

# Developing a distinct definition for the EU value added

*The recommendations about a distinct definition of the EU value added as developed by some of our campaign partners below strives for better balancing the three dimensions of sustainable development as enshrined in the Treaty.*

## Introduction

European NGOs greatly welcome the approach of adding European values to the criteria on EU value added when deciding about EU spending and lending, but we are concerned about the narrow interpretation of the concept, which is also taken in the Reflection paper on EU finances.

In line with the Treaty objectives of the European Union and also the Agenda 2030 for sustainable development, to which the EU committed itself, the definition of the EU value added should take a balanced view on the social, environmental and economic aspects when decisions are made about EU financing.

The Reflection paper on EU finances published in June 2017 defined criteria for the EU value added, but did not provide a definition. In our view the following aspects must be equally taken into account in defining the criteria of EU value added, when decisions are made both whether or not some actions should be supported, and about the allocation of funds.

## Treaty objectives and obligations

Objectives as defined in the Treaty on the European Union:

- The Union's aim is to promote peace, its values and the well-being of its peoples.
- It shall offer its citizens an area of freedom, security and justice without internal frontiers, in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border controls, asylum, immigration and the prevention and combating of crime.
- It shall establish an internal market.
- It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.
- It shall promote scientific and technological advance.
- It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.
- It shall promote economic, social and territorial cohesion, and solidarity among Member States.
- It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.
- It shall establish an economic and monetary union whose currency is the euro.
- In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to

peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.

***In our view decisions about the future EU funding should be better balanced along the Treaty objectives as one criteria of the EU value added. The current focus of economic growth is not aligned with the aim of the EU 'promote peace, its values and the well-being of its peoples' and the three dimensional approach of the Treaty objectives. Social and environmental objectives should be included on an equal footing when the funding objectives are determined.***

### **Public goods of a European dimension**

In the current approach the MFF finances public goods of a European dimension in the form of European scale projects aimed at transnational infrastructure development, education, research, developing key enabling technologies on European level (e.g. satellite navigation), investments to contribute to macroeconomic stability are in the focus of the current MFF.

However, according to the technical definition, a public good is a good that is both “non-rival” and “non-excludable”. This on one hand underpins a change of approach in some aspects of current funding, and on the other hand calls for the inclusion of other types of programmes and projects.

***In our view the criteria of public good of a European dimension should also include the following aspects:***

- ***Social stability and peace the respect of European , which benefits the EU as a whole,***
- ***Culture, arts, education supporting European cohesion, values and global citizenship,***
- ***Health***
- ***Ecosystem services on European level and in a transboundary setting.***
- ***EU money for research shall meet the public good criteria of non-exclusion. Research licenses, citizen and civil society involvement and other arrangements should ensure that everybody can benefit from the final research results.***

### **Economies of scale**

Economies of scale is a financial advantage to deliver results more efficiently through larger projects, programmes or with larger entities. However, increasing efficiency should not be an aim in itself, which can justify EU spending, but it shall be always considered together with the intended results.

***In our view when economies of scale is considered as a criteria for EU value added, then it shall always pursue the aims as also outlined in the Reflection paper:***

- ***“The 2030 United Nations Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) is an anchor of EU policy both internally and externally.”***
- ***“The aim must be to reduce economic and social divergences between and within Member States and to empower people to play their full role in society.”***
- ***“The EU budget should continue to make the European economy stronger and more resilient by promoting long-term competitiveness, sustainability and solidarity.”***

***...through serving the basic functions of investing in public goods, redistribution and macroeconomic stabilisation.***

***Also in line with solidarity, cohesion and resilience (all of them emphasised in the Reflection paper), there needs to be a right balance struck between larger and smaller entities who benefit from the EU budget, let them be state or civil society organisations or enterprises.***

### **Spillover effects**

The spillover effect is an important criterion, acknowledging the positive indirect effects of EU spending and lending in other contexts as well, which benefits the EU as a whole. However, within the EU budget context the spillover effect is often restricted to the positive side and only in the economic sense, through measuring the effect of economic growth generated by EU funding on other economies.

***In our view, the positive spillover effects should be maximised and negative spillover effects minimised in all EU spending and lending. This also means that the EU should stop funding environmentally harmful investments (e.g. fossil fuels), or those exacerbating social inclusion.***

### **Subsidiarity**

Like with all EU legislative actions, the principle of subsidiarity needs to be taken into account in the EU budget related decisions as well. Several inter-state spillovers exist in all three dimensions of sustainability (e.g. pollution spillover, preservation spillover in case of natural values and ecosystem services, social spillover in the case of growing euroscepticism or the respect or erosion of European values, economic spillover in the case of increased economic activity), and as many argue, EU level actions will be more effective and efficient to address the Treaty objectives that are related to those spillover effects.

***In our view when the level of actions are decided for EU funding decisions, all three dimensions of sustainability need to be duly taken into account.***

### **Benefits of EU integration**

The integration of European standards is one aspect of EU integration, which provides tangible benefits for European citizens, let them refer to air quality, the energy efficiency of some household appliances or consumer protection.

***In our view support from the EU budget should support the proliferation of the highest environmental and social standards through inter alia:***

- ***the application of green public procurement criteria in all EU funded projects,***
- ***Incentivising other environmental and social standards in the use of EU funds.***

## **European values**

As the Reflection paper suggests, the European finances can also provide value added in upholding common European values, such as democracy, freedom, the rule of law, fundamental rights, equality, solidarity, sustainability and peace.

***In our view the future EU budget should help strengthen European values through various ways, such as:***

- ***Linking disbursement to the respect of European values***
- ***To increase support for the advancing democracy, strengthening European values and increasing the EU literacy of European citizens***

## **Quantifying the EU value added**

When decisions are made about EU funding based on the above criteria of EU value added, all dimensions of sustainability must be taken into account in a balanced way. In case methodological gaps exist for identifying and quantifying the various criteria in a balanced way, further expertise should be sought which can ensure that economic, social and environmental aspects are equally taken into account.