



Brussels, 20th February 2021.

President of the European Parliament
President of the Budget Committee
President of the AI Committee

Dear President,

Concerns: Recovery Plans and Modern Democracy in a Digital Age.

The report *“Blockchain Eco-System, European Public Funds and Citizens-Centric Finance”* attached is presented to you by a consortium of organisations dealing with modern democracy, digital tools and the Sustainable Development Goals. It invites to create a *‘virtuous trust cycles’* in public financing and accountability.

Noting that the Commission Vice-President Dombrovskis invited Member States drafting their national plan to be more specific, ambitious and have *effective systems to prevent, detect and correct conflicts of interest, corruption and fraud*, we believe that the European Blockchain Infrastructure (EBSI) should be revisited and enhanced to meet the level of modern democracy standards.

- 1- EBSI is currently very focused on four areas (identity, notarisation, education, and data sharing for tax authorities) not on financial transparency and public funds monitoring which is the real game changer of modern democracy.
- 2- EBSI is focusing on PERMISSIONED blockchains where existing data can be modified or deleted. It's not yet a blockchain securing to *detect and correct conflicts of interest, corruption and fraud*, securing real transparency and trust but a very normal distributed database. Plenty of entities across the world are, for "marketing" reasons and too much hype wasting large budgets over these solutions that are usually not necessary.

It might take a while before governments decide to give up control and trust a real blockchain but steps need to be made while all Member States are part of the *European Blockchain Partnership* and the European Parliament has here a key role to play to improve EBSI. We are deeply convinced that modern democracy will use blockchain to ‘rebuild’ citizens trust as well as to generate system innovations.

The organizing framework should be a multi-stakeholder, open method of coordination towards systemic change to build resilience and regeneration supported by new tools such as blockchain.

Here are our main requests to Member States :

1. The principal ask is to put 10% of the digital budget in each National Recovery Plan towards the blockchain ecosystem described in the report.
2. The 2022 target is to have at the national level "A National Platform Connecting Data to Incentivize Trust - European Funds (CDIT-EF)" and do it with other Member States, as *multi-country digital projects building eco-systems of excellence and implementing flagships initiatives through parallel national initiatives which can be linked* are encouraged by your Commission.
3. As the European Parliament requests to 'co-operate as equals' with Africa. EU funded projects inside Europe in the framework of the Recovery Plan should be equipped with the same blockchain infrastructure as the one proposed to or requested from third countries. Take inspiration from the Trusted Budget Expenditure software (TruBudget, <https://trubudget.net>) developed by KfW. It serves as a platform for all stakeholders involved in a development project or programme (e.g. ministries, agencies, donors, auditors). TruBudget is a modular open-source software with APIs that is available to anyone free of charge. We need a similar system for all EU funded projects inside Europe.

As far as the EU level itself is concerned in addition to our request related to EBSI (see above) two majors initiatives should be taken :

1. The EU level should be equipped with a **"Blockchain-Green deal - Sustainable Finance Situation Room"** having a mission different from the task of the *European Blockchain Observatory* and *European Blockchain Forum*. This "situation room" should enable blockchain users and SDG's experts to share finding and explore innovative system management. It should be linked with initiatives of the Commission as the *European Semester*, the *EU Social Pillar*, the *European Raw Materials Alliance* and the *European Climate Pact*.
2. Finally, inspired by an OECD-IIASA report of the imperative that new instruments for systemic management of EU funds must be quickly acquired¹ and the OECD work on 'blended capital', the report requests that **each project funded with 'blended capital' be implemented through a 'smart contract' with a blockchain attached. Report should be made to the 'situation room'**.

The above proposals are inspired by the UN task force report '*People's Money: Harnessing Digitalization to Finance a Sustainable Future*' and its invitation to *harness digitalization to advance citizen-centric finance and accelerate financing for the SDGs* are providing the framework for a series of proposals related to Blockchain and the EU Recovery Plan. Our proposals are contributing to a new level of ambition for a modern democracy in which *The Next Generation EU* as well as the *European Green Deal* should be 'pilot' processes demonstrating that *digitalization can:*

- *be harnessed to support vulnerable people, reduce inequalities, sustain livelihoods and strengthen solidarity,*
- *support financing that meets the priorities of the people it is intended to serve, by empowering them as savers, lenders, borrowers, investors, and taxpayers.*

¹ Hynes, W., M. Lees and J. Müller (eds.) (2020), *Systemic Thinking for Policy Making: The Potential of Systems Analysis for Addressing Global Policy Challenges in the 21st Century*, *New Approaches to Economic Challenges*, OECD Publishing, Paris, <https://doi.org/10.1787/879c4f7a-en>.

We stand ready to work with the European Parliament and support your efforts in this regard in view of our current work and expertise.

Sincerely yours,
On behalf of the consortium.



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Annex. Project submitted to be part of the national digital action plan

Demonstrate a high level of ambition when defining reforms and investments enabling the digital transition as part of their recovery and resilience plans. It should be part of the Commission request to devote a minimum level of 20% of expenditure related to the application of digital technologies.

Complement the **European Blockchain Services Infrastructure** launched by the Commission and 30 European Governments as

- the EBSI private blockchain option left alone isn't desirable because there is an obstacle built into its structure that impairs its ability to restore actions spearheaded by these same institutions
- EBSI includes priorities such as "*notarisation of audit documentation*" related to public funds but not the tracing of public funds itself.

As decarbonization requires to reshape the way we interact, this development will encourage societal innovation for a 'leap forward' towards more resilience and well-being, the primary objective of this project. In order to make a leap in societal capabilities, you will need to deal with sustainability in a holistic manner addressing cross-cutting issues relating to finance, biodiversity, climate, inequality and health.

With this initiative, public finance accounting can become integrated with Carbon and Biodiversity Accounting to generate a new economy based on trusted transactions of stateful data. Furthermore, we guarantee that public and private impact investors will be attracted by Countries and projects equipped with such an innovative and transformative blockchain system building accountability, i.a. of risk management, confidence and efficiency.

The UN task force report '*People's Money: Harnessing Digitalization to Finance a Sustainable Future*' and its invitation to *harness digitalization to advance citizen-centric finance and accelerate financing for the SDGs* are providing us the framework for a series of proposals related to Blockchain and the EU Recovery Plan.

Our proposals are contributing to a new level of ambition for a modern democracy in which *The Next Generation EU* as well as the *European Green Deal* should be 'pilot' processes demonstrating that *digitalization can* :

- *be harnessed to support vulnerable people, reduce inequalities, sustain livelihoods and strengthen solidarity,*
- *support financing that meets the priorities of the people it is intended to serve, by empowering them as savers, lenders, borrowers, investors, and taxpayers.*

We are inspired by an OECD-IIASA report of the imperative that new instruments for systemic management of EU funds must be quickly acquired.² One of them should be, at the end of the three years, 'smart contracts' with a blockchain attached to each project funded with 'blended capital' (to which the OECD devoted its 2021 *blended capital and impact investing week*).

² Hynes, W., M. Lees and J. Müller (eds.) (2020), *Systemic Thinking for Policy Making: The Potential of Systems Analysis for Addressing Global Policy Challenges in the 21st Century, New Approaches to Economic Challenges*, OECD Publishing, Paris, <https://doi.org/10.1787/879c4f7a-en>.

The project would include :

1. **A National Platform Connecting Data to Incentivize Trust - European Funds** (CDIT-EF pronounced Seed it- EF) having for objective an open coordination between blockchain users and public authorities for '*Responsibility- Resonance- Resilience- Regeneration*'.

Objectives :

- Monitor "commitments". It should strengthen the tracing and accountability system of public funding related to Next Generation EU and *pro-actively ensure this funding strengthens sustainability and resilience*
 - Collaboration within an eco-system of existing and new blockchain use-cases reporting to a "**EU situation room**". The situation room oversees elements related to the Green Deal, SDGs and the Rule of Law .
 - *Connect with and report to the " situation room" at EU level to provide citizen centric governance and access to data generated to allow compliance promotion and benchmarking*
2. **an eco-system of 'smart contracts' equipped with blockchain addressing specific financial instruments³** used in the framework of the recovery plan and the MFF, in relation with specific policies and linked with i.a. Climate-KIC *Transformation Capital Initiative*.
 - Grants
 - Loans
 - CAP support to farmers
 - Blended capital
 - Equity
 - Green bonds
 - Sustainable procurement
 3. **Pilot mapping and situation room blockchain initiatives related to specific sectors :**
 - Buildings retrofit
 - Agro-food systems
 - Electricity⁴
 - Gas & Fuel⁵
 - Transportation⁶
 - Raw Materials
 - And accompany aid by a monitoring mechanism to initiate the ecological transition of key sectors (tourism, aeronautics, automotive).

³ Take inspiration from the Trusted Budget Expenditure software (TruBudget, <https://trubudget.net>) of KfW.

⁴ ACT developed by ADEME and CDP, data assets can be recorded on the same ledger systems as capital assets, which provides public financial accounting that is directly tied to performance accounting (and outcomes).

⁵ ibidem

⁶ ibidem

4. ***A Training programme 'Blockchains, Empowerment and Jobs'*** for local authorities as well as blockchain potential managers and users in relation with the Green deal with the aim to *support vulnerable people, reduce inequalities, sustain livelihoods and strengthen solidarity as well as support financing that meets the priorities of the people it is intended to serve, by empowering them as savers, lenders, borrowers, investors, and taxpayers.*

The consortium offers to develop a training programme tailored for the Member States specific needs. Themes to be selected between:

- Food Systems, food chain and bankable projects
- Buildings retrofit
- Biodiversity
- Minerals (in relation with the European Raw Materials Alliance)
- Forests management
- Carbon credits and European Industries
- the European Climate Pact
- Micro-finance
- Human rights and wages.
- people's health and environment
- implementation of the SDGs.