SYNDICAT EUROPEÆN TRADE UNION
CONFEDERATION

Position on the Multiannual Financial Framework post 2020

Adopted by the Executive Committee at its meeting on 25-26 October 2017

INTRODUCTION

The Mid-Term review/revision of the Multiannual Financial Framework (MFF) was part of the political agreement on the MFF 2014-2020 and is provided for in Art. 2 of Council Regulation N° 1311/2013 laying down the multiannual financial framework for the years 2014-2020.

The current MFF has already been stretched to its limits in its first two years. An ambitious revision of the MFF was essential for tackling the refugee and migration emergency situations, stimulating stagnant economies, reviving the European industrial base and tackling youth unemployment.

Nevertheless, on 7 March 2017, the Council agreed on a slight and financially limited review of the MFF which was endorsed by the European Parliament on 29 March 2017.

Now the focus has to be on the MFF post 2020. The European Commission will present its proposals, based on the reactions and responses to the White Paper on the future of Europe and the Reflection papers, around the middle of 2018.

On the other hand, the European Parliament is preparing a Report to be voted on in the plenary of March 2018.

The present ETUC Position is a first analysis and input in the current and future debates on the MFF post 2020 with emphasis on the implementation of the European Pillar of Social Rights.

CURRENT AND FUTURE CHALLENGES/UNCERTAINTIES

The main political uncertainties surrounding the MFF debate flow from the implications of the scenarios set out in the White Paper on the Future of Europe and its accompanying Reflection Papers.

The EU will face a wide range of challenges in the period post-2020. Among them are the current trends, which will remain relevant for decades to come, such as economic convergence and climate change, demographic change, migration and social cohesion, the digital revolution and globalisation.

The objectives of the EU and the EU budget have changed and increased over the years, but the structure of the budget has not kept pace with changing circumstances. When the financial crisis hit, the EU and its budget were not up to the challenge, damaging the credibility of the Union and the credibility of its financial arm, the EU budget.

In addition, Brexit is not only creating political uncertainties but economic ones as well, which will also affect the size of the EU budget and its distribution.

The EU budget structure is outdated, based on decisions and priorities which were central in the 1970s and 1980s. Over the years, the budget has undergone many reforms, but they have been boxed into a pre-existing structure and set of priorities which were created in response to completely different circumstances.

The MFF post 2020 has to be reshaped and adapted to the present and future challenges including the implementation of the 2030 UN Agenda in the EU.

The ETUC maintains that there is a need for a general increase in the EU budget and that over and above the need to increase the level of investments, their quality, real impact and sustainability need to be guaranteed.

THE ROLE OF FINANCIAL INSTRUMENTS AND THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI)

The EU increasingly relies on ad hoc financial instruments to cover the additional needs of the EU budget. The latest introduction of the EFSI has considerably expanded the non-grant financial operations of the EU. Some have seen this as a way to expand the reach of the EU budget with limited funding but there is also the view that financial instruments can replace grants and reduce the EU budget.

The financial instruments should be made more compatible with the EU grants, to make it easier to combine them. This would increase the return on investment of EU projects. There is a need to streamline the grant and financial instruments to make them more accessible and able to be easily combined. Moreover, the EFSI should also be used for social investment projects.

To summarise, financial instruments and the EFSI are important additions to the budget to distinguish between projects that need grants and those that need some guarantees or partial support to become bankable. Financial instruments cannot replace grants in many areas, particularly when the actions primarily produce public goods.

A NEW PATH FOR EUROPE

The ETUC demands a New Path for Europe with an investment programme of 2% of GDP per year for the next 10 years, to generate quality jobs and develop sustainable energy systems, meeting social, economic and environmental challenges. We demand public investment in healthcare and social services, infrastructure and research, as well as in universal and high-quality education and lifelong learning to improve employability and meet the working conditions of the future. Specific public investment in these areas should not be counted when national deficit levels are assessed, especially during economic downturns. Financial stabilisation should take place through economic growth and the establishment of a European Treasury here, with an orderly debt restructuring process where necessary.

These proposals can be a good basis for improving the so-called Juncker Investment Plan, which has proven not to be effective enough in boosting public investment and in addressing the lack of investments in countries and sectors most in need.

The EU budget, and in particular the European Structural and Investment Funds, should back up extraordinary investment plans at European level aimed at fostering sustainable growth and quality employment. Such plans require fresh resources and have to be complementary to European Structural and Investment Funds whose objective is to reduce regional disparities. All this should be linked to the need for an autonomous and growth-oriented EU budget. Taking into account the increased importance of Research and Innovation the ETUC supports the conclusions of the High-Level Group of experts on Research and Innovation to double financing of the programme known as Horizon 2020.

Co-financing by Member States should be taken out of deficit and debt calculations, in order to promote the effective use of EU funding. The European Investment Bank or, alternatively a new European Fund for Investment should also support the implementation of investments plans, prioritising projects with the greatest impact on jobs and Member States where unemployment is highest. The EIB and EFI should also allow Member States and beneficiaries to use EU Structural and Investment Funds to co-finance their financial interventions.

COHESION POLICY

Article 174 of the Treaty on the Functioning of the EU (introduced by the 2009 Lisbon Treaty) stipulates that "*in order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions".*

As a matter of fact, as mentioned in the EC Reflection Paper on the future of EU finances (page 16) *"The differences of economic and social perspectives may create socio-political tensions and require an appropriate EU response so that no person and no region are left behind"*.

The ETUC underlines that economic, social and territorial cohesion must continue to be at the core of the European Union Strategy to be defined, thereby ensuring that all energies and capacities are mobilised and focused on implementing the strategy. There are still important differences in the levels of development between the regions within the EU, as well as within Member States, hence the importance of the European Regional Development Funds (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Rural Development Fund (EARDF) and the European Maritime and Fisheries Fund (EMFF).

The MFF should provide higher funding to cohesion policy. The financing of cohesion policy must also be supported by national co-financing and the additionality of the expenses and investments remains essential and must be verified.

The EU cohesion policy is essential to support regional development, sustainable growth and quality employment.

The European Territorial Cooperation, i.e. cross-border, transnational and interregional cooperation, is essential to support solidarity between EU regions and should be continued in a more coherent way and with the full involvement of regional social partners from all regions involved.

European Territorial Cooperation (ETC) should be more integrated with the other cohesion policy instruments in relation to the common goals and the available resources.

Moreover, ETC should focus more on macro-regional strategies oriented to the cooperation and the common sustainable development of these macro-regions.

The General Regulation for the European Structural and Investments Funds (ESIF) post 2020 has to continue to strengthen these priorities and improve the governance, as well as strengthen multi-funds programming in order to increase efficiency.

We consider that the ESIF have to be managed and used in a more coherent way and with the full involvement of social partners. The so-called Partnership Principle, as laid down in the Common Provisions Regulation should be strengthened post-2020. In the future Common Provisions Regulation of the ESIF, the Code of Conduct on Partnership has to be added to the ex-ante conditionalities for granting the funds. In the same way as for macroeconomic conditionalities, as stipulated under Article 23 of the current CPR, sanctions such as the suspension of cohesion funds should be used.

Concerning the criteria for the funding of the regions, in addition to the existing GDP (Gross Domestic Product) related three categories (less developed regions – transition regions – more developed regions)[i], regional development indicators should be taken into account. GDP can only capture material well-being and does not take into account social and environmental costs, nor does it reflect social inequalities or regional disparities.

A variety of alternative indexes have been developed by international organisations, national statistical offices, national and regional authorities, such as, for example, sustainable development indicators and the Human Development Index (encompassing three dimensions: health, education and income).

The ETUC considers that structural and investment funds, especially the ESF, should be better targeted to all regions, since the fight against unemployment and social exclusion, or the need for a skilled workforce are not limited to less developed regions. They are neither confined to any particular area of the EU nor directly linked to Member States' development levels expressed in terms of relative wealth. Nevertheless, the ETUC considers that the support should be differentiated between regions, taking greater account of social and economic indicators.

THE EUROPEN PILLAR OF SOCIAL RIGHTS/ FINANCING OF SOCIAL POLICIES: ESF MUST BE INCREASED

Currently, EU expenditure on social matters represents only 0,3% of total public expenditure in the EU.

The European Pillar of Social Rights implies social policies to be properly financed. Consequently, the corresponding EU budget (ESF) must be increased so that the ESF can play an important role to reaching the objectives of the European Pillar of Social Rights. The ESF is one of the key instruments of European Solidarity.

On the other hand, during the current period, new programmes have been launched, or reformed and strengthened, in particular Erasmus+, the renewed European Globalisation Fund (EGF), the Employment and Social Innovation Programme (EaSI) and the EURES programme including "Your First EURES Job".

The ETUC considers that the continuation of the YEI (Youth Employment Initiative) and Erasmus+ has to be ensured. Moreover, in the future Regulation of the ESF, youth employment has to be one of the fundamental priorities of the ESF.

The ETUC recommends that social innovation should continue being encouraged in the next programming period in employment and active inclusion policies. The EU budget should support Member States in building up and strengthening transition support systems and social security, in countries where it is needed the most (*).

The management and monitoring of the use of the different abovementioned funds and programmes must be coherent and support each other. The ETUC proposes to group them under the ESF, amending the future ESF Regulation after 2020 and to increase the ESF budget up to at least 30% of the ESIF envelope (minimum share of the cohesion envelope) instead of the present 24.6%. The ESF should continue, in the MFF post 2020, to play a key role both in supporting the creation of new quality employment and in promoting social inclusion.

The ETUC considers that the ESF is the funding instrument for the development of labour market, employment policies and social inclusion. As such, the autonomy of the ESF should be maintained in order to allow it to fulfil its policy mission, whilst contributing to economic and social cohesion.

The ETUC considers that gender equality, anti-discrimination, including of migrants and refugees, and transnationality should remain key horizontal priorities for the ESF in the next programming period.

Finally, the ESF in particular should expand its support to the development of social dialogue, namely by improving the capacity building of social partners including European sectoral and intersectoral levels. This commitment should become compulsory for Member States in all the regions of the EU and 2% of ESF resources should be allocated to bilateral and/or unilateral capacity building activities undertaken by social partners to strengthen the social dialogue.

To this end, the ETUC is proposing to set up a separate and compulsory fund at EU level, within the ESF, dedicated exclusively to capacity-building, notably when it comes to capacity-building of social partners for social dialogue, industrial relations and collective bargaining. Furthermore, technical assistance to ensure full access of social partners to such funding should be put in place.

In addition to that there should be dedicated social partners' officers to assist social partners in their work in implementing ESIF in the Semester Process. The Commission could also appoint a Special Representative who could supervise this capacity building. Nomination to the post would be handled by the European social partners (*).

(*) ETUC Assessment on the Reflection Paper on the Social Dimension of Europe

CLIMATE CHANGE / A JUST TRANSITION FUND

Through the Paris agreement on climate change, countries committed to keep global warming well below 2°C and to continue efforts to hold it below 1.5°C (compared to pre-industrial levels). Translated into emissions pathways, this means that the carbon neutrality must be achieved globally in the second half of this century. The Paris agreement also aims to make “finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”. In other words, by signing the Paris agreement, countries committed themselves to become carbon neutral and to design their policy instruments – including budgets – accordingly.

The MFF post 2020 must be designed in that perspective. The money spent and the projects funded must be in line with the objective of paving the way towards a zero-carbon economy. EU money cannot be used for things that, by being drivers of additional CO_2 emissions, would be at odds with its major political commitments. An ex-ante assessment must be carried out to evaluate the impact expenditures might have on emissions.

Concretely, the EU power system must become zero emission, notably through the accelerated deployment of renewables. Major efforts must be done to speed up the thermal renovation of the building stock. The transport sector must be fully decarbonised as well and support given to industrial innovation must be driven towards initiatives that can make the EU the leader of low-carbon technologies. The next MFF must clearly and strongly support these objectives.

The ETUC has also highlighted that the transition towards a zero-carbon economy should not increase social inequalities, should create quality employment and should take care of those negatively impacted by decarbonisation. To cushion the social impact that decarbonisation might have in regions and sectors relying on CO_2-intensive activities, the ETUC has proposed to set up a “Just Transition Fund” that would be primarily funded by the auctioning of EU ETS allowances (Emissions Trading System). The European Parliament has endorsed that proposal in its official position on the ETS post 2020 but it needs a majority in the Council to become a reality. Whatever the result of that negotiation, the social impact of decarbonisation will have to be tackled by the next MFF given the magnitude of the change on the labour market that decarbonisation might imply.

EXTERNAL DEVELOPMENT POLICIES

The EU is the largest donor of Official Development Assistance (ODA). As such, EU development cooperation can have a considerable impact in decent job creation in developing countries. The external financing instruments within the new MFF should be coherent with the Sustainable Development Goals (SDGs) and the new European Consensus on Development, which recognise decent work as a key driver to achieve inclusive and sustainable development.

EU external financing instruments should favour the creation of decent work opportunities, as well as the pre-conditions and the enabling environment for workers and trade unions to represent their interests and operate freely. Against this background, the next MFF should feature a specific financing instrument to support social dialogue and social partners in developing countries.

EU funds that have as objective to create job opportunities should guarantee that employment created is decent and conducive to sustainable and inclusive development. That includes the guarantee of freedom of association and assembly, the space for workers to organise and engage in collective bargaining, the promotion of social protection floors and living wages, the ratification and respect of core labour standards and ILO conventions, the respect of human and trade union rights, and the establishment of social dialogue between workers and employers.

In the pursuit of development finance to achieve the SDGs, the private sector is being increasingly championed by the EU and international organisations as a source of investment. This is triggering a wave of so-called innovative development finance tools such as blending and public-private partnerships (PPPs), guarantees and equity investments, which are leveraged by ODA. ETUC insists that development aid should be used to develop public services and build robust public administrations including tax, labour and other inspectorates to enforce rules and to regulate the activities of domestic and foreign companies. This will give States the basis for their development.

This leveraging is often used for implicit support to public subsidy of European/international businesses operating in developing countries, risking undermining country ownership and untied aid commitments, and jeopardising development effectiveness. PPPs in some cases divert resources away from eradicating poverty. They are expensive over a long term and may increase public debt. The problems listed with the so-called innovative financial instruments are exacerbated by lack of good governance, weak democratic, administrative and judicial systems and underfunded public authorities.

Trade unions, as social partners, need to be fully consulted and involved in development cooperation initiatives. This should be part of comprehensive engagement criteria before granting funds to the private sector. These criteria should further ensure that this funding and the commitments take into account the contribution to sustainable development in general, and to decent work in particular. Companies that receive public funding should not be allowed to make excessive profits. The Commission should support initiatives to build governance structures to prevent that private sector investment in developing countries undermines the provision of public services, and the ability of governments to regulate them. As already demanded by ETUC, public country by country reporting for multinational companies is one of the measures to prevent tax avoidance which undermines development.

Certain programmes such as Development Education and Awareness Raising (DEAR) could benefit from a more thorough application of the actor-based approach to development cooperation. Trade unions have a long history as actors of development education and awareness-raising and more targeted EU support could exponentially increase the outreach on the importance of DEAR among workers.

EU BUDGET FINANCING/OWN RESOURCES

The EU budget is suffering, not simply from a political crisis, but rather from a deep crisis of trust on the part of EU citizens. Restoring this trust is the most important task in countering rising populism and the forces intent on dismantling the European Union.

Until the 1990s the own resources amounted to 70% of the EU’s revenue and the Member States contributions amounted to 30%. Today, the structure of the European budget is reversed: 80% of national contributions versus only 20% of own resources.

As proposed by the High-Level Group on Own Resources in December 2016, an in-depth reform of the revenue system is essential in order to make the future EU financing more stable, more sustainable and more predictable, while at the same time guaranteeing a higher level of transparency for EU citizens.

It is necessary to create the conditions for an autonomous budget and the sources of financing of the EU budget should be reversed: more from new/additional own resources and less from Gross-national income-based resources.

The ETUC considers that if we want to match the ambitions set by the present and future challenges as well as the 2030 Agenda for Sustainable Development, Europe must have the political will to increase the EU General Budget and reform the own resources system and to increase the own resources share to at least 50% of the EU budget.

The ETUC supports the gradual introduction of new specific resources linked to the policies, for instance:

- the Financial Transactions Tax (FTT);
- tax on excessive wealth (highest revenues and large fortunes);
- tax on business profits (not used for reinvestment);
- European tax on CO^2 and energy (according to the "polluter-payer" principle) for sectors which are not covered by the EU Emissions trading system (ETS);
- the emission of Eurobonds;
- The Web Tax.

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- Less developed region (GDP per capita less than 75% of EU-27 average)
- Transition region (GDP per capita between 75% and 90% of EU-27 average)
- More developed region (GDP per capita greater than 90% of EU-27 average