

# **Friends of the EU**

## **The Costs of a Taxpayer-Funded Green Lobby**

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## **Executive Summary**

Environmental non-governmental organisations (NGOs) have enormous influence in the European Union. However, some of the most vocal green groups are actually funded directly by the EU to lobby it.

The EU funds many NGOs operating in Brussels whose main purpose is to influence EU policy-making and implementation. This report analyses one programme of funding, in which DG Environment (the division of the European Commission responsible for environmental affairs) distributed over €66 million to environmental NGOs between 1998-2009.

Specifically, we examine funds allocated to the Green 10 – a coalition of ten NGOs pushing for an “environmental” agenda in EU policy-making.

- Nine out of the Green 10 receive funds from the Commission.
- Eight members receive one-third or more of their income from the Commission, and five of those rely on the Commission for more than half their funding.
- Under EU rules, an NGO can receive up to 70% of its income from the EU, and thus is obliged to find only 30% of its income from alternative sources.

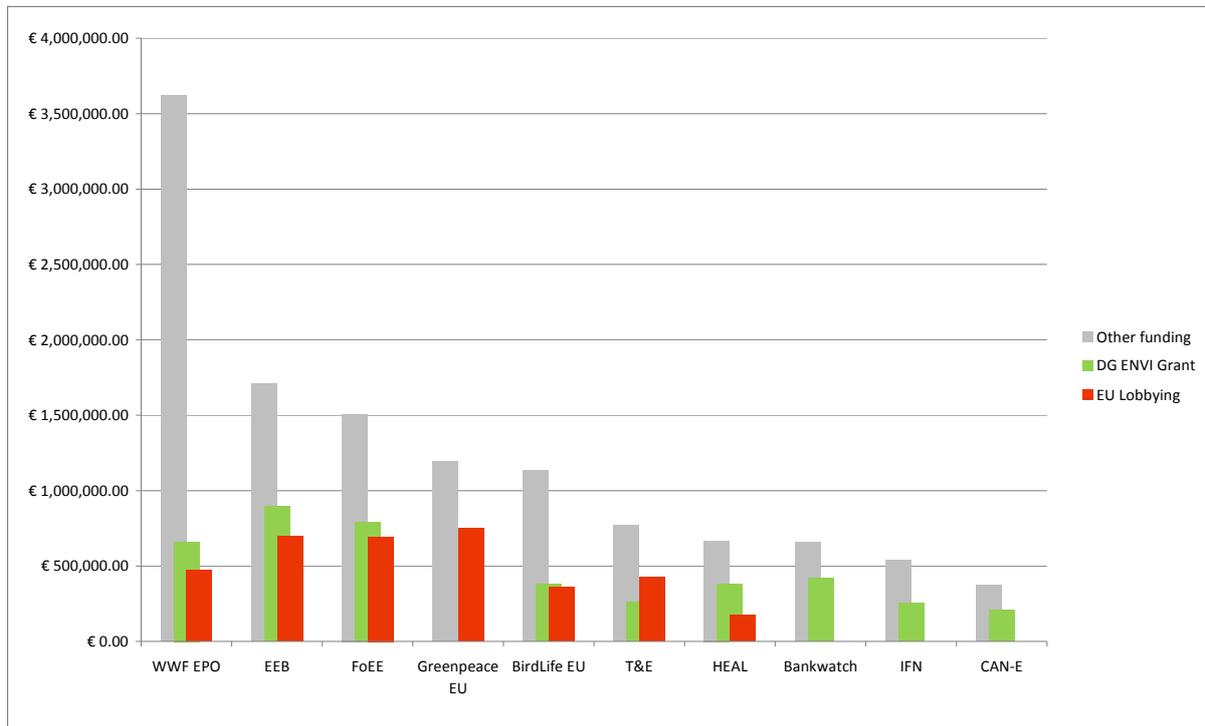
From 1998 to 2009, there was a substantial increase in funds given by the Commission to environmental groups: from €2,337,924 (1998) to €8,749,940 (2009) – an average increase of 13% every year.

The EU’s funding of Green 10 members has also increased during this time period.

- Birdlife Europe funding increased by 900%
- Friends of the Earth Europe funding increased by 325%
- WWF European Policy Office funding increased by 270%.

The majority of Green 10 members now receive considerably more money from the Commission than in previous years. As a result, many have struggled to reduce their dependency on EU funds – in fact, three members depend more on EU funds today than in 2005.

**Figure 1 – Green 10: Annual Funds from DG Environment & Lobbying Expenditure<sup>1</sup>**



These NGOs then engage in a self-serving cycle in which they use the EU’s money to lobby the EU for *yet more* funds and influence.

- One example is the lobbying by the Green 10 to “green” the Cohesion Fund, representing €350 billion – one-third of the EU’s 2007-2013 budget. The Cohesion Fund distributes about €50 billion to projects in the EU every year, and the Green 10 members would benefit from any “greening” of the budget.
- Demands made by the Green 10 included a seat for an environmental NGO on every single committee involved in project decisions, the reimbursement of expenses (which are notoriously generous within the EU), as well as training and capacity building.
- Despite the Green 10’s attempts to push their way into the budget process through various coalitions and campaigns, it failed to achieve these specific demands. But it is already lobbying in anticipation of the 2014-2020 budget.

This cycle of convenience is enabled by the Commission itself.

- The Commission claims that EU funding of environmental NGOs is necessary to balance the interests of business, trade unions and consumer groups.
- Yet its generous hand-outs to a handful of large, powerful environmental NGOs – while ignoring smaller, locally-focused organisations – appear to contradict this claim. It is doubtful that these large, centralised organisations are truly representative of the varied beliefs and opinions of Member State citizens.
- The three largest recipients of Commission funding to green groups receive about 70 times more than the three smallest.
- The Commission effectively has delegated public relations work to “independent” NGOs in order to push its own agenda and surreptitiously influence the public debate on topics such as climate change.

- Both Commission representatives and recipient NGOs admit that NGOs that are funded with EU money benefit from more access to EU policy-makers than independently-funded NGOs.

This evidence suggests that sponsoring the narrow interests of NGOs such as the Green 10 has undermined the democratic process and civil society representation in Brussels. EU funding has enabled activist organisations to utilise the power of the state to increase their own budgets and their influence over policy.

## Introduction

In the past 50 years, non-governmental organisations (NGOs) have increasingly sought to influence political decision-making at local, national and international levels. Many such NGOs seek to promote a narrow agenda on specific issues, such as “the environment”, often to the exclusion of other issues.

As political decision-making has shifted to supranational bodies such as the European Union (EU)<sup>2</sup> and the United Nations, so there has been a shift towards supranational activism by NGOs and the emergence of a class of “international NGOs.” One estimate suggests that eighty percent of national legislation in force today in EU Member States originated in Brussels.<sup>3</sup> Unsurprisingly, NGOs of all kinds seek to influence policymaking in Brussels. Following the establishment in 1974 of the European Environmental Bureau – the first truly European environmental network – many international environmental organisations have established European branches.<sup>4</sup>

Many of these NGOs pride themselves on keeping the EU in check, scrutinising and - when necessary - publicly shaming it. However, some of the most vocal European NGOs are in fact not as far removed from the EU machinery as the public might perceive. Some are even funded directly by the EU.

The EU has long funded NGOs and civil society groups, with the justification that “there needs to be an open and wide-ranging dialogue with all stakeholders.”<sup>5</sup> But a more cynical reality underlies these platitudes. The EU funds many NGOs operating in Brussels whose main purpose is to influence EU policy-making and implementation. Put simply, the EU uses public funds to pay NGOs to lobby it.

This report focuses on one source of such funds, the “DG Environment Programme for operating grants to European environmental NGOs.” (Referred to hereafter as “The Programme.”) The Programme is run by the Directorate-General for the Environment (one of more than two dozen DGs that make up the European Commission, each headed by an appointee from a Member State).<sup>6</sup> Under the auspices of The Programme, a total of more than €66 million was distributed to environmental NGOs over 12 years. The first phase of The Programme ran from 1998-2001, was renewed for 2002-2006, and is now being continued as part of the new LIFE+ programme.<sup>7</sup>

Specifically, we analyse funds granted to the Green 10 – a coalition of ten NGOs pushing an “environmental” agenda in EU policymaking. Nine of the Green 10 have received EU funds under The Programme [See Table 2]. The Green 10 is thus a good case study for examining how EU funding for NGOs influences EU policy.

Two issues arise from this analysis of The Programme. One is independence: to the extent that members of the Green 10 rely on EU funding – in five cases, for over 50% of their budgets – their independence from government is jeopardised.

The second issue is whether funding the Green 10 truly satisfies the goal of increasing “democratic participation” within EU institutions. The evidence considered in this report suggests that The Programme actually undermines democratic accountability. The EU interferes with and corrupts civil society by funding specific NGOs to the exclusion of other members of civil society. Meanwhile, these EU-funded NGOs seek to utilise the power of the state to augment their budgets and promote narrow interests – often to the detriment of the wider public. Rather than being a solution to the EU’s democratic deficit, EU funding of NGOs is part of the problem.

## **The Green 10**

The Green 10 is a coalition of “ten of the largest European environmental organisations/networks”, who “work with the EU law-making institutions - the European Commission, the European Parliament and the Council of Ministers - to ensure that the environment is placed at the heart of policymaking.”<sup>8</sup>

The coalition’s operations listed on their website date back to 2006, but there is evidence that a smaller coalition – by the name of the Green 8 - was operating as early as 2002.<sup>9</sup> According to the European Environmental Bureau - one of the members of the Green 10 - all of the coalition members have an office in Brussels.<sup>10</sup>

The coalition makes a vague claim that it represents over 20 million people, and “tries to observe as democratic a process of decision-making as possible, taking into account the views of member organisations, their staff, boards and members.”<sup>11</sup>

But behind this façade of independence, grassroots support and democratic representation, the balance sheets of the Green 10 members tell a very different story.

### **Figure 2 – Green 10 Members:<sup>12</sup>**

- Birdlife International
- Central and Eastern Europe (CEE) Bankwatch Network
- Climate Action Network Europe (CAN-E)
- European Environment Bureau (EEB)
- Transport and Environment (T&E)
- Health and Environment Alliance (HEAL)
- Friends of the Earth Europe (FoEE)
- Greenpeace
- International Friends of Nature (IFN)
- WWF European Policy Office (WWF-EPO)

## **The Green 10’s Funding**

Eight of the Green 10 NGOs derive a substantial portion of their income from taxpayers. A majority rely heavily on EU and member state government funds. In fact, eight members of the Green 10 derive one-third or more of their income from the European Commission (henceforth the Commission) and five of those derive more than 50% of their funding from the Commission.

The WWF European Policy Office derives a smaller amount – 15% of its income – from the Commission, less than almost all other Green 10 members. The Greenpeace European Unit is the sole exception. It is funded by Greenpeace international, and states that it “does not seek or accept donations from governments (including the EU institutions), corporations or political parties.”<sup>13</sup>

For the remaining eight members of the Green 10, one of the biggest donors remains the Commission. Many of these donations originate from the Directorate-General (DG) for the Environment, the department within the Commission that concentrates on environmental issues (see Table 2).

In 2009, DG Environment contributed €422,700 or about 64% of CEE Bankwatch Network’s income.<sup>14</sup>

In 2008, DG Environment also provided the European Environmental Bureau with nearly €900,000, 52% of their income that year.

Similarly, in 2008 Friends of the Earth Europe received €790,020 from DG Environment - or about 52% of their annual income that year.

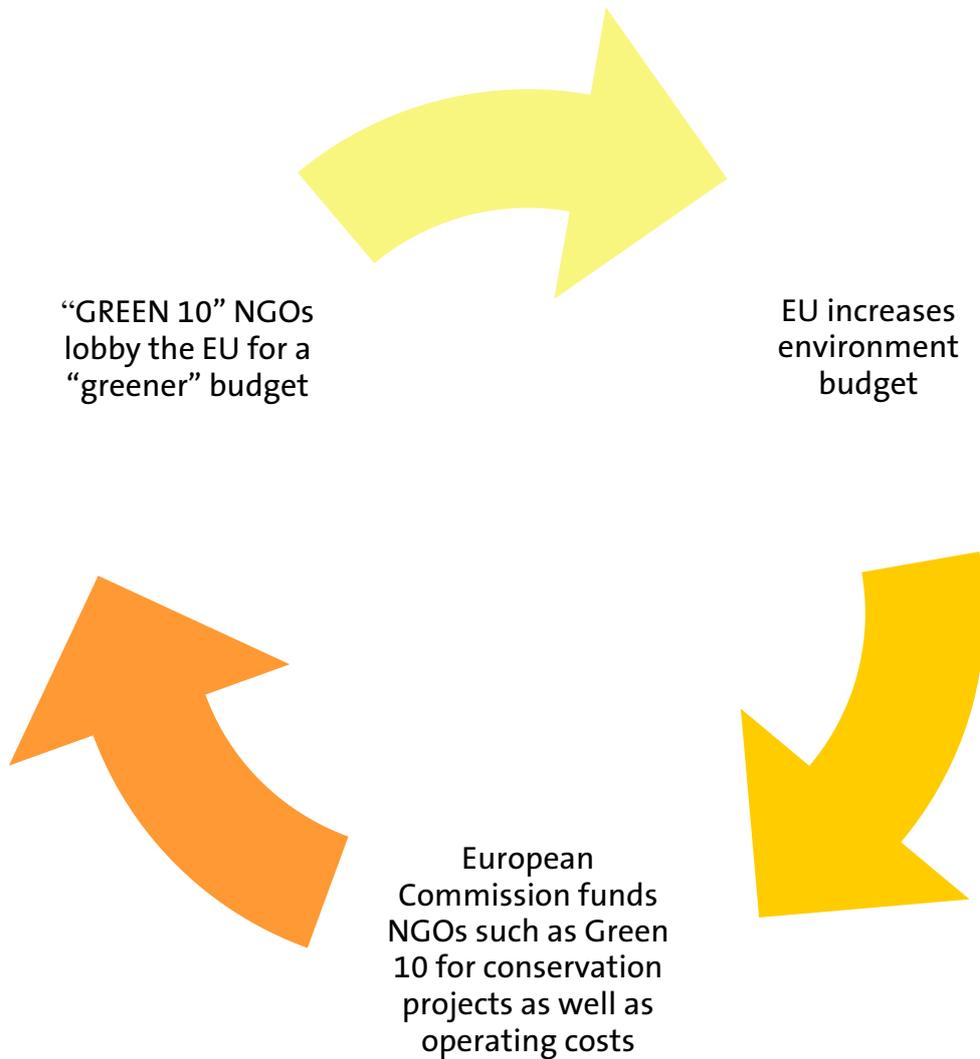
**Table 1: The Green 10 and the EU's Lobbying Registers<sup>15</sup>**

European green NGOs: Transparency and disclosure	EC core funding?	Registered lobbyist?		EU lobbyists' registers
		European Commission	European Parliament	
BirdLife Europe Division	.	.	.	Partly updated in 2008
CEE Bankwatch Network	.	X	X	Not registered
Climate Action Network Europe (CAN-E)	.	.	.	Last updated in 2007
European Environmental Bureau (EEB)	.	.	.	Last updated in 2008
European Federation for Transport and Environment (T&E)	.	.	.	Updated (2009)
Friends of the Earth Europe (FoEE)	.	.	.	Last updated in 2008
Greenpeace European Unit	X	.	.	Last updated in 2007-8
Health & Environment Alliance (HEAL)	.	.	X	Last updated in 2008
International Friends of Nature (IFN)	.	X	X	Not registered
WWF European Policy Office (WWF-EPO)	.	.	.	Updated (2009)

**Table 2: The Green 10: Sources of Funding and Lobbying Expenditures**

Organisation	Year	Income (implied) <sup>16</sup> €	DG ENVI Grant		Expenditure on Lobbying the European Union <sup>17</sup>	
			€	% of total income	€	% of total income
BirdLife European Division	2007	1,137,905	<b>379,605</b>	<b>33%</b>	360,000	32%
CEE Bankwatch Network	2009	660,985	<b>422,700</b>	<b>64%</b>	<i>n/a</i>	<i>n/a</i>
Climate Action Network Europe (CAN-E)	2007	374,610	<b>207,047</b>	<b>55%</b>	<i>n/a</i>	<i>n/a</i>
European Environmental Bureau (EEB)	2008	1,713,861	<b>898,920</b>	<b>52%</b>	700,000 – 750,000	41 - 44%
European Federation for Transport and Environment (T&E)	2009	774,251	<b>261,000</b>	<b>34%</b>	400,000 – 450,000	52 - 58%
Friends of the Earth Europe (FoEE)	2008	1,508,535	<b>790,020</b>	<b>52%</b>	696,000	46%
Greenpeace European Unit	2008	1,196,553	<b>0</b>	<b>0%</b>	750,000	63%
Health & Environment Alliance (HEAL)	2007-08	669,119	<b>383,338</b>	<b>57%</b>	150,000-200,000	22-30%
International Friends of Nature (IFN)	2009	542,296	<b>255,747</b>	<b>47%</b>	<i>n/a</i>	<i>n/a</i>
WWF European Policy Office (WWF-EPO)	2009	4,281,229	<b>661,878</b>	<b>15%</b>	450,000-500,000	11-12%

**Figure 3: A Cycle of Convenience**



## **EU Funding for Lobbying**

One of the campaigning tactics listed on the Green 10 website is to “lobby for new environmental proposals.” Most of the coalition members are registered on both the Commission and the European Parliament lobbyist registries.

The Commission defines lobbying as “activities carried out with the objective of influencing the policy formulation and decision-making processes of the European institutions”, while the European Parliament (henceforth the Parliament) defines lobbyists as “persons who wish to enter Parliament’s premises frequently with a view to supplying information to Members within the framework of their parliamentary mandate in their own interests or those of third parties.”<sup>18</sup>

Registration and provision of details about lobbying and funding are all purely voluntary on the part of NGOs and other groups that lobby European institutions. The Commission's registry was launched in June 2008 and in early March 2010, numbered nearly 2,600 registrations (1,357 "in-house" lobbyists and trade associations and 781 NGOs and think-tanks).<sup>19</sup> Transparency campaigners have criticised the registry, saying that an estimated 20,000 lobbyists operate in Brussels.<sup>20</sup>

CEE Bankwatch Network and International Friends of Nature do not appear on either of the lobbying registries operated by the Commission or the Parliament; the Health & Environment Alliance does not appear on the Parliament's registry.<sup>21</sup> This is in spite of the Green 10 having advocated a "common system of registration for lobbyists and the organisations that pay them", and stating that "organisations of the Green 10 would be ready to participate in such a register."<sup>22</sup>

## **Propaganda by Proxy**

It appears that the primary function of EU funding for the Green 10 is to support self-justifying propaganda, rather than to promote the wider public good. When interviewed by external auditors, both Commission bureaucrats and NGO recipients of EU funds admitted that "there is a consensus that the objective of the programme is to support the activity of NGOs working in areas of EU environmental policy which are relevant to the Commission's work programme, and not to support their activity *per se*."<sup>23</sup>

The Commission in particular readily promotes the fact that it funds NGOs to advance its policy agenda and to influence the public debate on topics such as climate change: "In particular in the area of climate change, NGOs have been reported to be useful in reaching out and supporting EU positions through their networks."<sup>24</sup> It also funds NGOs to extol the virtues of EU regulation among the general public, "raising awareness and promoting EU environmental policy beyond EU borders."<sup>25</sup> This is propaganda by proxy.

The Commission would seemingly have a duty to communicate directly with European citizens and taxpayers, yet it delegates PR work to NGOs, as they "have the advantage of being close to the ground and having high credibility with the public and therefore a high potential of achieving effective awareness and outreach."<sup>26</sup>

The EU lists regulation of pesticides as one example of an EU-funded activity "where NGOs, like other stakeholders, lobby strongly at all levels e.g. by letters and meeting requests."<sup>27</sup> Indeed, this issue was widely publicised in 2009. It transpired that the European office of Pesticide Action Network (PAN-E), one of the leading NGOs working to cut and/or eliminate pesticide use, received €88,430 (59% of its annual income) from the European Union in 2009. Pesticide Action Network UK, the parent company which is responsible with PAN Germany for "managing [PAN-E's] finances, representation on its board, and hosting its office and coordinator," received £141,152 (around €160,000)<sup>28</sup> from the EC.<sup>29</sup> PAN-E is responsible for "getting 66 legislative amendments to draft EU legislation on the use of pesticides"<sup>30</sup> and works closely with European representatives.<sup>31</sup> However, PAN-E has not registered on either the Commission or Parliament lobbyist registries.

## **Following the Money**

The EU's remit in the area of environmental regulation has grown continuously for a quarter-century. It was recently estimated that approximately 80 per cent of national environmental legislation in EU Member States originates in EU decisions.<sup>32</sup>

The first European environmental network, the European Environmental Bureau, was established in 1974 and other international environmental organisations soon followed suit and established European branches.

A few of the Green 10's lobbying achievements are listed on its members' websites:

- “NGOs successfully lobbied the European Convention to retain existing Treaty commitments to sustainable development, environmental protection and the integration of environmental concerns into each EU policy area.”
- “NGOs produced a joint ‘manifesto’ outlining key recommendations for action by MEPs in the European Parliament 2004-2009.”<sup>33</sup>

What environmental NGOs such as the Green 10 may lack in financial resources compared to corporate lobbyists, they make up in *perceived* independence and legitimacy. Reports evaluating the EU's decision-making process suggest that environmental and human and animal rights groups are among the most influential lobbyists in Brussels.<sup>34</sup> They also benefit from the EU architecture, in which the Commission is encouraged to consult civil society groups before making decisions.<sup>35</sup>

The Green 10 argues that democratic decision-making is at risk “when business is given undue weight and privileged access to decision-makers”<sup>36</sup> -- yet they themselves appear to avail of similar access and influence within the EU. In a presentation on the Green 10, the European Environmental Bureau boasts of “Regular meetings with Commissioner for Environment” and “Regular meetings with the Council.”<sup>37</sup> A Parliament working paper also observed these close ties - including financial relationships - between the EEB and the Commission.<sup>38</sup> In fact, it appears as though the Commission actually helped the EEB establish its Brussels office in 1974.<sup>39</sup> An independent audit into DG Environment funding of NGOs found that there was “a marked difference” in contact between DG Environment and recipient NGOs in contrast with non-recipient NGOs, “with the latter more scarcely represented.”<sup>40</sup>

## **Money to Lobby for Yet More Money**

Environmental NGOs not only use EU funds to lobby for policies, they also lobby to increase their own influence within the EU and, of course, for the EU to increase their funding. Currently, grants distributed by the EU are allowed to make up as much as 70% of a recipient NGO's budget.<sup>41</sup> Beneficiaries are obliged only to find other sources of funding to constitute the remaining 30% -- a substantial decrease from the 50% previously required. This change occurred following NGO recommendations that the co-funding requirement should be reduced.<sup>42</sup> Unsurprisingly, this relaxing of the rules was “acknowledged by beneficiaries as one of the most significant accomplishments of their intervention in the development of the current Programme.”<sup>43</sup>

Following a constant barrage of complaints by environmental NGOs, “the case for an increase in funds was made by the Commission to the Council and the European Parliament, resulting in the current Programme's increased budget.”<sup>44</sup> An independent review of DG Environment's funding programme judged that the increase both in activities carried out by environmental NGOs and the number of NGOs applying for funding called for “an increase (at least doubling) in the funds.”<sup>45</sup>

As a result, the total funds allocated by DG Environment to NGOs have increased steadily from 1998 onwards, with total annual grants going from €2.3 million in 1998 to €8.7 million in 2009 [see Table 3].<sup>46</sup> Still, this was not satisfactory for recipient NGOs: an independent review into the Programme found that “NGOs overwhelmingly feel that the gap between their ability to get involved and influence policy and the ability of professional/business interests to do so is still present and growing.”<sup>47</sup>

**Table 3: Annual DG Environment Funding to Environmental NGOs<sup>48</sup>**

Year	Amount	Year on year increase
1998	€ 2,337,924	
1999	€ 2,500,584	7%
2000	€ 2,562,561	3%
2001	€ 3,100,010	21%
2002	€ 3,904,071	26%
2003	€ 4,981,499	28%
2004	€ 6,049,624	21%
2005	€ 7,402,966	22%
2006	€ 7,899,677	7%
2007	€ 8,199,998	4%
2008	€ 8,495,809	4%
2009	€ 8,749,940	3%
<b>Total</b>	<b>€ 66,184,663</b>	<b>Average 13%</b>

## **EU Cohesion Policy: €350 billion and decision-making power up for grabs**

Top-level political negotiations for the EU's 2007-2013 budget began in 2004 – three years before it was due to take effect.<sup>49</sup> The negotiations ended with a compromise solution in 2006. Stakeholders and politicians are now looking to the 2014-2020 budget, and negotiations on certain parts of the budget – most notably the Common Agricultural Policy – are due to commence later this year.<sup>50</sup>

In the years leading up to the 2007-2013 EU budget, the Green 10 campaigned tirelessly to “green” budgets and to increase funds allocated to environmental preservation and sustainable development. Many of these proposals are self-serving in the extreme. Had their campaigns been successful for the 2007-13 budget, the Green 10 would have secured a great deal more funds and influence.

In 2005, the Green 9 group<sup>51</sup> was campaigning for the “budget [to] be ‘greened’ and resources specifically targeted towards the achievement of the EU’s environmental objectives.”<sup>52</sup> They went as far as suggesting that “NGOs should be able to play a role in the strategic programming guidelines for Rural Development and Regional Funds, as well as the ‘on the ground’ operation of these programmes, in order to ensure policy coherence and integration.”<sup>53</sup>

In 2007, several members of the Green 10 participated in a consultation on the reform and future of the EU Cohesion Policy. The Cohesion Policy, an official part of EU policy since the 1986 Single European Act, encourages redistribution among EU regions under “the principle that we all benefit from narrowing the gaps of income and wealth between our regions.”<sup>54</sup>

Green 10 member submissions for this consultation were based on one of the members’ earlier publications, entitled “10 Golden Rules for NGO Partnership.”<sup>55</sup> Their aim was to “ensure effective stakeholder participation in steering and monitoring committees established under EU Funding policies.” The WWF-EPO’s submission recommended that the EU should further incorporate “sustainability” into the Cohesion Policy.<sup>56</sup>

But the stakes were far higher than environmental protection. As the WWF-EPO recognised, “Cohesion Policy after 2013 will most probably account for one of the largest share of the EU budget. It will be the most important funding line to spend European taxpayers’ money inside Europe and therefore has an exemplary status.”<sup>57</sup> In fact, the Cohesion Policy is worth €347 billion in today’s prices (€308 billion when negotiated in 2004), over one-third of the 2007-2013 EU budget.<sup>58</sup>

In their submissions, the WWF-EPO and Birdlife International recommended greater funding for environmental NGOs, as well as the ability for NGOs to participate in decisions regarding the use of EU cohesion funds. Of course, such measures would ultimately strengthen their position in - and funding from - the EU.<sup>59</sup>

Their recommendations included:

- *“Give all partners equal status and voting rights.”*
- *“Involve all partners in the development of project selection criteria and in the process of project appraisal and selection.”*
- *“Offer all committee members training and capacity building to ensure high-quality participation.”*
- *“Cover direct costs of travel, overnight accommodation and copying for NGO committee members.”*
- *“Offer at least one place for an environmental NGO partner in all committees (not only for the OP environment).”<sup>60</sup>*

The Green 10 as a whole pushed for an increase in several EU budgets, knowing they would benefit from them directly. They wanted Life+, the EU Environment budget managed by DG Environment, to be “significantly enhanced to fund EU environmental protection measures.” The Green 10 wanted a 2007-2013 budget of €9.5 billion for Life+, a budget of €21 billion for Natura 2000 (“the centrepiece of EU nature & biodiversity policy”<sup>61</sup>) and a minimum budget of €88.75 billion for rural development.<sup>62</sup> Several of the Green 10 members receive Life+ funds.<sup>63</sup>

Five members of the Green 10 joined forces with Eastern-European environmental networks CEEWEB and Milieukontakt Oost-Europa to create the “Coalition for Sustainable EU Funding.”<sup>64</sup> Their aims and demands were the same as those of other Green 10 members – to influence the reform of EU funds to “make sure that they are spent efficiently...” while increasing NGO grants and power.<sup>65</sup>

In 2006, the Green 10 members declared themselves to be “deeply disappointed with the political agreement” after European governments disregarded their demands to “green” the Cohesion Fund.<sup>66</sup> Although they failed to exert their will over the 2007-2013 budget, they have continued to lobby in view of the next budget cycle, 2014-2020.

The Green 10 as a whole and some of its individual members participated in the public consultation on the future of the EU budget (“Financial Perspectives 2014-20”).<sup>67</sup> In June 2008, CEE Bankwatch Network submitted the Green 10’s original agenda to the public consultation, with demands for NGO seats on all committees, reimbursement of expenses, training and capacity building, amongst other things.<sup>68</sup>

The EEB’s submission was a short declaration to reiterate their support of proposals advanced by the Green 10, but also those of the EU Civil Society Contact Group (a coalition of civil society NGOs which include the Green 10).<sup>69</sup> While it recognises that public budgeting has long been “considered the exclusive role of the executive and the legislative”, the EU Civil Society Contact Group nevertheless recommends that “public interest organizations can and should make positive contributions to the budget process.”<sup>70</sup>

The EEB's ongoing efforts to influence budget reform are confirmed by their 2008 work programme, which among the "activities foreseen" lists:

*Prepare for debate on financial perspectives 2014-20 and work to ensure major increase in expenditure for biodiversity under next financial perspectives.*<sup>71</sup>

FOEE also has a continued interest in influencing the allocation of EU funds and explicitly states its intent to redirect Cohesion Policy investments from economic growth to green living:

*Cohesion Policy after 2013 will most probably account for the largest share of the EU budget and will therefore have an essential role to play in promoting this crucial transformation to a sustainable way of life. . . We also strongly believe there is a case for broadening the concept of cohesion from purely economic criteria to social and environmental living and working conditions.*<sup>72</sup>

CEE Bankwatch Network and FOEE have actually set up a campaign called "Billions for Sustainability" with the goal of "greening" the Structural and Cohesion Funds.<sup>73</sup> Like the Green 10, they are pushing to include NGOs in executive functions such as public budgeting.

## **Conflict of Interest**

This report does not address whether environmental NGOs should be represented alongside other NGOs and private interests on committees. The issues are more nuanced: is it legitimate for NGOs to be involved with government decision-making bodies, when they are financially supported for the purposes of lobbying by those bodies? Similarly, should NGOs who have a direct financial interest in the EU's budget decisions sit on the committees which are executing these decisions? Moreover, is this in the best interest of European citizens and taxpayers?

Committees decide where and how funds are used according to the wishes of individual Member States, while the European Union in theory ensures that money is not "wasted". In practice, an independent auditing body and a public body usually sit on each committee - but this no guarantee of transparency.<sup>74</sup> There are recurring suspicions of corruption and funds being misspent, especially in the case of the construction industry.<sup>75</sup> But further endorsement of the narrow interests represented by green groups, for example, is not a remedy to these problems.

Furthermore, the agenda supported by environmental NGOs is not innocuous or without controversy. The aim of the Cohesion Fund, as stated by EU, is to transfer resources "to modernise backward regions so that they can catch up with the rest of the Union."<sup>76</sup> By their own admission, many green group proposals would "change people's lifestyles and ways of doing business."<sup>77</sup>

The effect of the proposals outlined above would be to increase by stealth the funding of the Green 10 and other NGOs not only through grants, but also through travel reimbursements (notoriously generous within EU institutions<sup>78</sup>) and "training and capacity building." Involvement in decision-making and on-the-ground operations would increase the influence that these groups wield over the EU, and along with it, their ability to secure further funds and influence in future.

There is a risk that some activist organisations with a narrow agenda, including some green groups, might end up exploiting the democratic process for their own benefit. If the EU had given in to the Green 10 demand that an environmental NGO sit on every committee, environmental NGOs would have had free reign to influence all project appraisals and selections under the Cohesion Fund, the allocation of more than €50 billion every year between 2007 and 2013.<sup>79</sup>

## **Addiction to EU Money**

According to a 2005 independent review into DG Environment's funding of NGOs (the Programme), most recipients showed great reliance on its funding. The report states that "it is likely that a high share of the grant in an NGO's total funding implies a high dependency on the programme."<sup>80</sup> This certainly applies to a majority of the Green 10 members.

As stated earlier, recipient NGOs are required to find other funding sources to comprise only 30% of their budget, while the EU can donate up to 70%.<sup>81</sup> This low co-funding requirement "is not universally supported within the Commission"<sup>82</sup> and has raised genuine fears about long-term sustainability of projects and independence of NGOs. It appears as if NGOs may also have been disincentivised from raising funds elsewhere, as they have found that their generous and unrestricted EU grants are then usually reduced.<sup>83</sup>

This is even more worrying as NGOs have continuously received more and more substantial funds from the Commission. The majority of Green 10 members now receive considerably more funding from DG Environment than in previous years (see Table 4). In fact, from 1998 to 2009, Birdlife Europe's funding has increased by 900%, FoEE's funding by 325% and WWF-EPO by 270%.

The report into DG Environment funding found that "in all cases year on year ratios appear to fluctuate, thus no systematic evidence of a fall in beneficiaries' dependence on the Programme during the 2002-04 period could be established."<sup>84</sup>

Some groups such as CEE Bankwatch Network and HEAL still rely on EU funds for about 60% of their budgets. The former received EU money for eight years and the latter for six years—periods which certainly should have been long enough to develop alternative funding sources.

The report further found that "NGO interviews overwhelmingly (14 out of 16) indicated that, once beneficiaries achieved a certain level of involvement in EU policy making, they would not be able to maintain it without the continued support of the Programme."<sup>85</sup> In 2008, the Commission confirmed that many organisations were "consistently funded throughout the period" and that it is "relatively difficult" for new applicants to secure funding.<sup>86</sup>

**Table 4: Increase in DG Environment Funding to the Green 10<sup>87</sup>**

	1998		2005		2009	
	Funding from DG ENVT €	% of total budget	Funding from DG ENVT €	% of total budget	Funding from DG ENVT €	% of total budget
<b>BirdLife Europe</b>	45,120	-	390,582	49%	407,880	36%
<b>CEE Bankwatch Network</b>	-	-	250,375	43%	422,700	64%
<b>Climate Action Network Europe (CAN-E)</b>	141,462	-	245,272	52%	259,762	34%
<b>European Environmental Bureau (EEB)</b>	494,688	-	933,119	55%	925,888	50%
<b>European Federation for Transport and Environment (T&amp;E)</b>	104,304	-	206,250	41%	261,000	34%
<b>Friends of the Earth Europe (FoEE)</b>	250,544	-	398,637	43%	813,721	53%
<b>Greenpeace European Unit</b>	-	-	-	-	-	-
<b>Health &amp; Environment Alliance (HEAL)</b>	-	-	367,402	80%	379,699	61%
<b>International Friends of Nature (IFN)</b>	133,076	-	150,812	30%	255,747	47%
<b>WWF European Policy Office (WWF-EPO)</b>	245,292	-	768,731	23%	661,878	15%

## **Impartiality at Stake**

The Commission pledges to respect the independence of the NGOs it funds, notably by “allowing the applicants to formulate their work programmes according to the priorities as identified by them” in order “to ensure diversity and independence among the funded organisations.”<sup>88</sup> However, an independent report based on interviews with Commission bureaucrats and environmental NGO representatives admits that financial dependence at the national and regional level could compromise independence:

*If NGOs had to rely (whether substantially or exclusively) on national/regional government funding, this would inevitably tend to compromise their independence, because the disbursements of funding at this level is – more often than not – dependent on political connections and a willingness to serve relatively narrow political agendas.*<sup>89</sup>

Unsurprisingly both the Commission and recipient NGOs deny that their independence has been compromised by funding.<sup>90</sup> But the report offers no insights as to why the “political connections” and “narrow political agendas” which threaten NGO independence at the national and regional levels are not a threat at the EU level.

DG Environment funds for NGOs are disbursed for unspecified aims, while other EU funds can be allocated for specific activities. But either way, NGOs are expected to fulfil certain duties such as participating in “consultations”:

*During the period covered by this evaluation, NGOs (including those targeted by the Programme) received an increasing number of invitations to attend such meetings. Demand has been such that, in most cases, NGOs have found it difficult to keep up.*<sup>91</sup>

There is a danger that these groups become “incorporated”, censoring themselves as they become part of the system they originally intended to monitor. Though the Commission formally respects NGO autonomy, it is clearly in a position to influence their agenda and priorities.

## **A Solution to the EU’s Democratic Deficiencies?**

The Commission views its funding of NGOs as part of an ongoing effort to “democratise” the EU and “connect Europe with its citizens.”<sup>92</sup> However, a look past the rhetoric of the unelected Commission shows the serious problems arising from any attempt to democratise an institution by undemocratic means.

While this report has focused only on green NGOs and more narrowly the Green 10, it raises important questions about the independence of these NGOs and their role in the EU decision-making process. To the extent that most influential NGOs in Brussels rely upon EU funding, NGOs may actually exaggerate the EU’s “democratic deficit”.

In an independent study which questioned representatives from DG Environment, the majority could not agree that recipient NGOs were representative of the population.<sup>93</sup> The study found that the Programme’s geographical outreach has expanded mainly “through the membership of mainstream established NGOs in Western Europe.”<sup>94</sup> The Commission privileged the most recognisable names within the green lobby, so “a small number of NGOs receive the bulk of the funding.”<sup>95</sup> Meanwhile, participation of NGOs from new Member States and candidate countries remains limited.<sup>96</sup>

Targeting networks may be a “most cost-effective way of dealing with civil society” for the Commission but it is doubtful that these large, centralised organisations are truly representative of the varied beliefs and opinions of Member State citizens. Even if the Green 10 does represent over 20 million people, as it claims to, this is a minority of the EU’s 500 million inhabitants.

## **Kicking the Habit: Recommendations and Conclusions**

The EU argues that environmental NGOs provide a “necessary balance in relation to the interests of other actors... including industry/business, trade unions and consumer groups.”<sup>97</sup> But the assumption that NGOs and business are in constant opposition is simplistic: the interests of some business and some NGOs are often aligned, as recent coalitions at national and international levels have shown.<sup>98</sup> Big businesses often collude with environmental groups to push through regulations that benefit them at the cost of smaller business competitors. Even when the result is an improvement in the environment, often it comes at an unnecessarily high cost because of the diminution in competition, reduction in innovation and higher prices for consumers.

Even where there is genuine opposition between business interests and environmental NGOs, it is far from evident that giving environmental NGOs additional influence and funding is the best way to address the problem of political decision-making being biased by other narrow interests. Why should the environmental NGOs have *more* influence than business, trade unions or consumer groups? Why should they be subsidised?

The point is that European decision-making should not be about the narrow interests of business, consumer or environmental NGOs. It should be about providing public goods to the 500 million inhabitants of the EU. As this report makes clear, EU funding of environmental NGOs is very far from being a pure public good. In many cases, it may even be a public bad.

EU meddling in the funding of NGOs has ruinous effects. Not only does it undermine the financial independence of those NGOs, it also threatens their political independence and ability to determine their own priorities. Despite their best intentions, recipient NGOs could find themselves becoming front groups for the bureaucratic apparatus or consultative groups in an advisory capacity. By funding a few, select organisations, EU funding of NGOs also crowds out other environmental or civil society groups.

Worse, EU funding works to give the impression of democracy and active civil society participation. In reality, it jeopardises the reputation of the whole civil society movement active in Brussels. So far, it appears that the EU has expanded the democratic deficit by selecting and paying groups to play the part. The funding of environmental NGOs by the EU must stop forthwith.

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- <sup>2</sup> For the sake of simplicity, "EU" is used herein to refer to the European Union, the legal entity that came into being following the implementation of the Lisbon Treaty in December 2009, and to its fore-runners in a legal sense, the European Community and the European Economic Community.
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- <sup>12</sup> Though the Green 10 website lists Birdlife International, Greenpeace and International Friends of Nature as members, it seems that the first two's respective European chapters (The Birdlife International European Division and the Greenpeace European Unit) are more active at Brussels and in EU life than their international parent organisation. Greenpeace states its link to the European unit at <http://www.greenpeace.org/eu-unit/about/summary-of-finances>. Birdlife Europe Division's page is hosted on the Birdlife International website. This paper will therefore concentrate on the funds allocated by the Commission to the Birdlife's Europe Division. The "European Politics" section on the International Friends of Nature website and their work with the Green 10 both show that they are active they are at the EU level. DG Environment lists The Netherlands as the main country for Birdlife Europe, the Czech Republic for CEE Bankwatch Network and Austria for International Friends of Nature. All other Green 10 recipients list Belgium as their main country.
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Lobbying expenditure is expressed as a percentage using income figures derived from the European Commission's "List of NGOs 1997-2008", rather than the percentages submitted by some NGOs to the lobbyist register.

For example, Birdlife Europe claims that €360,000 on lobbying was 25% of total expenditure in 2007. Similarly, FOEE claim that the €696,000 spent on lobbying was 33% of their total budget in 2008.

See Birdlife International European Division profile at

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<sup>97</sup> Decision 466/2002/EC of the European Parliament and of the Council of 1 March 2002 laying down a Community action programme promoting non-governmental organisations primarily active in the field of environment protection.

In particular, Preamble (6): "Environmental NGOs participate in experts groups, in preparatory and implementation committees of the Community institutions, providing important input to Community policies, programmes and initiatives and necessary balance in relation to the interests of other actors in the environment, including industry/business, trade unions and consumer groups."

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