

factsheet

EU Budget

What MPs are saying ...and why they're wrong

If MPs approve the EU budget deal Blair did in December when it comes before Parliament later this year, from 2007 Britain's payments to the European Union will increase to £6 billion a year. That's £115 million every week, even taking into account our rebate and EU grants we receive back.

As part of our *Stop the Cheques* campaign against this massive increase in our payments to the EU despite the continuing inability of even the EU's auditors to tell how most of the money is spent, DM supporters have been sending imitation cheque leaflets to MPs to ask them to explain how they can be satisfied with this situation or, if not, what they are doing to halt this waste of so much money.

This second DM *factsheet* on the EU budget sets out the main points some MPs have made in their letters to defend Blair's EU budget deal - and explains why they're wrong.

MPs say: *"The budget deal was many millions of pounds smaller than those proposals tabled earlier"*

Reality: It's worth noting that MPs do not attempt to dispute the figures we use in our *Stop the Cheques* campaign. And when the net cost is to be £115 million every week, it's insulting that MPs think we should be grateful that the give-away wasn't 'many millions' more. That the bill could have been even bigger is no justification for the huge increase in payments that Tony Blair has agreed to.

What's more, no benefit can be claimed for handing this money to the EU while auditors can't explain to any norms of financial accountability where the majority of the cash then goes.

The key question is where are these annual extra billions for the EU going to come from? Which public services will Blair's successor have to cut, or taxes raise, to pay for his generosity to the EU?

MPs say: *"We were instrumental in setting up the EU's anti-fraud office, OLAF"*

Reality: This is far from a reassuring claim. OLAF was the EU body behind the outrageous treatment of Hans-Martin Tillack - a German journalist for *Stern* magazine, who was investigating EU fraud.

On OLAF's orders, Tillack's home and office were ransacked and his computer, archives and personal papers confiscated in an effort to discover his sources. He is still trying to retrieve his possessions and papers through legal action today.

Neither did OLAF resolve the Eurostat fraud scandal, which exposed slush funds belonging to the European Commission that had been channelled to unofficial bank accounts and used for unauthorised purposes. The officials found to be involved remain on full pay or enjoying a full EU pension. But revealing the fraud cost the whistleblower her job.

OLAF's actions show that it's not so much anti-fraud as anti people finding out about it.

MPs say: *"The government strongly supported the setting up of the Commission's internal audit service"*

Reality: It's useful that MPs should bring up the Commission's internal audit service. Just over a year ago the retiring head of this very body, Jules Muis, described the EU's accounting system as "chronically sordid" and condemned the EU's Budget Directorate as being in "persistent denial of the real nature and depth of the problems" [*Daily Telegraph*, 15 March 2005].

If the government claims credit for this body being set up, why then are they not listening to the very serious comments of its former chief? Why are they not acting on them and moving urgently to protect public money rather than pledging to hand over billions more?

MPs say: *"The government strongly supported the Whistleblowers' Charter introduced by Neil Kinnock... we pressed strongly for such procedures to be enshrined in the new Staff Regulations that came into force in May 2004"*

Reality: This 'Whistleblowers' Charter' is not new and has proved completely ineffective. Marta Andreasen, to name just a few.

It was originally launched by Neil Kinnock in 1999 after the revelations of a whistleblower forced the European Commission to resign. But since then there have been numerous further examples of whistleblowers having been vilified by EU institutions and forced out of their jobs for revealing fraud: Dorte Schmidt-Brown, Robert McCoy, Dougal Watt and

Whatever regulations the charter was 'enshrined' within in 2004, that clearly didn't stop Kinnock himself sacking Marta Andreasen in 2005, in one of his last acts as an EU Commissioner. That was before retiring to enjoy his £272,808 pay-off, his £63,900 a year EU pension and take up his seat in the House of Lords (the existence of which he used to oppose) as Baron Kinnock of Bedwelty.

MPs say: *"the Government is concerned about the fact that the European Court of Auditors has not been able to give the EU accounts a clean bill of health ...However, this is not equivalent to a finding of fraud."*

Reality: After 11 consecutive years of EU accounts failing to get auditors' approval, only "concerned"? Clearly not quite concerned *enough* to resist handing billions more to the EU every year.

claiming expenses they're not entitled to and regular reports of fraud in the awarding of EU grants and contracts. The evidence is everywhere.

Although it is fair to say this long record of audit failure doesn't *necessarily* indicate fraud, there are however many well-documented *examples of fraud* to show exactly what's happening. From scandals involving the EU's own institutions such as Eurostat and the Committee of the Regions, to MEPs

So why don't MPs stop trying to gloss over this serious problem when so much public money is at stake? This isn't an abstract international affairs matter. This lack of control of public money directly affects schools, hospitals, pensions, council tax and much else in their own constituencies, for which they will be held locally accountable.

MPs say: *"transactions underlying the financial statements for 2004 were legal and regular in respect of revenue, commitments, and administrative payments"*

Reality: Payments made under these parts of the budget amount to just 10% of overall spending, and even approval for these were qualified with the identification of "weaknesses". Yet in areas such as agricultural spending, structural measures, internal policies and external action - spending that amounts to over £60 billion - auditors could once again not approve the EU's accounts as legal and regular.

On releasing his most recent report, the head of the EU Court of Auditors Hubert Weber said "The Court found that the vast majority of the payments' budget was materially affected by errors of legality and regularity in the underlying transactions" [EU Court of Auditors press release, 15 November 2005].

How Gordon Brown can double his budget....

Gordon Brown was very proud of the spending plans in his latest budget, announced in March.

But had he stopped the cheques to the EU 18 months ago, at the time of the 10th annual failure of the EU's audit, then by this year's budget Brown would have had enough cash to double many of the amounts he pledged to spend. See our web site (address *top*) for full details.

For answers to other ineffective points some MPs have been making in an attempt to justify Blair's EU budget deal - such as *"the deal is an investment in the new Member States"*, *"we must pay our fair share for enlargement"* and *"the deal also included a significant review of the CAP"* - please see our first EU budget *factsheet*, published in December. Please contact us at the address at the top of this page for your copy.