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"Financing of consumer organization: means of financing"

IMCO Hearing

THE COMMITTEE ON INTERNAL MARKET AND CONSUMER PROTECTION



Chair Arlene McCARTHY, MEP

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Room ASP 1G3

Public Hearing on
The Role of consumer organizations across Europe

Financing of consumer organization: means of financing

Federacja Konsumentów is an independent non-government organization, which aims at protecting individual consumer in Poland. It covers all of Poland through a network of 49 local clubs. These clubs function as consumer advice centers and associate volunteers willing to cooperate with us. We always strive to actively provide the Polish consumers with creditable advice and assistance.

Furthermore, we are engaged in consumer policy creation. Our lawyers provide opinions about legal projects for ministries and parliament. We participate in normalization bodies.

Big part of our work is focused on consumer education. Every year we publish several brochures, leaflets, we educate children in schools. Our Internet portal is visited by 40 000 consumers every month and we present useful information, education materials, forms and contact templates as up-to-date as it is possible. The education is addressed to business, too.

European institutions and institutions in the Member States are more and more aware of and appreciate the increasing role of the consumers on the market. They point out the necessity to further raise effectiveness of the protection of consumers' rights and interests. The word 'consumer' appears ever more often in numerous official documents and declarations. It is being stressed out that protection of the consumers is an interdisciplinary area, requiring a horizontal approach; and, that it's crucial for the public institutions to cooperate with civil society, where the consumer organizations play an integral and important role.

On the other hand, the consumer awareness is increasing, leading directly to dynamic raise of interest among the citizens in the services provided by consumer organizations. At the same time, the problems they face are becoming more and more complicated, thus requiring high level of competence and more allotted time of a consumer organization.

All the mentioned factors lead to extending – both in quantity and subjects – work field of consumer organizations. Are the increasing expectations coupled by increasing possibilities for the consumer organizations? Unfortunately, not.

There are many factors contributing to the operation of consumer organization, although one of them is

predominant when estimating its potential: the financial means. They are not only practically defining the scale and quality of day-to-day activities, but also its growth capabilities. Lack of proper funding – to a lesser or larger degree – is characteristic of all consumer organizations. It results from the fact, that protection of consumer interests and rights is a relatively young field. The consumers, as a differentiated and scattered social group are considerably weaker comparing to labor unions or other professional associations being able to force the government to increase funding for its activities.

The systems of financing and financial situation of the consumer organizations differ from Member State to Member State. They are more friendly to consumer organizations in the countries of the 'Fifteen', what results from continuous development of market economy in these countries, decades of consistent consumer policy of fifty- to sixty-year history. In these countries understanding of consumer problems, of their role in the market economy, the necessity to support consumer organizations by the public institutions, and to develop consumer legislation form one of the canons in the politics. It is characteristic of the countries of the former 'fifteen' to have a mixed, private and public scheme of financing of the consumer organizations.

The situation is different in the new Member States. The activities aimed at protection of consumer interest have much shorter history (the oldest consumer organization in Eastern and Central Europe – Polish Consumer Federation – was started only 25 years ago) as it's virtually started in the nineties of the 20th century. The specific character of new Member States is also in the fact, that since the end World War II they had been developing, to be general, apart from the market mechanisms and democracy. Thus, for decades they were lacking two important factors, which determine the consumer's position on the market, and the development of public and private activity in protecting their rights and interests. The idea of consumer protection is for the political elite still somehow new and marginal, and a low consumer awareness is not motivating the authorities to more effective actions in that field. Emerging national capital is not yet oriented at fulfilling the role of non-governmental organizations' partner. Etc.

Hence, the consumer organizations, and the public institutions protecting the consumers, face more complicated problems in the new Member States. Its not only working with the citizens to make them aware of:

- their being the main axis of the market economy,

- the dependence of the development of democracy on the development of civil society,
- as consumers they have rights and they should execute them,
- the fact that they are not alone, they can use help of organizations and institutions aiming to protect their interest,
- necessity to change old market habits, that had arisen in economics of shortage,

It is also working with the decision-makers, to make them aware of:

- economical mechanism will not work properly without consumers who are strong and aware of their rights and choices,
- consumer is the weakest link in the market economy, so they need support and strengthening,
- the state and its institutions have the duty to protect consumer interests.

One of the key problems that consumer organizations face constantly is the lack of financial means. Consumer organizations – due to specific character of their operation – have a limited manoeuvre when seeking financial support. That is because the main asset of these organizations is the social trust. It leads not only to the need of transparency in that area, but also requires a careful choice of the sources of financing. Theoretically, they might use following sources:

- a) membership fees,
- b) business activities,
- c) private means,
- d) EU means,
- e) public means.

Ad a. The membership fees are a symbolic part of income. Most of the cases, their level is low, its just a symbol of closer bond of the consumer with the organization, is more of a sign of supporting the idea of the organization than a source maintaining its operation.

Ad b. The majority of consumer organizations does not run business activities. It results from the lack of capital on the one hand, and from the fear of loss of social trust on the other. An exception are those publishing consumer magazines, but such activity usually brings no income, its run by financial support of the state.

Ad c. The market of private means available for the non-governmental organizations is limited and aiming mainly at charity. Seeking sources directly with the business may be regarded as loss of independence and objectivity.

Ad. d. The EU means are very attractive for a consumer organization, as they allow not only realization of national-scale projects, but also to cooperate with organizations of other Member States. They also are a challenge, because they require organization's contribution (even 30% is often a big problem).

Ad. e. The public means remain. They should be a natural and considerable source of financing of the consumer organizations. State's budget are the taxpayers' money, so they are anonymous. Allotting them to support the activities of consumer organizations, public or mixed, public-private institutions dealing with consumer issues should be a rule. In practice, in most of the new member countries consumer organizations are supported with the budget means. Forms of the support and their appropriation are various, although some features are common:

- symbolic (in comparison to the needs) level of support,
- year-to-year uncertainty on the acquiring of the funds, their amount and time of its payment; this not only hinders planning but is very bothersome in daily work,
- a noticeable trend to lower or keep at stable, low level of the sums allotted to consumer policy and support of consumer organizations.

Demands and expectations of the consumers and politicians are increasing. The possibilities of their meeting by the consumer organizations are not growing in pace to meet them, and the organization are not to be blamed for it. Without determined, consistent and constant financial help from the state in the strengthening of educational, informative, and legal activities of the consumer organizations it will be very hard to improve the consumer's position both on the national and European market. And the help is needed immediately. As indicated in the latest report (September 2006) by Consumers International: "2006 Member and Donor Surveys" (the survey was run in the second half of 2005 among 191

members of CI) financial situation and its impact on the potential of the consumer organizations is really not good:

- over 50% of consumer organizations have an annual income of less than 100,000USD
- hence, there is a low level of employment of staff and volunteers. On average, in a consumer organization there's:
 - less than 5 persons working full-time
 - less than 3 working part-time
 - less than 2 payed volunteers
 - less than 60 not-payd volunteers

In this context its most disturbing to learn about propositions of the European Commission on cutting down the budget for consumer program in the years 2007-2013. While understanding the necessity of cuts, its really hard to accept a specific principle of equality: cut all. There are fields of development, essential for the Common Market – like consumer policy – that should have the funds gradually increased, and if that's not possible, at the least be left at the same level. Drastic cuts that DG SANCO had to deal, are not an ill omen for the consumer issues, especially in new Member States. The vision, presented on the 7th of May of 2002 by Commissioner Byrne, introducing the strategy of consumer policy of EU for years 2002-2006, said that: 'In the years to come, the consumers should be able to profit from the Common Market and from Euro. They should perceive concrete results brought by considering of the consumer interests in the EU policy. In the enlarged European Union, with citizenship of 470 millions, all the consumers should exercise the same level of protection. Such sort of strategy is provided by the guidelines for the consumer policy for the next five years.' Without consistent and continuous financing these words will become empty and unfulfilled.