ETUC Resolution
EU Financial perspectives after 2013

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1. INTRODUCTION

On 19 October 2010, the Commission issued a Communication on "The EU Budget Review" (COM(2010)700 final), thereby initiating the debate on "the architecture and purpose of the EU budget" after 2013. In June 2011, the Commission will propose a new budget framework for the period after 2013, which will be accompanied by legislative proposals concerning the Structural Funds, including the European Social Fund.

The EU budget should be one of the key instruments for the implementation of the EU priorities. : the new policy framework for the decade to come, namely the "Europe 2020" Strategy, was adopted by the European Council on 17 June 2010.

On the other hand, the Commission's Fifth Report on Economic, Social and Territorial Cohesion, published on 10 November 2010, sets out the options for the future cohesion policy within this framework. ETUC apprised the Commission of its position on the matter on 14 January 2011.

To this respect we want to underline that since then in depth changes have taken place and continue to take place in most of the EU Member States following the austerity measures which have been adopted and whose implementation implies attacks to the systems of collective bargaining too.
We have to note that the European economy is in a difficult situation. The economic recovery remains fragile and subject to various downward risk factors such as excessive speculation, instability of the markets, job cuts, rise of unemployment, wage stagnation, wage policy and the current debt reduction process in the private sector in several countries. Furthermore, faced with public deficits in Europe that are two times higher than the Maastricht criteria, economic decision makers are keen to return to a pre-crisis approach which means the reduction of the public deficits as well as of the role of the state and of the public services, in the hope that investments in the private sector follow automatically.

ETUC and its member organizations keep on being drastically opposed to the fact that the EU has taken measures to save the banks and now imposes austerity measures whose price is being paid by the European workers and citizens. We consider that it is most than urgent to reinforce the Welfare State's key role on which our European Social Model is based with a view to reinforcing Solidarity between the EU Member

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States and Peoples, as reaffirmed in the Lisbon Treaty.

We want to remind that the Lisbon Treaty confers more tasks and responsibilities to the EU in this field. The EU budget must reflect as much.

It is in this framework that the ETUC wants to remind its priorities concerning the structure of the EU budget after 2013 and their appropriate financing.

For ETUC, the EU budget must invest in people, economic and social cohesion and sustainable development, and must consequently be refocused on these priorities while doing away with and redirecting funding that goes counter to the EU's social and environmental objectives. The EU budget must give the EU the means and resources to look and act beyond its borders and to be able to assume its responsibilities in that respect.
We are convinced that these objectives can be achieved only through an in-depth reform of the EU budget.
To this respect ETUC deeply regrets that political attention has hitherto been focused mainly on the dimension of the different items/chapters of the future EU budget. We believe that it is essential to decide first on the political priorities for which the EU budgets are to be used and then to decide on the amount allocated corresponding to each Item/chapter for that purpose..Consequently the position of some Member States aiming at freezing the EU budget and reducing the amount of the Structural Funds is more than worrying.

2. ETUC PRIORITIES CONCERNING THE "ARCHITECTURE OF THE EU BUDGET AFTER 2013"

The Commission underlines that the budget, "in its structure as well as in its balance" has to reflect the EU political priorities which could lead to an articulation around the "EU 2020 Strategy". In order to be credible, this choice means that adequate European budgets have to be allowed for all the initiatives, namely the main projects. The mere coordination, even strengthened, won't be enough to guarantee the success of this choice.

"EU 2020" STRATEGY

The European Council decided that the Structural Funds were the financial instruments needed to implement the "Europe 2020" Strategy. In this context, we consider that the European Social Fund is the principal instrument to sustain the implementation of **the European Employment Strategy**, and must remain so.

2.1. The economic, social and territorial cohesion must continue to be at the centre of the "Europe 2020" Strategy

The Structural Funds are the key instruments for reducing the gap between the development levels of the regions and the lag of the less favoured regions under a strategy geared to the priorities of the "EU 2020" Strategy "smart, sustainable and inclusive" growth in the Member States, regions and territories.

ETUC considers that lessons must be drawn from the use of the Structural Funds to contribute to the economic recovery in the European Union.
More specifically, the European Council's decision taken in 2009 concerning the contribution of the cohesion policy to the economic recovery is a positive sign. The Structural Funds, which account for more than one third of the EU's budget, may in fact constitute an instrument of financing in order to take up the challenges in the short, medium and long term.
In the same vein, the principle of additionality must be included and specified further to make sure that funding from the Structural Funds supplements but does not replace national public funds.
The Structural Funds, which represent more than one third of the EU budget, are the financial instruments for a relevant active economic, social and territorial cohesion policy, whilst making a major contribution to the "Europe 2020" Strategy. We believe that they must not only remain, but be reinforced, particularly the ESF, which has remained the "poor relation."

2.2. In this context, ***the European Social Fund*** must be the principal instrument for the implementation of the ***European Employment Strategy*** that covers the objectives which fall essentially under the pillar known as "inclusive growth – a high-employment economy delivering economic, social and territorial cohesion," as well as the relevant areas and objectives pertaining to employment, skills and the fight against poverty. In very concrete terms, it is a matter of promoting a high-level strategy for more and better quality jobs.

The system of governance of the Funds has to be revised, namely ensuring that the respect of the principles and conventions in the social field (ILO fundamental rights, human rights, etc) and the principles and conventions in the environmental field, be a previous obligation for approving the financing of projects.
Moreover, the Structural Funds must be geared to a greater extent to achieving the objectives of the pillar known as "smart growth – developing an economy based on knowledge and innovation," and in particular, "Youth on the move."
Needless to say, given the current economic crisis, the European Employment Strategy must feature again at the top of the EU's priorities and more funds must be released to create more and better jobs.

On the other hand, to optimise the use of the Structural Funds, ties between the ESF and the ERDF must be strengthened, as has already been the case in the context of the current economic crisis, as evidenced by the measures taken recently in Germany and in Bulgaria.
It is also essential to ensure better coordination between the cohesion policy and the other EU policies, in particular the transport policy, the common agricultural policy, the energy policy and the climate policy, and consequently, the adequate allocation of corresponding available funds.
It is also necessary to ensure and reinforce the connection between the different economic and social policies, as well as between the different budget lines.
In the same vein, ETUC is of opinion that the measures provided under the European Globalisation Adjustment Fund (EGF) must be included in the ESF. Furthermore, it is essential to ensure coherence between "curative" measures due to restructuring covered by the EGF, and "preventive" measures provided by the ESF. It is moreover

just as important to ensure coherence between the principles of the two Funds, especially as regards the partnership and in particular the participation of the trade unions.
The priorities of the EFS should be expanded to finance the protection of workers affected by the measures taken to fight climate change, which would reduce the negative socio-economic consequences of the latter by providing alternatives for such workers in terms of employment and better income protection.

2.3. ***As regards the financing and management of climate change***, ETUC believes that in order to achieve the objectives set in the pillar known as "sustainable growth – promoting a more resource efficient, greener and more competitive economy," we will need government intervention as well as a range of more efficient public and private instruments.

The instruments to be used by the public authorities, such as aid for R&D, aid for the demonstration and deployment of technologies, (foreseeable and adapted) aid for investment granted to energy-intensive industries, standardisation, regulation, public investments, the dissemination of technologies in the South, sound management of skills and "green" jobs resulting from education on the matter, and training programmes, require the release of sizeable funds at European, national, regional and sectoral level.

The ETUC also considers that **a just transition strategy** has to be decided, namely for energy-intensive sectors in order to prevent carbon leakage and to encourage investments that help enhance environmental protection and safeguard quality jobs. It is also essential to create career crossovers to help workers from sectors that are shrinking to find quality jobs in expanding sectors.

For the ETUC, the 5 pillars of Just Transition to a low carbon Europe are:

- Consultation between Government and key stakeholders, including representatives from business, trade unions, local government and regional bodies and voluntary organizations;
- Green and decent jobs through investments in (new) low carbon technologies;
- Green skills : Government-led, active education/training and skills strategies for a low carbon, resource efficient economy;
- Respect for labour rights and human rights : democratic decision making and respect for human and labour rights are essential in order to ensure the fair representation of workers' and communities' interests at the national level;
- Strong and efficient social protection systems.

On the other hand, an exact evaluation of the situation of employment, per Member State and per sector, should be carried out under the coordination of the European Commission, with regards to the consequences of climate change. Thus the European Commission will be able to define, with the Members States and the social actors, the needs and necessary resources in order to implement the transition towards a low carbon economy in Europe.

Current European financial instruments can be used to finance these policies, but they do not suffice: the EU general budget, the European recovery plan, and the Structural Funds. They must be reinforced and mobilised further for the benefit of an EU development strategy.

The European Investment Bank (EIB) is an important and independent instrument of the EU general budget. In 2009, the EIB published a "Statement of Environmental and Social Principles and Standards" based on the fundamental principles of the ILO. This Statement has now been integrated in its project selection and implementation strategy. Greater use should be made of the EIB, if necessary by providing special (national) funds to finance the European climate policies and support the R&D efforts, not only of large companies but also of SMEs and VSEs.

The European Bank for Reconstruction and Development (EBRD) currently offers interesting prospects to be more used.

2.4. Common Agricultural Policy (CAP)

ETUC reiterates that the CAP must remain the main instrument for the implementation of the agricultural policy and is against any attempts to renationalise said policy.
The CAP must follow the logic of the EU 2020 Strategy and contribute to the financing of its implementation, and not on the contrary. The beneficiary enterprises have to respect, in particular, social and labour standards.
Consequently, in future, the connection between the CAP and the sustainable and inclusive development objectives (creation of quality jobs, social cohesion, environmental protection) must be consolidated and strengthened. Furthermore, given the consequences of a shortage of agricultural products and the ensuing rise in prices for such products, its initial objective must not be neglected in this analysis.
In parallel with the restructuring of the CAP, the funds for rural development must be increased substantially under the CAP and not the Structural Fund, in order to tackle the problems of employment and competitiveness in rural areas, particularly in the new Member States.

2.5. Development policies

The ETUC supports the EU ambition to play a more important role in the international sphere, namely through the aid to development which has been translated into the commitment to increase up to 0.7 % of the GNP the budget to reach the objectives of the Millenium for development by 2015.

Accordingly to the EU commitment to reduce socio-economic inequalities through the promotion of social cohesion and employment, Decent Work needs to become a strategic objective of the future development policy of the European Union, supported by adequate financial instruments which will ensure its implementation. Social dialogue, as a core element of the European Social Model and fundamental pillar of the Decent Work Agenda, must also be a priority within the external relations instruments of the EU.

The ETUC considers that the resources earmarked for supporting civil society, namely the workers and their representatives, to enable them to implement the EU development policies, have to be highly increased, strengthening in particular the thematic programmes in the field of democracy, fundamental rights and human and social development.

3. "Efficient" budget

It is judicious to ensure that the expenditures of the EU budget give the targeted results in terms of growth, job creation or economic and social cohesion, as this is the case at each level when public money is spent. The same is true when it is proposed to foreseen sufficient flexibility, namely drawing the lessons from the crisis while improving financial management, simplifying and reducing useless administrative burdens. Nevertheless the ETUC wants to draw the attention on the risks of an approach too centered on the obligation of results and sanctions or on economic governance which disregards the social impact of it.

3.1. Obligations of results and sanctions

As regards the proposals by the Commission that have an impact on the cohesion policy, ETUC believes that the concentration of financial resources on a limited number of priorities includes a certain number of risks to do with the underlying political will to attach sufficient importance to employment and social policies.
This is all the more the case in the context of uncertainty created by the economic crisis which is likely to persist.
ETUC shares the opinion that the assessment, performance and results of the Funds must be improved.
To this end, indicators have to be defined, as we have called for repeatedly. It is just as important to have quantitative and qualitative measuring elements.
As regards the European Social Fund, we nonetheless have serious reservations about the implementation of an approach entailing the allocation of funds based solely on results. More specifically, for employment policy and, more broadly, social policies, the results are more difficult to measure and less visible than in the case of transport policy, for instance. The construction of a bridge or a road, for example is evidently more visible than the results of training courses for unemployed young people. It is therefore essential to have a more precise and more appropriate system to assess the results obtained.

Moreover there is also a risk of "creaming". Indeed, when we link the granting of funds to the results, we run the risk that the projects which concern the people more remote from the labour market, and thus with less probability of reaching positive results, have less or no access to these funds.
In this respect, in our view it is important to develop efforts aimed at ensuring that the role played by Structural Funds in promoting regional development becomes visible, thereby convincing Euro sceptics of their value.
Furthermore, ETUC is completely against the proposal to apply sanctions and financial inducements relating to the Stability and Growth Pact, inasmuch as sanctions that fall under the purview of the Member States would penalise the regions and localities. Furthermore, it is European solidarity, which is not sufficiently developed yet, that would pay the price for non-compliance with the Stability and Growth Pact. The result

would undoubtedly be the impoverishment of the populations in the EU, consequently running contrary to the basic principles of economic, social and territorial cohesion policies as reaffirmed in the Lisbon Treaty.
To this respect ETUC considers that expenditures relative to vocational training, education, research and co-financing of the Cohesion Fund have to be excluded of the Stability and Growth Pact.

3.2. EU budget as an instrument of support for economic and social governance

ETUC believes that Europe is in need of economic and social governance but keeps on being strongly opposed to the Council's proposals on governance and a "competitivity pact". What Europe needs is to play its rightful role of providing the Member States with the indispensable tools to combat the crisis and the economic and social imbalances that have caused it.

This entails:
a. A Eurobond to help Member States cope with the irrationality of excessively pessimistic financial markets without the brutal economic conditions now attached to common EU-IMF loans.

b. A European tax on financial transactions accompanied by cooperation throughout Europe on taxation where the internal market is used by banks, businesses and capital gains in general to evade a fair contribution.

In this exceptional crisis situation, these instruments have to been used to finance a European stimulation policy, up to 1% of the European GIP, organised in the form of transfers for investment to the Member States, thereby helping the countries to get out of debt rather than imposing a blind austerity scenario on them that runs counter to the desired goal and is bound to destroy more jobs without managing to control the public debt spiral.

And this in order to put more resources in the EU budget in order to reach the growth and employment objectives.

The ETUC considers that Europe needs not only to develop new adequate sources of finance but, on the other hand, counter tax competition. Consequently a European wide coordination of tax policy on the most mobile factors of production (business profits and income from capital) is most than necessary, and this in order to fight against tax dumping and tax paradises too.

4. EU budget financing

ETUC considers that the Commission must insist, with due reason, on the fact that Europe's competitiveness in the world depends on a qualified labour force and modern infrastructure and facilities, and that consequently, it is necessary to bolster public investments in such key areas as education, research and broadband, energy and clean technologies.

The EU's choices are nonetheless far from reality when it comes to budget deficits. The EU has actually acknowledged that the recent measures taken to save the financial system had burdened the public debt to an unsustainable level, and decided to embark on a return to a balanced budget. It has therefore called for cuts in public spending.

Rather than a premature "deficit reduction" strategy, ETUC wants an "entry strategy for growth, investment and employment." The only way to reduce the deficits and public debt in the medium term is to kick start an immediate and vigorous economic recovery.

Europe needs enormous investments in new clean technologies, in particular in energy, transport and construction, as well as new industrial policies to boost production in the Union. Without a European recovery and investment plan, the economic and social consequences are self-evident. The EU will become even less competitive, neglect the poor and will not be able to create opportunities for its young people. In spite of fine speeches from European leaders, the proposals put forth do not provide any real solutions to these problems.

The European budget can make a difference if it matches the ambitions set in the "Europe 2020" Strategy. Nevertheless, if the Member States do not wish to pay more, and do not accept any new taxes, it will be impossible to finance new policies or without adequate financing, they won't succeed In order to financer new policies, an alternative consists in reviewing the structure of the budget and existing budget items would have to be "trimmed." Nevertheless the danger could be that in practice this choice would lead to important cuts in social and cohesion policies.

The EU's financial perspectives are the expression of its policy agenda. They are built on the idea that the economic advantages drawn by each country from its membership of the Union exceed the strictly budgetary cost of its participation. There are expenses and investments for which Europe represents the relevant level. It is this added European value, and not simply the goal of a "fair return" based on the calculation of net national budget balances, that must guide reflection on this subject.

ETUC considers that if we want to match the ambitions set by the "Europe 2020" Strategy and to take up the many additional challenges owing to the persisting economic crisis, Europe must have the political will to increase the EU General Budget after 2013.The very survival of our European Social Model, which is the envy of many a nation, is actually at stake.

The financial support of the public authorities plays an essential role namely in the transition towards a low carbon society. Public financing reinforces innovation and contributes simultaneously to support investments and employment in this sector. According to the position the Commission has expressed in a Communication on "Investing in the development of low carbon technologies – SET Plan" and according to which "an input of public financing is fully justified o reach the objectives of public policy and enable to overcome the market defects", the ETUC calls for a revalorisation of public financing at European level (besides the national and sectoral levels) so that at least one third of the funds used for research and development comes from public sources (to make realistic the Member States' commitment to dedicate 3% of the IGP to it).

Given the current economic situation, the ESF must continue to be an important strategic and financial instrument, endowed with more resources in line with the widened challenges it has to face (high unemployment rates), by reflecting an increase in the general EU budget of at least 5.9%, as proposed by the European Commission for the general increase of the EU budget for 2011.

In this respect, ETUC shares the opinion that each of these means of financing has advantages and disadvantages. We support the Commission's proposal to simplify the contributions of the Member States by gradually abandoning all the correction mechanisms and the VAT as a resource in its current form and to reduce the volume of the GNI-based resource, by introducing, likewise gradually and in parallel, new specific resources linked to the policies, namely:

- European taxation of the financial sector/tax on financial transactions
- Tax on extreme wealth
- Tax on business profits (not used for reinvestment)
- European tax on big enterprises
- Eurobonds
- Environment axes such as :
  a) Revenues by the EU from auctions in the greenhouse gas emission quota exchange system
  b) European tax on CO_2 and energy (according to the "polluter-payer" principle)
  c) European charge on air transport.