ETUC POSITION ON THE EUROPEAN COMMISSION PROPOSAL FOR THE EU BUDGET 2021-2027

Adopted at the Executive Committee Meeting of 25-26 June 2018

INTRODUCTION

On 2nd May 2018, the European Commission issued a Communication on its proposals for the Multiannual Financial Framework 2021-2027 followed by the publication of the proposed Regulations on 29 - 31 May and 1st June 2018[1]

The decision on the future long-term EU budget falls to the Council, acting by unanimity, with the consent of the European Parliament. We consider that negotiations should be given the utmost priority and agreement should be reached before the European Parliament elections.

The ETUC called for an increase of the MFF, whereas the EC proposal scarcely covers the €15 billion expected to be lost because of Brexit. The proposed global level of the next MFF set at € 1.1 trillion, which represents 1.08% of the EU-27 GNI after deducting the European Development Fund, is inferior in real terms to the level of the current MFF.

The ETUC considers it is not enough to face current and new challenges and that – as demanded by the European parliament - the EU budget should be increased to 1.3% of GNI. In addition to that, the proposal is not ambitious in terms of proposals of new sources of financing on the basis of own resources, which should become the primary revenue of the EU budget.

The ETUC also deplores that this proposal leads to the reduction of Cohesion Policy by 10% in real terms, while doubling the budget for security and defence.

Moreover we oppose a potential double cut in the European Social Fund Plus (ESF+) spending in the EU budget 2021-2027 as a result of scrapping the existing 23.1% minimum share of Cohesion Policy Funding which has to be spent by the Member States in ESF+ projects.

Investment in our future, fighting social dumping by relaunching wage convergence between East and West, better anticipating technological change and energy transition and supporting workers affected by these changes. These are - for the European Trade Union movement – important challenges to be tackled by the EU in the future.

These are topics where we need more Europe, where Europe can prove its relevance to things that matter for EU citizens. Only an increased budget, even after the Brexit, can enable the EU to live up with its commitment to implement the UN Sustainable Development Goals and the newly proclaimed European Pillar of Social Rights. Only a strong coordination between EU financial capacity and an economic, social and environmental EU Semester can guarantee the achievement of these critical political

[1] https://ec.europa.eu/commission/sites/beta-political/files/communication-modern-budget-may2018_en.pdf)
https://ec.europa.eu/commission/publications/regional-development-and-cohesion_en

goals. Europe must equip itself to consolidate and develop a sustainable economic, social and environmental model.

COHESION POLICY

The ETUC reconfirms that economic, social and territorial cohesion must continue to be at the core of the European Union Strategy, thereby ensuring that all energies and capacities are mobilised and focused on implementing the strategy.

We support the simplification efforts put in place by the Commission reducing from eleven to five the policy objectives for a smarter, greener, more connected, social and territorial Europe closer to the citizens.

The EC plans to introduce more coherence between the use of EU funds and the Country Specific Recommendations (CSR) issued after the annual Semester process. The European Structural and Investment Funds should be disbursed only if Member states implement the reforms recommended in the Semester. We disagree with this approach. The timing of country-specific recommendations is not compatible with the longer-term planning of the ESI Funds. Moreover, a conditional approach already exists within the European Semester as "*A failure to implement the recommendations might result in further procedural steps under the relevant EU law and ultimately in sanctions under the SGP and the MIP. These sanctions might include fines and/or suspension of up to five European Funds, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime &Fisheries Fund (EMFF*).[2]

Country specific recommendations play a key role in achieving upward social and economic convergence. To guarantee the relevance of CSRs, it is essential that social partners are involved in shaping them and that member states agree on their content to implement them.

We can only support the proposed link with the European Semester and Country Specific Recommendations if it is based on the priorities included in the new « social scoreboard » established alongside the European pillar of social rights. This has to be clarified and the role of trade unions in the governance of the Semester has to be consolidated.

In addition, the Fiscal Compact envisages the possibility of the Court of Justice of the European Union intervening in the event of non-compliance with binding judgments and the possibility of fines.

We are opposed to macro-economic conditionalities where regions are made responsible for their national governments. These sanctions would penalise people more than their governments. This would affect already weaker Member States, regions and localities. Moreover, European solidarity, which is still not developed enough, would be jeopardized as a result of failures to respect macro-economic commitments. The result would be the impoverishment of the people of the European Union and thus contrary to the basic principles of economic, social and territorial cohesion policy as reaffirmed in the Lisbon Treaty.

[2] *See "The legal nature of Country Specific Recommendations", European Parliament, June 2017*

The ETUC supports the proposal to introduce conditionalities linked to the respect of the rule of law with real sanctions in the case of programmes going against it, provided that its practical implementation does not penalize the people and citizens.

There are still persisting 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 Plus (ESF+), the European Agricultural Rural Development Fund (EARDF) and the European Maritime and Fisheries Fund (EMFF).

Instead of reducing the effort on cohesion policy, as proposed, 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.[3]

The EU co-financing rates as provided for in the current draft of the CPR are unacceptable and jeopardize the realization of projects. There is a risk that only large projects are granted. Therefore, the co-financing-rates should be maintained as in the present funding period.

The ETUC reconfirms that the General Regulation for the European Structural and Investments Funds (ESIF) 2021-2027has 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 European Code of Conduct on Partnership, as laid down in the proposed Common Provisions Regulation and Delegated Act No 240/2014[4] should be strengthened post-2020. In addition to that in the future Common Provisions Regulation of the ESIF, the Code of Conduct on Partnership has to be added to the enabling conditions (former ex-ante conditionalities) for granting the funds.

The European Territorial Cooperation (Interreg), i.e. cross-border, transnational and interregional cooperation, should be managed with the full involvement of regional social partners from all regions involved. This must be clearly stated in Article 6 of the Regulation COM(2018) 375 final and in the Regulation COM(2018) 374 final.The current bad practice of some Member States of involving the social partners in cross-border programs from only one Member State must be stopped in the future.

Concerning the criteria for the funding of the regions, we support the proposal that in addition to the criteria of GDP per capita , other factors such as unemployment (notably youth unemployment), low education level, climate change and the reception/integration of migrants will also be taken into account for allocating funds.This will lead to better take into account social and environmental costs, and reflects social inequalities or regional disparities.

Strengthening cross-border regions is an important goal. However, the ETUC rejects the EU Commission's assessment that labour regulation is an obstacle to the

[3] (see also the 7th Report on Cohesion Policy) http://ec.europa.eu/regional_policy/en/information/cohesion-report/

[4] *https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.074.01.0001.01.ENG*

development of cross-border areas. The labour regulation applicable at the place of work must be fully respected within all measures. The regulation COM(2018) 373 final on the cross-border mechanism to resolve legal obstacles in border regions must under no circumstances lead to the undercutting of applicable labour regulation.

Finally ETUC believes that is essential to strengthen and simplify communication on cohesion policy, using instruments that make the benefits of cohesion policy immediately visible to workers and to the entire population.

THE EUROPEAN PILLAR OF SOCIAL RIGHTS/THE EUROPEAN SOCIAL FUND PLUS

In the proposed ESF+ the link with the implementation of the European Pillar of Social Rights is clear but we are disappointed with the level of the financial commitment. On the other hand the link with the European Semester and Country Specific Recommendations has to be clarified.

Even if the proposed ESF+ budget represents 27% of the proposed cohesion envelope, we deplore that there is a decrease of 6% in real terms of the ESF+ budget and moreover the 23.1% minimum share of cohesion policy funding which has to be spent by the Member States in ESF+ projects has been scrapped from the proposed Common Provisions Regulation.

The ESF should continue, in the MFF 2021-2027, to play a key role both in supporting the creation of new quality employment and in promoting social inclusion. To achieve these goals Member States should allocate 30% for the ESF+ in cohesion spending.

In the ESF+ Regulation the partnership principle has to be strengthened and more detailed. A clear reference to the European Code of Conduct on Partnership is needed.

We are of the opinion that it is essential to ensure the respect of the partnership principle and realise the full added value of the involvement of social partners in ESF+ implementation.In the spirit of the quadri-partite Statement on the new start of the social dialogue, and taking into account the Opinion of the ESF Committee on the future of the Fund, ESF+ support to capacity-building of social partners to strengthen social dialogue should be clearly mentioned and reinforced.

To this end, the ETUC reconfirms its proposal 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.

The ETUC supports the proposal to merge the ESF+ with the Youth Employment Initiative (YEI), the Fund for European Aid to the Most Deprived (FEAD), the Employment and Social Innovation (EaSI) programme and the Health Programme. Nevertheless we deplore that this does not imply an increase of the ESF+ budget but that on the contrary there is a reduction of ESF+ funding estimated as being between 3% and 10% in real terms.

Keeping in mind that the ESF remains the main EU instrument for supporting jobs, helping people get better jobs and ensuring fairer job opportunities, the ETUC would like to stress that the inclusion of new focus areas in ESF+ shall complement the overall objective of the ESF i.e. supporting jobs. In this regard, it is vital that the inclusion of new areas does not weaken efforts to create more and better jobs and a socially inclusive society.

The ETUC welcomes the proposal to include the EURES cross-border partnerships of the EaSI-Strand with direct management in the new ESF+. EURES cross-border partnerships make an important contribution to the promotion of cross-border fair and chosen mobility. We demand to earmark a dedicated and compulsory budget within the ESF+ for existing and future EURES cross-border partnerships. Cross-border partnerships must be integrated on a permanent basis with sufficiently well funding.

We consider that the European Globalisation Adjustment Fund (EGF) should also be transformed into a European Transition Fund and be better coordinated with ESF+in order to ensure a better coherence between the two funds and better anticipate and manage restructuring processes. To this respect we are satisfied by the inclusion of our demand to enlarge the scope of the EGF to tackle the consequences of other structural trends than globalization, such as digitalisation, decarbonisation and automation. This should lead in supporting initiatives aiming at cushioning or taking advantage of these transitions (training plans, career guidance, etc.).

The ETUC fully supports the proposed earmarkings, respectively of social inclusion and to tackle poverty (25% instead of current 20%) and 2% for the most deprived; and for the YEI earmarking of 10% and age group 15-29 (Member States with a NEET rate of above the EU average in 2019).

Youth employment

The ETUC supports the inclusion of the YEI within the European Social Fund Plus, for the sake of the stability of the financial support to the Youth Guarantee and the internal coherence with other actions supported by it. This said, the ETUC demands the keeping of the special Regulation for the YEI and an earmarked financing..

However, it is regrettable that no reference is made to the funding for the YEI. This is not consistent with the new focus of the European Commission on improving the quality measures for the Youth Guarantee and it will be detrimental for bringing the alarming population of European NEET to the labour market.

The ETUC demands to keep the previous criterion for the allocation of YEI funds for the support of the Youth Guarantee: NUTS2 region with unemployment rates above 25% should be eligible for said budgetary lines under its special regulation.

The ETUC welcomes the strengthening of the Erasmus program. Also, the merging of the European Solidarity Corps within the EU Aid Volunteers program meets an ETUC demand which will prevent the mixing of volunteering schemes with youth employment policies.

MIGRATION AND BORDER MANAGEMENT

The ETUC welcomes the fact that there is an increased budget for the Asylum and Migration Fund (AMIF). However a clear priority should be given to policies that provide reception to asylum seekers and migrants in the period immediately after arrival on EU territory rather than on returns.

There is still too much emphasis on border control in the budget since the proposed budget is doubled for security and defense of the borders, but this is not the case for the AMIF. We consider that more should be decided and done on integration policies and channels to facilitate legal migration flows. A specific budget should be dedicated for programmes ensuring the integration of migrants in the labour market.

INVESTMENT

The ETUC demands a New Path for Europe witha target of investing an additional 2% of EU GDP per year over a 10-year period 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[5].

The ETUC supports the EC proposal to set up a new fully integrated investment fund, InvestEU, to catalyse private investments throughout Europe, as the present Juncker Plan (European Fund for Strategic Investments). At the same time, the ETUC draws attention to the risks associated with public-private partnerships (PPPs) and stresses the urgent need to prioritise public investment in high-quality, affordable and accessible public services in the EU's next MFF.

The ETUC considers that political bodies legitimized by parliamentary accountability must keep the final decision on investments financed by ESI Funds. We strongly oppose any direct or indirect shift of ESIF-means to EFSI or InvestEU, transmitting decision powers to the European Investment Bank. Loans instead of grants will undermine the aims of cohesion policy as defined in article 174 TFEU. Instead of pushing for financialisation of ESI Funds, the principle of partnership must be reinforced in order to make the EU perceptible at regional level.

Concerning the European Investment Stabilisation Function: firstly we consider it is a limited tool since the total amount possibly available under this scheme is limited to 30 billion euros, which amounts, for example, to only a third of the loans granted to Ireland between 2010 and 2013.

Secondly, while the European Investment Stabilisation Function would enable the European Union to borrow on financial markets on behalf of the EU to lend to Member States in difficult situations, the total amount of debt that the European Union can access is strictly limited. Therefore, the Union could only use this specific scheme at the expense of others, namely the European Financial Stability Mechanism (beyond the fact that the two roles of these bodies are not clearly separated).

Finally, the European Investment Stabilisation Function is being expected first to be tackled as part of the EMU reforms programme, as a possible additional fiscal capacity,

[5] https://www.etuc.org/en/document/etuc-position-paper-european-treasury-public-investment#.WgGvF8anG70

or lending capacity for the European Union, and not as a financial commitment, the issue will be dealt in an ETUC position on EMU reforms package.

CLIMATE CHANGE

Climate mainstreaming

The ETUC welcomes the Commission's proposal to increase the amount of climate expenditures that should contribute to climate objectives, but the proposed target of 25% (compared to 20 % for the present MFF) is not sufficient to fulfill the mandate of the Paris Agreement and should be increased to at least 30% as requested by the European Parliament.

The objective of climate mainstreaming must be to trigger structural changes of the EU economy, bearing in mind that the EU should reach a balance between sources and sinks of emissions as soon as possible during this century. To be fully effective, this general objective of 25% should be supported by quantitative climate action targets for funds and programmes which finance activities that have a direct impact on emissions. Moreover, strict eligibility criteria must ensure that investments in sectors generating emissions (agriculture, waste, energy, transport, industry and buildings) are in line with the Paris agreement and the related EU objectives for 2030 and 2050. As trade unions, we support especially "just transition" as it is described in the Paris Agreement. These quantitative and qualitative requirements must also apply to InvestEU and to the EIB.

Finally, the monitoring methodology used to track climate expenditures that contribute to the climate objectives must be revised to avoid overestimates and provide clarity on real climate impact of expenditures, as suggested by the European Court of Auditors in 2016.

Sustainability mainstreaming

The ETUC considers that to be credible, the EU leadership on the Sustainable Development Goals, should be better reflected in the EU budget. The lack of quantitative earmarking for environmental sustainability in the various headings, as well as the lack of clarity on eligibility criteria reflecting these objectives, significantly undermine the EU leadership on the Sustainable Development Guidelines' (SDG) implementation. Having said that, the proposal to continue and strengthen Life, as well as the announced synergies with Cohesion policy and Common Agricultural Policy, are positive developments. Access to Life should be made easier for trade unions, notably for projects aiming at greening the workplaces.

Finally it must be noted that "climate change" will become a criterion for the allocation of funds among regions under the cohesion policy. This must make more concrete the political commitment of the EU to support regions depending on co2 intensive activities, in their efforts to move towards a low-carbon economy. In the same way, the existing instruments (ESF+, ERDF and EGF) must work in a way which will allow workers from regions and sectors impacted by decarbonisation to get the support they need and deserve.

NEIGHBOURHOOD & THE WORLD

The new Neighbourhood, Development and International Cooperation Instrument presented in the 2021-2027 MFF brings together previously existing instruments into a new single instrument which conflates different policy goals, with the risk of subordinating development cooperation funds to broader external relations objectives, away from poverty eradication and the contribution to sustainable development. Whereas the Communication shows the mainstreaming of migration management within the External Action chapter, addressing the root causes of migration should happen based on the needs of the people in partner countries, tackle global inequalities and economic disparities, instead of being based on short-term goals aiming at preventing migration to Europe.

The new architecture should also include concessional forms of assistance, such as grants, for all developing countries, including middle-income countries with high levels of inequality.

Although we observe a combination of geographic and thematic pillars, it is important that both are properly resourced and that the thematic pillar follows an actor-based approach. Such approach should also be reflected in the geographic pillar to ensure greater coherence and effectiveness of actions. Both pillars should primarily serve to support the implementation of the 2030 Agenda and should acknowledge the importance of the Decent Work Agenda as a key driver to achieve inclusive and sustainable development. In addition, both the "rapid-response pillar" and the "emerging challenges and priorities cushion" must be guided by clear transparency and accountability mechanisms.

The EU external financing instruments need to favour the creation of decent work opportunities, as well as the preconditions and the enabling environment for workers and trade unions to represent their interests and operate freely. Funds aiming at creating job opportunities should guarantee that employment created is in line with the Decent Work Agenda and is conducive to sustainable and inclusive development. That includes the guarantee of freedom of association and assembly, the space for workers to organize and engage in collective bargaining, the promotion of social protection floors and living wages, the ratification and respect of core labour standard and ILO conventions, the respect of human and trade union rights, and the establishment of social dialogue between workers and employers[6]. Mainstreaming gender, environment and human rights is also essential.

Social dialogue should play an important role in this process and should be adequately supported by building the capacities of both of the social partners (workers' and employers' organisations). With the new Multiannual Financial Framework, the EU should promote good democratic governance by enhancing the promotion of social dialogue, and trade union participation in the three pillars of the "Neighborhood, Development and International Cooperation Instrument". Trade unions should be considered as strategic partners, to be involved at every stage of policy-making and programing, including the stage of implementation and monitoring of policies, programs and agreements.

The "new external investment architecture" which is presented to crowd-in additional resources from the private sector presents high risks. It puts forward new forms of

---

[6] *As noted in the Council Conclusions on a New Global Partnership for Poverty Eradication and Sustainable Development After 2015 (26 May 2015).*

finance, such as financial guarantees, whose impact has not yet been adequately assessed, and other forms of blended finance, the development impact and added value of which is highly questioned.

This “new external investment architecture” should consider increased transparency and accountability of the private sector, given its rising prominence in development. Business compliance to binding social and environmental standards must be granted in order to achieve sustainable development. Compliance with labour rights, based on ILO labour standards, and environmental commitments, social dialogue, transparency and accountability, must be the key compulsory criteria for any participation of private-sector actors in poverty eradication efforts and transition to sustainable production. Private sector responsibility cannot be a voluntary concept, in this sense, the application of internationally recognised guidelines and principles on business and human rights should be a key condition to grant private sector support in development cooperation

FINANCING THE EU BUDGET

The ETUC firmly believes 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, instead of the proposed 32%.

We support the EC proposals to simplify the current Value Added Tax based Own Resource (to base it on standard rated supplies only) as well as to introduce a basket of new Own Resources composed of a share of revenues from :

Emissions Trading System (20% of the revenues);
Common Consolidated Corporate Tax Base ;
A national contribution calculated on the amount of non-recycled plastic packaging waste.

In addition we will be active in the negotiation with the European parliament and member states to propose the gradual introduction of new specific resources linked to the policies:

the Financial Transactions Tax (FTT);
tax on excessive wealth (highest revenues and large fortunes);
tax on business profits (not used for reinvestment);
the emission of Eurobonds;
The digital Tax.

Increasing the EU own resources, while creating incentives to make the EU economy more sustainable, is the right thing to do. The EC proposals are obvious steps forward in that direction. However, to avoid to decrease the financial resources available for climate action, the 20% of the ETS revenues that will be taken from Member States to contribute to the EU budget, should be clearly earmarked to catalyse low-carbon innovation in sectors that are covered by the EU Emission Trading Systems (ETS). In addition, we still believe that a Carbon tax (for sectors not covered by the ETS) should be established, notably to tackle emissions from the transport sector that have been rising for many years.