ETUC position on Mid-Term review/revision of the MFF 2014-2020

Adopted at the Executive Committee of 26-27 October 2016

EXECUTIVE SUMMARY

The present ETUC Position is a first analysis and input into the current and coming debates on the Multiannual Financial Framework (MFF) 2014-2020 in the context of the mid-term review/revision of the MFF.

As a matter of fact, the economic and political context was quite different when the current MFF was negotiated and a number of issues will need to be taken into account in the MFF revision.

The ETUC demands and priorities, developed in the present document, are:

- The adequate financing of the European Fund for Strategic Investment (EFSI)
- The strengthening of the economic, social and territorial cohesion by improving the use of the European Structural and Investment Funds (ESIF) and ensuring the proper implementation of the European Code of Conduct on Partnership (ECCP)
- The increase of the European Social Fund (ESF) budget up to 30% of the ESIF envelope
- The continuation of the Youth Employment Initiative (YEI)
- The availability of sufficient support to Member States to deal with the migration and refugees' situation
- The follow-up of the Paris agreement on climate change
- The strengthening of development policies
- The need to create the conditions for an autonomous EU budget for the next programming period and, consequently, for increasing significantly the EU budget itself.

The ETUC considers that if we want to match the ambitions set by the "Europe 2020" Strategy and the 2030 Agenda for Sustainable Development, and to take up the many additional challenges, Europe must have the political will to increase the EU General Budget and reform the own resources system.

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[1].

On 14 September 2016 the Commission presented a compulsory review of the functioning of the MFF, taking account of the economic situation as well as of the latest macroeconomic projections. This review is accompanied by a legislative proposal for the revision of the MFF Regulation[2].

The present ETUC Position is a first analysis and input into the current and coming debates on the Multiannual Financial Framework 2014-2020.

PRESENT/NEW CHALLENGES IN VIEW OF THE MID-TERM REVIEW/REVISION

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

As a matter of fact, the economic and political context was quite different when the current MFF was negotiated. Given these changes, the ETUC considers that a number of issues will need to be taken into account in the MFF revision, namely:

- Financing of the EFSI (European Fund for Strategic Investment) - an Investment Plan for Europe and its effects on the EU budget should be considered;
- The migration and refugee situation have put both national and EU budgets under pressure. Ways to ensure sufficient flexibility and additional budgetary means during the remaining MFF period should be found;
- The continuation of the Youth Employment Initiative after 2016 should be ensured;
- The follow-up of the Paris agreement on climate change, as well as the UN 2030 agenda for sustainable development, should be implemented;
- Dealing with payment backlog from the previous MFF period and avoiding a similar building of backlog in the future should be a priority.

ETUC DEMANDS

1. 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 sale of Eurobonds, with an orderly debt restructuring process where necessary. These proposals can be a good basis for improving the so-called Juncker's Investment Plan, which has showed to be not effective enough in boosting public investment and in addressing the lack of investments in countries and sectors most in need.

Public investment is continuously decreasing since 2009. The ETUC thinks that public investment is necessary to relaunch the European economy. That is why we are requesting the Stability and Growth Pact and the fiscal compact established under the Treaty on Stability, Coordination and Governance, to be relaxed and revised in order to increase public investment, to fund infrastructure and research, as well as universal and high-quality education, healthcare and social services. Complementarily, in the framework of the second-phase Juncker's Investment Plan, and in order to increase its efficiency in comparison to the first-phase version of it, the European Investment Bank (EIB), together with the

[1] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2013:347:FULL&from=EN

[2] http://europa.eu/rapid/press-release_IP-16-2999_en.htm

European Investment Fund (EIF), could issue bonds to finance European investment. The European Central Bank could even issue an advance or precautionary statement that it will partially support EIB-EIF bonds by means of standard central bank refinancing or secondary market operations. Finally, it must be noted that such a process would not increase national public debt and that the EIB has successfully issued bonds since 1958 without national guarantees

The EU budget, and in particular the European Structural and Investment Funds, should back up extraordinary investment plans at European level (as described above) aimed at fostering sustainable growth and employment. Such plans require fresh resources but existing EU funds should also be available. All this should be linked to the need of an autonomous and sound EU budget.

In parallel, the EU must continue to boost research and innovation by further strengthening the financing of the EU Framework Programme for Research and Innovation 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.

Europe needs better quality jobs, so investment projects need to be linked to decent jobs and to the key principles of the “European social acquis”, such as priority to open-ended working contracts, the principle of equal pay for equal work in the same place, and the right to collective bargaining.

2. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF)

The ETUC recalls that economic, social and territorial cohesion must continue to be at the core of the Europe 2020 Strategy, thereby ensuring that all energy and capacities are mobilised and focused on implementing the strategy. There are still important differences of development between the regions within the EU as well as within Member States, hence the importance of the European Regional Development Funds (ERDF) and the Cohesion Fund (CF).

The EU cohesion policy is essential to support regional development, sustainable growth and quality employment. The General Regulation for the European Structural and Investments Funds for the period 2014-2020 strengthens these priorities, including (in particular for the European Social Fund) employment, fair mobility, the fight against poverty, social inclusion, and education and training[3].

The ETUC considers that the ESIF must be used to boost investment for more and better quality jobs, a strong industrial base, sustainable growth and shared prosperity across Europe, with a special focus on supporting the most vulnerable groups in society.

The ETUC underlines that the successful achievement of Partnership Agreements (PA) and Operational Programmes (OP) objectives is greatly facilitated by the active and full involvement of the social partners. The Partnership Principle has been clearly enshrined, strengthened and widened through the adoption of the European Code of Conduct on Partnership (ECCP), which governs local authorities', social partners' and stakeholders' involvement in all stages of programming, implementation and monitoring of the European Structural and Investment Funds.

The ETUC demands the proper implementation of the European Code of Conduct on Partnership. We underline that the ECCP is a key instrument but it has to be consistently improved in the future programming period after 2020.

[3] *http://ec.europa.eu/contracts_grants/funds_en.htm*

3. THE EUROPEAN SOCIAL FUND (ESF)

The European Social Fund is the only Structural Fund with a direct relevance to the man/woman in the street, be he/she a worker, unemployed, excluded from society, young, old or particularly vulnerable.

The ESF is specifically aimed at promoting employment, labour mobility, education and training measures, as well as combating poverty, social exclusion and discrimination.

The ESF has taken on new challenges like the Youth Employment Initiative (YEI), the European Alliance for Apprenticeship, the new Fund for European Aid to the Most Deprived (FEAD) to fight against poverty, the Initiative for Long Term Unemployed and the reformed EURES Network for EU employment.

Referring to the “Joint Declaration on a new start for a strong Social Dialogue” approved by the Social Partners on 26-27 January 2016[4], the ETUC underlines that a strong and well-functioning social dialogue is a fundamental element to contribute to job creation, social progress and overcome economic crises. As regards financial support, the European budget, notably via the European Structural and Investment Funds, should allow for the co-financing of projects targeting the capacity building of social partners.

The ESF in particular should expand its support to the development of social dialogue, namely by improving the capacity building of social partners. 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 considering the option of setting 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.

On the other hand, 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”.

In order to ensure a political coherence as well as sole management and monitoring of the use of the different abovementioned funds and programmes, 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).

In recent years the social challenges that we face have multiplied (youth unemployment, long term unemployed, migrants and refugees’ situation, poor children) hence the urgent need to increase the ESF minimum share of the cohesion envelope up to at least 30% (instead of the present 24.6%).

4. YOUTH EMPLOYMENT INITIATIVE (YEI)

Youth unemployment and precariousness are still at unacceptable levels in Europe. As unemployment rates for young people in Europe were already significantly higher (if not double) to those of the total workforce before the crisis, the situation skyrocketed once the world economy collapsed and the European governments and institutions opted for facing the situation by austerity policies.

Statistics show a recent modest decrease of youth unemployment, remaining above 20% at European level, with important divergences between European countries. Intra-category analysis shows that young women and migrant workers have been hit even harder by unemployment and the degradation of the labour market. The inactive population and young people who are neither in employment nor in education or training (NEETs) increased in some regions of different EU countries, as well as the number of young EU migrants going to other EU countries or out of the EU[5].

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[4] *https://www.etuc.org/sites/www.etuc.org/files/press-release/files/08.02.16_declaration_social_dialogue_to_commission_council.pdf*

[5] *https://www.eurofound.europa.eu/news/spotlight-on/overview-youth-issues-a-top-priority*

On 2 April 2013 EU Member States committed to establishing Youth Guarantee schemes to provide young people with a good quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education. €6.4 billion have been allocated for 2014 and 2015 through the Youth Employment Initiative (YEI) to support the implementation of the Youth Guarantee.
6 million unemployed young people are to benefit from the YEI which will help them to find jobs or improve their skills and qualifications, and the YEI has been integrated into 34 ESF programmes in the 20 eligible Member States. However, the YEI has failed to address the persisting problem of high levels of youth unemployment.

The ETUC calls for the continuation of the YEI beyond 2016 and to include it as one of the priorities of the future ESF Regulation after 2020. We call for investment in more ambitious and long-term funding so as to guarantee effective outcomes from the implementation of the measure. Our benchmark in terms of appropriate funding of the Youth Guarantee is the estimation of €21bn per year made by the ILO[6].

In addition to that it is essential to improve the coordination between the ESIF, in particular the ESF, and other Union Funds and programmes (Erasmus+, Your First EURES Job, Youth on the move, Drop' in) in order to ensure a greater impact and efficiency of the measures in favour of young people.

5. THE MIGRATION AND REFUGEES' SITUATION

The current migration and refugees' situation generates many challenges. The EU is the destination for almost 2 million long-term migrants a year. But inflows are more heterogeneous than in the past and migration and asylum policies should be more integrated to adapt to a new reality. The EU needs social policies based on solidarity, integration and inclusiveness to adapt to a new reality.

In principle we can agree with the Commission's proposal to create a European Union Crisis Reserve to finance the response to crises, but it should be used for urgent situations to provide immediate assistance resulting from the increased administrative assistance needed, for example to deal with the increase in applications.

The European Union, and its Member States, have international obligations to welcome and integrate asylum-seeker and people in need of humanitarian protection. At the moment we have to recognise that the EU, despite the efforts put in place by the European Commission and a few governments, is not complying with such obligations. On the contrary, a more responsible and shared policy for refugees would allow Europe to get full benefit from the potentially positive contribution that refugees can bring to the European economy, labour market and society.

Labour market inclusion of refugees is a challenge that countries hosting refugees can transform into an opportunity. It is estimated that a rapid integration of refugees can have swift positive effects on GDP for growth of public expenditure to finance new infrastructures and jobs. Even more remarkable effects may be seen in the long term due to the dynamism that refugees may bring to the hosting communities.

The ETUC wants to underline that countries which received refugees in 2015 already recorded benefits in GDP growth (between +0.3 and 0.5%) mostly due to additional public expenditure in infrastructure and new jobs for doctors, civil servants, psychologists, teachers, trainers, etc. Effects on jobs and growth will remain positive in the coming years if we take the right decisions today[7].

The ETUC calls for EU Members States to implement the relocation of 60,000 refugees, agreed a year ago, and make far better use of the EU's €3 billion Asylum, Migration and Integration Fund (AMIF)[8].

Considering the legislative initiatives from the Commission regarding the setting up of new Agencies which constitute the Common Asylum Systems, adequate resources have to be provided. In particular resources for emergency assistance to the Member States most affected by the extraordinary influx have to be ear-marked.

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[6] *http://www.ilo.org/employment/Whatwedo/Publications/WCMS_209468/lang--en/index.htm*

[7] *http://www.imf.org/external/pubs/ft/sdn/2016/sdn1602.pdf*

[8] *http://ec.europa.eu/dgs/home-affairs/financing/fundings/migration-asylum-borders/asylum-migration-integration-fund/index_en.htm*

The ETUC also calls on the Member States to provide via the ESIF, in particular the ESF, as well other EU Funds and programmes, notably the Fund for European Aid to the Most Deprived (FEAD) and the Asylum, Migration and Integration Fund (AMIF), adequate funding to ensure the integration of refugees, migrants and asylum seekers into the labour market as well as into the education and training systems. In compliance with the European Code of Conduct on Partnership, social partners must be fully and properly involved in the management of these funds.

We consider that a European employment initiative for the labour market integration of refugees is necessary. Such an initiative would have European added value, which the EU has always considered to be central to the allocation of funds. To this end, a sufficient increase of the ESF budget is necessary and at least € 10 billion are urgently required for the initiative.

We also call for a better coordination between DG Employment and DG Home to ensure a coherent and coordinated use of these funds. The Commission should analyse the possibility of making existing emergency funds available for the Member States most affected by the refugees' emergency situation.

6. THE FOLLOW-UP OF THE PARIS AGREEMENT ON CLIMATE CHANGE

In December 2015 at COP 21, the EU committed to keep global warming well below 2°C and to continue efforts to keep it under 1.5°C. The Paris agreement also contains a commitment from parties to "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"[9].

The ETUC considers that these new international commitments coming from COP 21 should lead to a revision of priorities in the funds allocated through the MFF. The existing rule which consists of earmarking 20 % of funds to "climate-related activities" is obviously insufficient to make the EU budget compatible with the Paris commitments. A systematic climate-proofing of projects supported should be established in order to ensure that EU money contributes effectively to accelerate the transition towards a low-carbon economy. In the same way, the MFF should contribute to scaling up the provision of finance to tackle climate change and its consequences in the poorest and most vulnerable countries.

The Paris agreement also invites countries to take into account the imperatives of a just transition for the workforce. The ETUC would like the EU to translate that principle into concrete action and regrets the weakness of the mechanisms, presented in the Commission's proposal to reform the EU Emissions trading system (ETS) for the period 2021-2030, to support workers in regions that will be adversely affected by the transition to a low-carbon economy. The insertion of "training and the reassignment of workers affected by the transition" in article 10 B of the proposal to amend the Directive, leaves the issue of whether to support the workers concerned entirely at the discretion of the Member States. Not only is said provision – which concerns the use of proceeds from the auctioning of emission quotas by Member States – not legally binding, but it also comprises a list of 12 possible assignments which makes the actual support for such workers highly improbable.

The ETUC therefore calls on the European co-legislators to consider other options to provide such workers with the support they need. A "Just Transition Fund", which would be intended to finance support measures for workers in regions and localities affected by the transition, could be fed mainly through the auctioning of a certain volume of emission permits. It should not, in any event, have recourse to the resources of the European Social Fund, and it should be managed with the full participation of the social partners, as stipulated in the European Code of Conduct on Partnership.

7. DEVELOPMENT POLICIES

The main purpose of the EU development policy should be to reduce poverty and to promote broad social cohesion. Obviously there is a need to grant policy coherence with other trade, migration, climate and environment policies and to increase the effectiveness in development policy through better coordination of the EU and the Member States and other donors within the development area and international development fora.

The ETUC supported the EU ambition to play a more important role in the international sphere and the EU commitment to the collective target of spending 0.7 % of its GNI on Overseas Development

[9] *http://ec.europa.eu/clima/policies/international/negotiations/paris/index_en.htm*

Assistance (ODA) by 2015. This objective has not been met, therefore, trade unions will continue asking the EU to considerably increase its ODA to meet the 0.7% target within the current MFF.

The ETUC recalls that, according to article 208 of TFEU, development cooperation must have as its primary objective the eradication of poverty. Therefore, ODA funds should be targeted accordingly, and not diverted to different purposes in developing countries, e.g. security and defence.

We acknowledge the need for a differentiated approach to the diverse group of developing countries, in particular to emerging donors. However, this should not lead to unilateral decisions on the definition of "developing countries" which must continue to be the prerogative of OECD Development Assistance Committee (OECD/DAC), by international consensus. In any case, cooperation initiatives with emerging donors (which do not fulfil the OECD/DAC criteria for ODA) must not be financed by a transfer of funds from the Development Cooperation Instrument (DCI) and should be channelled through a separate instrument.

The Global Strategy for EU Foreign and Security Policy, launched in June 2016 by the HRVP Federica Mogherini, recognizes the role of civil society and social partners in helping ensuring societal resilience, particularly in a global context of shrinking space for these actors, including through violations of the freedoms of speech and association. Trade unions welcome the long-term commitment and support to global and local civil society proposed by the EU Global Strategy, also through their involvement in early warning and conflict prevention. The document suggests raising the overall amount dedicated to EU development cooperation, and reaffirms the EU's commitment to achieve the 0.7% ODA/GNI target in line with DAC principles. In this sense, it calls for EU development policy to become more flexible, with stable funds but shorter programming cycles, and more flexibility in making limited sums available for civil society support. As much as it is plausible to raise the EU development envelope, we remain vigilant on how these funds are used to address the refugee crisis and security challenges. There should be a clear separation between envelopes, never at the detriment of EU development policy.

In relation to migration and development, the EU's External Investment Plan (EIP), part of the "EU new Partnership Framework with third countries under the European Agenda on Migration", which seeks to contribute to the achievement of sustainable development goals while tackling some of the root causes of migration and forced displacement, should focus on decent work creation. This includes freedom of association, social dialogue and social protection for workers and their families, therefore offering alternatives to forced migration, especially of women and children, and also human trafficking. The European Commission's EIP proposal of 14 September 2016[10] goes in the contrary direction, promoting a corporate capture of the EU development agenda, and failing to promote the development of local private sector, through micro, small and medium enterprises.

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Moreover, the current proposal's analysis takes for granted the relation between increased development and decreased migration. The 2030 Agenda should not be used as a white card to promote an unaccountable role of business in development while neglecting other 2030 Agenda goals and targets such as decent work and social protection. Implementation of the use of ESI Funds and of any other EU resources should be consistently linked up with the 2030 Agenda's goals.

PAYMENT BACKLOG

In recent years an increasing gap has been generated between commitments (the amount of resources approved for each heading of the budget) and payments (the resources actually paid to the MS by the EC for each of such headings). This gap has generated a huge deficit in the EU budget.

The previous MFF (2007-2013) had a backlog of unpaid bills which rose from a "normal" level of 5 billion euros at end 2010 to 11 billion at the end 2011, 16 billion at the end of 2012 and 23.4 billion at the end 2013. This backlog has spilled over into the current (2014-2020) MFF reaching 24.7 billion at the end of 2014.

The ETUC underlines that the consequences of this payment crisis have been severe, affecting beneficiaries of the EU budget such as students, universities, SMEs and researchers, as well as local and regional authorities. It is fundamental to act to prevent a new payment crisis occurring towards the

[10] http://eeas.europa.eu/headquarters/headquarters-homepage/9799/eu-unveils-external-investment-plan-to-boost-investment-in-africa-and-the-eus-neighbourhood_en

end of the current MFF and to make every effort to avoid building up a backlog of unpaid bills like the one that was observed during the previous period.

EU BUDGET FINANCING

The ETUC considers that if we want to match the ambitions set by the "Europe 2020" Strategy and the 2030 Agenda for Sustainable Development, and to take up the many additional recent challenges coming from the persisting economic crisis and the refugees' situation, Europe must have the political will to increase the EU General Budget and reform the own resources system.

The ETUC considers that it is necessary, through the review/revision of the MFF, to create the conditions for an autonomous EU budget for the next programming period and, consequently, for increasing significantly the EU budget itself and making it less based on Member States' contribution but more on independent revenues.

Following the proposal by the European Parliament during the MFF negotiations, the high-level group on own resources was established in February 2014 to reflect on finding more transparent, simple, fair and democratically accountable ways to finance the EU. The group will deliver its final recommendations at the end of 2016, based on which the Commission is going to assess whether new legislative initiatives to amend the own resources system are appropriate.

The ETUC supports the gradual introduction of new specific resources linked to the policies, to be discussed further in the ETUC working group on taxation during the first half of 2017, namely:

- 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.