools are also needed to let citizens easily track where EU money goes and how funded projects contribute to improving their own lives and communities.

**Illustration:** *Krisztina lives in the city of Szolnok in Hungary. She can easily check online what EU funded projects have been selected in her area or in the country for support. She can see why these projects are selected for support and who implements them. She can also see from the published project indicators how the project impacts her own life, such as rehabilitating the nearby industrial area, creating job opportunities for young unemployed people in her city or installing new diagnostic equipment in the local hospital.*

*As Krisztina feels more connected to the EU and its money, she is interested to participate in the pilot project on participatory budgeting, which invites citizens to share and rank ideas for public investment towards sustainable development, or even to get involved in implementing projects that transform her town. By this she also has a say on how the money is spent, and is invited to give feedback on the project results.*

*Krisztina is fictional, but there are plenty of real successful examples of participatory budgeting in action in cities and towns in Kosice, Paris, Cluj Napoca….*

**Possible related policy reforms/asks suggested by some of our partners:**

1. The Budget to innovate in how the full diversity of citizens and civil society, including young people are involved in EU spending. Bold new spending tools, such as piloting Participatory Budgeting are an innovative way to improve democratic participation in EU spending for integrated sustainable development. Introducing this democratic tool on building common sustainable futures would be a powerful statement for building common dreams and a brighter future for Europe.
2. The Budget should be innovative in how it empowers and benefits citizens and communities in the sustainable transition. As one example, Community Power Facility is needed to match the money with the vision of ‘energy citizens’ in the winter package on energy policies, unlocking multiple social and environmental benefits.
3. Citizen Investment Platforms could be supported through common European framework, to create genuine ownership and involve citizen shareholdings or crowdsourcing, working with local actors or local banks to scale up sustainable urban food production, participatory housing, local renewable energy projects and other socially and environmentally transformative projects all over the Union.
4. New digital platforms, coupled with raising awareness are needed to improve the transparency and public understanding of how the EU budget is spent. In Romania a group of hackers filled this gap last year. Every citizen should know where to go to check which projects have been selected, how they affect them, how these contribute to SDGs, and the building of flourishing, sustainable futures.
5. Strengthening the partnerships principle so civil society is empowered to do more to push out corruption and faulty compliance with horizontal safeguards. A dedicated funding line for capacity building and technical assistance is needed in the next MFF to allow us to participate properly in monitoring committees.

**Principle 2: The EU budget shall strengthen the common European values, in Europe and globally.**

**What is it about?** In light of the problems plaguing Europe, it is clear the future EU budget should allocate increased funding for strengthening core European values like democracy and participation, social and environmental justice, cultural diversity, solidarity, sustainability and espect for the rule of law and human rights.

**How?** The EU budget should contribute more to the building of strong democracies, and should also exert greater strength in safeguarding European values. While there are some excellent programmes like Erasmus, less than 2% of the EU budget is set aside for building citizenship, which should include fostering these values. The cultural space has a huge and untapped role to play here in building shared identity, common dreams, and commitment to building socially and environmentally sustainable, flourishing, inclusive Europe.

**Illustration:** *Cases when European citizens face ongoing attacks on democracy, like attempts to prevent NGOs to freely operate, and to prevent people to exercise fundamental human rights. If there is a clear tendency of the erosion of European values, the EU budget should also become a tool to help citizens reclaim their rights and their freedom. Whether it be* w*omen or men from Hungary, Poland, or any part of Europe, through targeted EU supported programmes they should feel that they are not left alone. They should see that Europe stands up for common values also by devoting financial support, and stops being a punchball for populist politicians. Also when citizens debate the operation of the EU, the role of national sovereignty, or how their own lives are impacted by “Brussels”, they should be able to base their arguments on a bit more than what the news reveals bout Europe. Europe must come to the European citizens through targeted communication and education programmes, and there should be financial means available to realise such programmes. This is because nothing could be more dangerous to the European project than ill informed and misinformed voters making decisions.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. The allocation of European resources could take account of Eurobarometer survey results on European values across MSs, in terms of geographical focus and the types of funding programmes.
2. The respect of European values by national governments should become an ex- ante conditionality to the use of European funds.
3. Targeted cultural programmes are needed to embed and strengthen EU values. They are also needed to help engage citizens in the EU Budget, and the future of Europe, during the development and programming of the EU budget. Such initiatives could also enhance participatory spending tools, like CLLD programmes already existing, or Participatory Budgeting already discussed.
4. When decisions about the use of European resources are made, respect for common European values should be integrated within the whole procedure also through people to people dialogue and dialogue with institutions.
5. EU funding should allow for process-oriented projects, which are often difficult to measure in terms of tangible outputs. People to people dialogue, and dialogue with institutions should be seen as an overarching principle permeating EU cultural action, internally and externally, and adequately funded. This is also important because culture endows citizens with resources to negotiate constant adaptation, as well as the fluidity of identities in a global world, often based on disappearing jobs and the emergence of new, more sustainable occupations. The focus on financial instruments sustaining large-scale projects does not allow for nuance multi-dimensional strategies that include cultural interventions.
6. There should be more EU funds to improve the people’s “EU literacy” about how the EU works, how decisions are made, and what the European cooperation has achieved so far.

**Principle 3: The EU budget shall increase wellbeing and contribute to decreasing inequality and social exclusion at all scales**

**What is it about?** The next MFF must look after the vulnerable, including those people that the ‘jobs growth and competitiveness’ story left behind.

About 17% of Europeans are at risk of poverty, around 11% are affected by energy poverty, and unacceptable numbers of citizens are homeless or unable to afford health care. Also inequalities continue to grow within many regions and cities across Europe, regardless of the support from the cohesion funds.

**How?** Despite the challenges of ‘subsidiarity’ in the EU law making process, and the fact the EU budget cannot pay for everything, there is a lot more the EU budget could do to raise the bar and care for citizens, in particular the disadvantaged. Rethinking where the money comes from may be part of the political route through to ‘more Europe’ for citizens.

**Illustration:** *Meet Karin from Poland - a single mum with two children, who cannot to install a filter on their chimney with the support of EU funds, despite tightening air pollution laws requiring the phase out of such wood heathers without a filter. She also can’t access EU funded energy efficiency support schemes because her national government has not made single family homes eligible – only multifamily dwellings.*

*But with a People’sBudget, after 2020 Karin can not only install the filter but she can also replace wood heating altogether with renewable energy, thanks to new grants and soft loans to help the vulnerable, and she can also retrofit her home due to new conditions ensuring on the affordability and eligibility for EU funds.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. At the intersection of the social and environmental dimensions of sustainability, the future EU budget must address Energy Poverty, but through a multi-pronged strategy: targeted funding programmes, ring fencing a greater portion of EU funds for energy efficiency in households, and conditions to make eligibility more equal, prioritizing a portion of this to target self-generation and deep retrofits for the energy poor. New conditions for the member states to identify all relevant housing stock. Each retrofitted house is required to display a small EU flag, for instance.
2. If an investment serving an economic or environmental policy objective (e.g. closing coal mines, or transition of some business sectors towards circular economy production, but requiring higher skilled workforce, instead of lower skilled jobs previously available), would come with social costs, then the integrated approach and the social equality impact assessment shall ensure, that these negative consequences are tackled with the help of EU financial support or otherwise.
3. New cross cutting principles to address poverty and reverse inequalities between citizens are needed. These should be introduced across all spending lines to guide programming and project selection. The EU Budget already works towards ‘convergence’ between regions, but within cities and regions, inequalities continue to grow. Smart allocation of EU financing can play a part in reversing these trends, rethinking the meaning of ‘cohesion.’

**Principle 4: The EU budget shall take a holistic approach, support systems change and promote innovation, which is required for the transition to sustainability and building a circular economy.**

**What is it about?** It is time for a new economic strategy for the Union – with sustainable well-being, not merely GDP, at its heart.

**How?** The EU, particularly at this moment, must show greatest added value through its spending and lending, and this requires a new narrative for the budget, new priorities to advance the circular economy and sustainability well-being. EU funded projects should become synonymous with the highest standards and accelerate uptake of innovative solutions - this not currently always the case.

The last 7-year EU budget saw billions taken away from cohesion policy and environmental protection and put towards shorter term growth and competitiveness. Last week we heard the EC proposes to take money away from environment and science programmes to put into Defense. Throughout the last MFF cycle, discontent and inequalities within regions continued to grow.

Today, GDP and GNI are used as main indicators guiding where the EU invests to increase cohesion. This is an outdated method that says nothing about citizen well-being or genuine progress. The EU has signed up for a comprehensive 2030 Agenda with 17 goals. The indicators for Sustainable Development Goals would be much more relevant progress indicators for allocating funds and measuring performance of the EU budget.

**Illustrations:** *Pierre lives in the suburbs of Paris, Luba lives in a small village in Eastern Slovakia. Even though the economic situation of their regions is different in many respect, as reflected by different levels of the GNI/capita indicator guiding cohesion funds, their neighborhoods still face many similar problems, like high youth unemployment, higher level of social exclusion or bad environmental conditions. The EU budget takes these various aspects of cohesion into account, when funding programmes are designed and both Pierre and Luba can benefit from the various EU funds, which increases their personal well-being.*

*Pawel is a miner in his forties, living in a coal mining region with little economic potential. When the government cuts the state support for the coal mines for environmental and financial reasons, he could be understandably desperate. However, the government started an EU supported comprehensive programme, where the investment in a new solar panel factory, the retraining of miners and the local youth and unemployed for the newly required skills in the factory, and the environmental awareness campaign among the locals mutually reinforced each other. With this, Pawel experienced this change in his career without paying an unbearable social cost.*

*Beatriz leads a successful construction company in Portugal. She has been involved in several EU supported construction projects in the past, but she knows that under the new EU funding rules any new building realised with EU support must come with the best available technology, meaning that they are at least zero energy buildings but if they are off the grid, then even higher rate of EU support can be achieved. Even though applying such new technologies requires lot of learning and development by her company, she does not mind: she knows that these new buildings will become a unique attraction in her city, and will be more remarkable than any other of their works from before.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. A new narrative for the EU Budget - with sustainable well-being or all Europeans, instead of growth and competitiveness, guiding spending priorities.
2. Introduce beyond GDP indicators to provide real information about the macro level impact of EU spending on genuine progress, and to inform future direction of EU funding. Indicators about the well-being of citizens, equality, eradication of poverty and homelessness, reduction of GHG emissions, progress towards Sustainable Development Goals, decarbonisation targets, and the health of our ecosystems.
3. Beyond the need for a closed loop (circular) economy, the EU budget should innovate to kick start the economy of tomorrow – achieving a nearly completely decarbonised economy by 2050 requires radical shifts and a return to localised economies. The EU budget should build resilience by incentivising peer to peer economies, community led housing, and interacting better with cultural programmes within the MFF to foster and normalise integrated approaches to sustainable development. These are all ways that a smaller EU budget due to Brexit can do more to support resilience and well-being.
4. The EU budget should importantly invest seriously in both research and capacity building about circular economy. Circular economy requires a new kind of thinking and builds upon deep cross sectoral cooperation. But creating the links among economic actors with the most diverse backgrounds, whether they be sewage companies, IT startups, housing companies, farmers or hospitals, just to name a few, with the aim of keeping the materials and products in the economy at the highest possible value and for the longest possible time, is definitely a challenge. For making this happen, the EU budget should increase this understanding and foster this kind of cooperation.
5. Make the various funding streams work together in a system. The future EU budget should enable the much needed transformation of the European and regional, local economies. In some cases it includes for instance the transformation of coal mining regions, which also implies the cease of many jobs. However, the EU budget can play a greater role in this transformation in an integrated way linking it to the investment in renewables, possible creation of green infrastructure in the mining sites (green infrastructure creation and maintenance is labor intensive in general), retraining people for newly available jobs, as well capacity building and awareness raising for public acceptance at the same time.
6. With the use of EU money always the best available technology should be prioritised, thus also generating demand for these products and services. For instance if buildings are built from EU money, they should be zero energy buildings. Producing products coming from circular economic thinking should be also favored, while an exclusion list for environmentally harmful products and technologies should be applied.

**Principle 5: The EU budget shall serve a diversified and resilient economy and society, where the full potential of all communities, organisations and businesses of any size is fully achieved.**

**What is it about?** Make EU funds do more to benefit communities, businesses and organisations of any size in a fair way. The future EU budget should not favor big companies over local initiatives. We need to rebuild a sustainable Europe and world from the bottom up.

**How?** The EU budget should contribute to resilient communities both within and outside of Europe. Currently, EU development aid is being illegally diverted from solidarity and poverty-alleviation purposes (as enshrined in the Lisbon Treaty) to serve European economic and security interests in African countries. Those new policies and instruments are not evidence-based but interests driven. Too simplistic and by now well-challenged economic theory of “trickle down” underpins two new EU instruments: Junckers’ External Investment Plan and the EU Emergency Trust Fund for Africa: more investments = more jobs = income = and ultimately disincenticives people from migrating. This assumption is wrong: it does not fit reality in the country! With those new solutions coming from the top they’re likely to have adverse effects on the very population and create more insecurity and solutions unfit for the ground.

**Illustration:** *Abdoulaye is a Senegalese farmer, who has benefited from EU investments via his small association which is advocating for food sovereignty and resilience. He has recently created his own cooperative in the North of Senegal, when the EU started to listen and consult local CSOs on their policies. He produces milk for local consumption and employs 200 people who produce, process and sell the milk to local communities. He remembers how CAP subsidies had Senegalese milk producers out of business. He jokes with his children of how a liter of milk produced and shipped all the way from the Netherlands was cheaper than a litre of milk produced by their own cows. He also remembers with sadness the massive number of farmers who moved to Dakar, and ended up crossing the Mediterranean on small boats in the hope for a better life. That’s when EU’s conception of poverty eradication was to favor large investments from European companies leading to large scale land deals depriving farmers of their only resources.*

*Janiz is a small farmer from Latvia, who is devoted to producing healthy organic food to the local market, but has found it very hard to compete with the large industrialised farms largely benefited in the CAP support system. However, with the help of the reformed EU budget scheme he is now able to compete on a more level playing field, where all farmers are required to deliver public goods through producing pesticide free food and maintaining ecosystem services at the same time. He has become a model in his region, where the practices and traditions he has been holding to for decades, has become the standard to follow.*

*Stefan lives in the Bulgarian countryside, and has been waiting for many years for the introduction of a sewage system in the village. Finally the time came, when the local municipality could realise the investment with EU support. But it took Stefan by surprise: instead of installing long pipes to a faraway sewage treatment plant realised within a large-scale investment, an attractive greenhouse looking facility was built in the community from a small scale project, where the sewage was treated with the help of an artificially created ecosystem. While the local green sewage treatment plant created local jobs, Stefan also realised that instead of paying high bills to finance costly and usually faraway infrastructures of the conventional sewage treatment, through applying this community level solution he knows where his money goes and he is happy that their community can provide this service independently to the locals.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. Decades of development work have shown one of the most important best practices for development aid to be effective and sustainable is to be designed, implemented and monitored by the very people they are aiming to benefit. Before programming its support, the EU needs to listen to local civil society organisations if it is serious about resilience of local communities.
2. There is no quick fix for migration governance. Any strategy addressing migration should be properly planned, evidence based and comprehensive and should be developed in cooperation with all relevant and especially with the ownership of local partners and migrants themselves.
3. One Stop Shops for easily accessing EU funded programmes for priority thematics like energy efficiency and community owned renewables.
4. Smaller communities and even citizens should be able to access EU funding to get access to funding. Such EU funding should also support sovereignty let it be about energy generation, food production or sewage treatment.
5. Cohesion Policy funds already drive a high percentage of public infrastructure investments in regions in cohesion countries. But projects still too often continue to favor megaprojects in large cities and framework contracts designed for large multinationals, and managed by external consultants. We need to rebalance the MFF towards smaller scale finance. CSOs of various sizes should be supported to a greater extent through different programmes, and capacity building provided for the various types of beneficiaries to enable the efficient use of funds. Research funding should treat smaller research institutes more favorably.
6. In the new CAP reform small farmers should be not be disadvantaged as a result of CAP prioritising efficiency over human and ecosystem health during the production.

**Principle 6: The EU budget shall serve the public good.**

**What is it about?** Reform is needed to hold national Governments more accountable for how the money is spent. All EU spending and lending should benefit the people in an equitable fashion in the final instance, rather than any company. Investments should meet environmental and social returns, and certainly should not do harm.

**How?** Astronomical prices of new drugs for cancer and hepatitis C in Europe have attracted considerable media and public attention, which has brought the debate on access to medicines into the political spotlight. Though the challenge of access to medicines has long been a concern for low- and middle-income countries, high prices now also threaten equitable access to treatment in the world’s wealthiest countries, including those in Europe. Presently, public interest in Horizon 2020 investments is not sufficiently protected. Many leading experts and governments have highlighted the need to improve the way public biomedical research and development (R&D) funding is managed in order to respond more efficiently to the urgent need for affordable new health technologies that meet priority public health needs. Knowledge and technologies generated by EU taxpayer-financed research should maximise public benefit and not focus on returns for large private actors.

But the funding of research should be reformed in other ways as well. The research and innovation agenda needs rebalancing, unlocking social innovation and supporting innovations that catalyze zero carbon societies scoring highly in well-being, instead of unduly prioritising short term growth and profit.

**Illustration:** *Stavros suffers from cancer, but he is optimistic about the future because of the new treatments his doctors talked about. However, he knows how lucky he is: with the new EU regulation on responsible licensing for life-saving health technologies, the prescribed medicine is now affordable to everybody – and our health systems. He still remembers how his friends struggled to pay for life saving medicines in the past, and how some countries had to select which lucky patients could get the drugs. Stavros is well aware that it is also a big amount of his own taxes which were used to develop those drugs in the first place.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. Creation of a new watchdog institution (e.g. a Guardian of Future Generation), or new role for the EEA or Court of Auditors, in assessing the impact of all EU spending [and lending] against the achievement of SDGs.
2. 30 to 40% of public money is invested in global medical research. When the EU grants public funding to universities or companies, it should impose equitable licensing especially for new technologies which are urgently needed to address current societal challenges, like climate change and or cancer, HEPC and tuberculosis.
3. The EU wants to increase defense research: there can be no place for military research in the EU Research Programme. The EU is a peace project. The EU should invest in jobs and research projects which contribute to the peaceful prevention and resolution of conflicts, and area largely underfunded so far, rather than subsidise research for arms production.

**Principle 7: The EU budget shall contribute to decreasing the total environmental pressures (use of natural resources, use of land and emissions of waste, toxic substances, greenhouse gases and alien genotypes) to return to within planetary boundaries, and should not contribute to shifting of environmental pressures in time and space.**

**What is it about?** We cannot afford to further degrade the natural and urban environments that surround us. We cannot wreck the climate. This already comes at a high price, which we pay in terms of impaired health, increased social costs and increased insecurity both in and outside Europe. The EU budget can do more to help.

**How?** We cannot solve environmental problems by creating other ones somewhere else. Exporting problems outside our borders and simply opting for the less worse is not an option, if we think in the long term. We must prevent problems, if we want to build a strong and resilient society. For that we need to cut pollution, we need to cut down on our greed for natural resources and land. When we want to realise a societal goal, like installing a new utility service, building a hospital or starting a new business for delivering goods or services the people seek for, we always need to find the way, which is the least harmful for the environment.

Today EU finance continues to be used for projects that harm citizens and the environment in many countries. In the Czech Republic, EU finance has recently been used for coal boilers in homes instead of clean energy. In Slovakia millions have gone to corporations for modernising coal and gas plants, while investments in energy efficiency would deliver three to four times the number of jobs. At the same time, higher allocations towards climate mitigation are necessary to put the Union on track to achieving its obligations under the Paris Agreement, and the 2050 goals. Climate mainstreaming in the last EU budget was a positive step that requires strengthening - both the quantity and quality of spending must be improved.

**Illustration:** *Elena lives in Brno and this is the first time (in 2023) that she could use green electricity from renewable sources in her own apartment. Even though she heard a lot about climate change, but it always seemed to be a distant problem to her, where she had limited role to play. But now she sees something happening in the country. While her grandmother could install coal boiler with EU support a few years ago, such thing could not happen again. Instead of coal or gas, now solar panels and solar thermal collectors are installed with EU support on rooftops, and she a likes a lot, how it changes the urban landscape. Besides it also feels good to her that she is not part of the climate problem through her domestic energy use any more...*

**Possible related policy reforms/asks suggested by some of our partners:**

1. The future EU budget must improve the quantity and quality of finance to drive higher climate ambition, to be compatible with the EU’s obligations under the Paris Agreement and the Sustainable Development Goals. Both measuring performance better, and for some sectors, creating a set aside in the EU Budget to incentivise higher investment ambition would be worthy additions.
2. An exclusion list is badly needed in the MFF, preventing any support for fossil fuels or other project categories harmful to citizens, their grandchildren, or the environment. In addition, as part of broader sustainability proofing, the future EU budget must measure the negative impacts of spending, not merely the positive.
3. Stronger planning and assessment requires that infrastructure projects always consider green infrastructure alternatives. Based on the criteria of cost efficiency, potentials for job creation, and reduced negative environmental impacts, green infrastructure projects should be much more widely supported from the future EU budget.

**Principle 8: The EU budget should contribute to improving the state of environment and maintaining and restoring ecosystem services, which is the very foundation of our society and economy.**

**What is it about?** Nature provides us with a wide range of services free of charge. It provides us food, fiber, clean air and water, protects us from various diseases, and extreme weather events, etc. However, we degraded this capacity of nature in so many ways recently, and now we need to invest in restoring this.

**How?** Humans cannot survive without nature. We need to restore nature’s capacity in Europe and the world to provide the life supporting function to people and other living things. People are starting to recognise more and more of these benefits. Over 500,000 Europeans answered the consultation on the ‘Fitness Check of the EU Nature Directives” in 2015, asking the EU to do more in this field. Thus the future EU budget must also respond to the alarming trends in our natural capital and the request of the people, and should set aside sufficient funds for nature and Natura 2000, which represents the most important natural values in Europe.

**Illustration:** *Maurizio makes a living through keeping bees in Italy. He is extremely worried about the future of his business, as pollinators are increasingly disappearing in all parts of Europe. He is also well aware that it is not only his problem: pollinators affect 35 percent of the world’s crop production. With the newly started EU supported programme he sees some hope: it aims to restore the ecosystem service of pollination through awareness raising and capacity building, complementing the EU legislative action to protect bees from harmful pesticides, prevent diseases and provide them abundant feeding ground at the same time.*

**Possible related policy reforms/asks suggested by some of our partners:**

1. The CAP should be in line with environmental and animal welfare objectives and legislation and the polluter pays principles must be enforced.
2. A dedicated Nature Fund should be created to support the implementation of the Birds and Habitats Directives, and all nature funding should be result oriented.
3. EU funds should support Member States with the costs of mapping and assessing ecosystem services. This dataset should provide the necessary basis for making decisions about the future of European land.
4. The EU Budget should provide sufficient funding for communicating the environmental, social and economic benefits of protecting the nature and maintaining and restoring ecosystem services.