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Investing in social Europe

Social Platform's position on the next Multiannual Financial Framework (MFF 2021-2027)

socialplatform

Social Platform is the largest civil society alliance fighting for social justice and participatory democracy in Europe. Consisting of 48 pan-European networks of NGOs, Social Platform campaigns to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity and improving lives.

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Introduction and key recommendations

In May 2018, the European Commission presented its proposal for the next multi-annual financial framework (MFF), setting out the main spending priorities for the EU budget in the 2021-2027 period. The structure and headings of the proposed MFF combine a mix of traditional and new policy priorities. The proposed budget amounts to 1,11% of the EU-27 gross national income (GNI), with a EUR 109 billion increase foreseen in areas dedicated to migration, security, innovation, digitalization, youth and climate, partially funded from new resources.

While the EU's long-term budget is the main financial framework for the Union's spending programmes, it must also reflect clear political priorities. The EU budget is a key catalyst for national reforms and promotes socio-territorial cohesion with a clear cross-border effect. As an investment instrument, the MFF has a critical leverage to finance common public goods with high societal returns and promote policies to foster cohesion and social progress. The European Pillar of Social Rights, proclaimed by EU institutions and Member States in 2017, is a critical milestone in this context. To foster social fairness, resilience and a more inclusive Union, the Social Pillar needs to be adequately funded in the next MFF, with a specific focus on the instruments under the proposed MFF heading 2: "cohesion and values". In addition, the proposed InvestEU Fund can provide complementary financing via a dedicated "social investment and skills" policy window to help unlock projects which require long-term investments, specifically with regard to social infrastructure, provided the investment logic is in line with EU social policy objectives and the principles enshrined in the Pillar of Social Rights.

In the absence of a clear post-2020 strategy, the MFF is the only long-term instrument to form a political precedent ahead of the 2019 European elections. For the upcoming MFF to be consistent, it must avoid that spending priorities and programmes lead to contradictory effects with negative implications for people and the environment, which requires sustainability safeguards to be in place. Policy coherence for sustainable development (PCSD) needs to be a guiding principle of the MFF and is a prerequisite for implementing the Sustainable Development Goals (SDGs), an agenda to which the EU has committed[1]. Bearing in mind that the next MFF will cover a crucial period for delivering on the SDGs and Agenda2030, the current proposal still lacks the transformative vision and a clear and overarching commitment to sustainability to guide all spending decisions.

In order to strengthen European integration and equip a more social Europe with adequate resources, this paper recommends the eight following actions:

1. Mirror political ambition in the size of the budget
2. Reform the income side and introduce new own resources
3. Match a more social Europe with a strong European Social Fund Plus (ESF+)
4. Establish an enabling framework for cohesion policy
5. Enlarge allocation criteria beyond GDP
6. Strengthen civil society participation and transparency
7. Give due weight to social issues in the new instruments for the Economic and Monetary Union (EMU)
8. Increase funding for the Rights and Values Programme

[1] https://www.consilium.europa.eu/en/press/press-releases/2017/06/20/agenda-sustainable-development/

Mirror political ambition in the size of the budget

- ***Increase the MFF ceiling to 1.3% of the EU GNI***

The MFF is negotiated in the challenging context of the UK's departure from the EU, leaving a sizeable gap in the EU budget. At the same time, Europe is faced with multiple challenges, from climate change to mounting inequalities, demographic and technological change. According to the latest Eurostat data, 118 million people in Europe live at risk of poverty and social exclusion and Europe is failing to offset the increases recorded in the aftermath of the global financial crisis[2]. Unemployment is still high in many parts of the Union, with young people particularly affected. At the same time the effects of globalization can take a negative toll on regions and communities, fuelling disparities and endanger further European integration. No country can handle such challenges alone. The EU budget must offer integrated solutions to common challenges, with a definition of 'added value' firmly aligned with Article 3 of the Treaty on the European Union, which puts the wellbeing of people and sustainable development at the centre of policy priorities. Achieving these goals requires firm political commitment and cannot be achieved by a reduced EU budget. In line with the negotiating position of the European Parliament and several Member States, Social Platform calls for an increase of the MFF ceiling from the proposed 1.1 to 1.3% of the EU gross national income.

Reform the income side

- ***Introduce own resources for the MFF***
- ***Focus on future own resources which reinforce social justice and fairness***

An increase of the EU budget needs to be accompanied by an ambitious, yet pragmatic reform on the revenue side. On the basis of the Commission's current proposal, new 'Own Resources' could contribute on average EUR 22 billion (ca. 12% of total budget revenue)[3]. Noting that any new resources should be more clearly linked to specific EU priorities such as the single market, energy union or climate policy, the proposed basket of the so-called 'genuine' own resources consists of revenues from the Emission Trading System (ETS), a tax linked to the Common Consolidated Corporate Tax Base and a plastic packaging levy based on the amount of non-recycled plastic waste. In addition, the Commission proposes to gradually phase out all rebates and simplify the current VAT-based Own Resource. Social Platform supports the introduction of new own resources for the MFF and urges the Member States to adopt the proposal accordingly. In addition, we believe that discussion and appraisal of other own resources, in particular those which reinforce social justice and fairness such as a financial transaction tax (FTT) and ECB profits (seigniorage), need to continue in the future[4].

[2] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_poverty_and_social_exclusion#Poverty_and_social_exclusion

[3] https://ec.europa.eu/commission/sites/beta-political/files/communication-modern-budget-may2018_en.pdf

[4] The High Level Group on Own Resource (HLGOR) tabled an initial assessment of all proposed own resources

Match a more social Europe with a strong European Social Fund Plus (ESF+)

- ***Increase co-financing rates***
- ***Earmark social inclusion measures***
- ***Identify investment priorities taking full account of Country Specific Recommendations (CSRs), the country reports and the national reform programmes***

As noted in our earlier position paper on the future European Social Fund[5], the ESF+ will be the main EU budget implementation arm for the European Pillar of Social Rights, with investment objectives explicitly linked to the principles enshrined in the Pillar. It will combine an important number of relevant funds under a common set of rules, to provide more targeted support to address social challenges[6].

While the effort to create synergies for the implementation of the European Pillar of Social Rights is laudable, ESF+ needs to be well equipped to adequately address the objective of a 'more social Europe' as reflected in the proposal for a Common Provisions Regulation (CPR). In addition, the ESF+ now incorporates the future EU health programme and important new priorities such as the integration of migrants and refugees and support to minimum income schemes. Adequate financial support for a European Child guarantee to end poverty for all children in Europe will also be essential. However, the proposed budget of EUR 101.2 billion is largely the result of merging different funding programmes, with cuts to the co-financing in cohesion policy and the health programme, which has been cut by 8% as compared to the current period. We therefore call, among others, for the increase of co-financing rates, an ambitious earmarking for social inclusion measures, focussed support for a socially just transition and a coherent approach to migrant's inclusion, as further detailed in Annex 1 to this position paper.

[5] Social Platform position paper of March 2018 (prior to the Commission proposal on ESF+ and before the inclusion of the health strand) can be found here: http://www.socialplatform.org/wp-content/uploads/2018/03/ESFplus-supporting-paper-public-consultation.pdf

[6] ESF+ will incorporate the specificities of the European Social Fund (ESF), the Fund for European Aid for the Most Deprived (FEAD), the Youth Employment Initiative (YEI), large parts of the EU fund for Employment and Social Innovation (EaSI) and the Health Programme. ESF+ also aims to improve synergies with other funds, including the European Globalisation Adjustment Fund (EGF), Erasmus+, the European Solidarity Corps, AMIF (Asylum and Migration Fund), other European Structural and Investment (ESI) Funds as well as Horizon Europe and Digital Europe Programmes, the Structural Reforms Support Programme and the Reform Delivery Tool.

Establish an enabling framework for cohesion policy

- ***Maintain all horizontal and thematic enabling conditions during the negotiation period and in the final agreement***

We identify two main crosscutting priorities which need to be preserved in the definition of all the stages of the funding process, from the preparation of the Partnership Agreements, to projects evaluation: the promotion of equal opportunities and gender equality, and the attention to measures for the integration of Roma people and third country nationals. We also strongly recommend keeping the general principle of promoting equality between men and women and non-discrimination throughout the preparation and implementation of programmes.

The proposed enabling conditions (both horizontal and thematic) are crucial to ensure that all investments are in full compliance with the EU Charter of Fundamental Rights and the United Nations Convention on the Rights of Persons with Disabilities. The enabling condition related to the CPR policy objective number 4 for "a more social Europe by implementing the European Pillar of Social Rights" calls on EU member states to have a national strategic framework for social inclusion and poverty reduction as well as National Roma Integration Strategies (NRIS) to be in place. These policy frameworks should be underpinned by an evidence-based diagnosis of poverty and social exclusion and include measures to combat segregation in all fields. They should also include measures for the transition from institutional to community-based care as well as arrangements to ensure the participation of civil society and social partners in the design, implementation, monitoring and evaluation of the national strategic policy frameworks. Moreover, the CPR calls on member states to put in place evidence-based and targeted pathways to reach out to young people 'Not in Education, Employment or Training' (NEET), with a specific focus on quality. Following the logic of ex-ante conditions, Social Platform strongly welcomes the new "enabling conditions" and its fulfilment criteria as a key incentivising framework for a thorough implementation of the Social Pillar and the promotion of sustainable development reforms. We urge the European institutions to maintain all horizontal and thematic enabling conditions during the negotiation period and in the final agreement.

Enlarge allocation criteria beyond GDP

- ***Extend the proposed criteria to include poverty and inequality based on the 'at-risk-of poverty or social exclusion' (AROPE) indicator reflected in the Social Scoreboard and the monitoring of the SDGs***

Determining cohesion policy allocations based on current the Gross Domestic Product (GDP) tends to overlook key issues such as equality, a cleaner environment, decent work and digitalisation. The GDP is therefore not fit for purpose to capture sustainable well-being and socio-spatial inequalities. Despite the Commission's proposal to enlarge the scope of the so-called "Berlin method" (GDP-based) by additional indicators i.e. stronger consideration of youth unemployment, climate change and net migration, the allocation of cohesion funds 2021-2027 still remains 81% GDP based (compared to 86% in the current period). Therefore, we support a further extension of the proposed criteria to include poverty and inequality based on the 'at-risk-of poverty or social exclusion' (AROPE) indicator reflected in the Social Scoreboard and the monitoring of the SDGs[7].

[7] see latest Eurostat monitoring report on progress towards SDGs 1 & 10
https://ec.europa.eu/eurostat/web/products-statistical-books/-/KS-04-17-780

Strengthen civil society participation and transparency

- ***Strengthen inclusive multi-level governance and the partnership principle through a reinvigorated Code of Conduct on Partnership***
- ***Reinforce specific requirements to address obstacles to transparency and increase the accountability of the funds***

For the EU budget to have a positive effect on the lives of people in Europe, it is important that decisions which affect people's lives should be made with and for people at the centre. The future MFF needs to be guided by equitable partnerships between a variety of stakeholders, including meaningful involvement of civil society organisations, while exploring innovative ways of working together to increase impact and accountability of the funds. The proposal for the CPR makes an important step towards including civil society in all its diversity and strengthens bottom-up approaches by fostering community-led local development (CLLD). These provisions need to be maintained in the final agreement on cohesion policy, setting a solid basis for an effective and inclusive multi-level governance. At the same time, the partnership principle needs to be further strengthened through a reinvigorated Code of Conduct on Partnership, based on the review developed by the European Social Fund Thematic Network on Partnership[8].

To increase the accountability of the funds, including the European Structural and Investment (ESI) Funds, InvestEU and the Asylum, Migration and Integration Fund (AMIF), specific requirements to address obstacles to transparency need to be strengthened. In accordance with relevant transparency policies and Union rules on data protection and on access to documents and information, the implementing partners and other recipients of EU funds shall systematically provide documentation and information related to funded actions, including a breakdown of projects, beneficiaries and funding allocations.

Give due weight to social issues in the new instruments for the Economic and Monitory Union (EMU)

- ***Aim at the positive impact of promoting sustainable welfare systems, fighting social inequalities and investing in people.***
- ***Involve the Employment and Social Affairs Ministers and main advisory committees (EMCO, SPC) in decisions linked to EMU reform***
- ***Accompany the Euro area and MFF 2021-2027 by other fiscal capacity instruments such as a European unemployment reinsurance scheme and a broader public investment strategy***

For the next EU budget, the Commission proposes to create a Reform Support Programme and a European Investment Stabilisation Function. Although cohesion and social issues are mentioned in the scope of the proposal, the social dimension is *de facto* weak and limited to possible indirect effects of the European Semester CSRs. This can

[8] https://ec.europa.eu/esf/transnationality/filedepot_download/1145/1749

only work if the Pillar of Social Rights Pillar is more strongly reflected in the challenges and reforms proposed in the Semester, with particular regard to quality, accessibility, adequacy and affordability of services, coverage and adequacy of social protection, quality of work (adequate minimum wages, work life balance, etc.).

While the proposed regulation on the establishment of a European Investment Stabilisation Function (EISF) includes a reference to public investment, the currently applied definition of social investment is very narrow (social investment as education and training only). In addition, part VII of the proposed regulation (articles 21 to 23) states that the Commission during the reporting and assessment of the fund can examine "whether to include social investment in education and training in the definition of eligible public investment as soon as reliable figures are available". We call for a broadening of the definition of social investment to include productive investments that can be considered growth friendly, including early childhood education and care, primary and secondary education, training and active labour market policies and affordable social housing[9].

We therefore ask that:

- The reforms should not just aim at fiscal consolidation but aim at the positive impact of promoting sustainable welfare systems, fighting social inequalities and investing in people.

- Employment and Social Affairs Ministers and main advisory committees (EMCO, SPC) should be fully involved in the exercise (evaluation of reforms put forward when asking support, assessment and monitoring of their implementation, etc.) and this should be made clear in the regulation. The EPSCO formation is an actor in the Semester process and would ensure that social considerations of these reforms are taken into account.

Finally, the Euro area reforms are still incomplete and the proposed instruments in the MFF 2021-2027 remain weak in ambition and scale. They need to be accompanied by other fiscal capacity instruments such as a European unemployment reinsurance scheme and a broader public investment strategy as part of structural reforms.

Increase funding for the Rights and Values Programme

- ***Increase the current amount to a minimum total of €1.5 billion and €500 million for the Europe for Citizens programme***

We believe that an ambitious Rights and Values Programme should be a cornerstone within the next MFF and a key lever to sustain open, democratic and inclusive societies. While we welcome the holistic approach to strengthen synergies between the "Rights, Equality and Citizenship" and "Europe for Citizens" programmes under a newly proposed Justice, Rights and Values fund, we also see a danger with the current proposal if its budget is not substantially increased.

[9] See Eurodiaconia/CESI/Social Platform discussion paper "*Towards more public social investment* in *EU economic governance*: Which *way forward*? " available here

Indeed, while the proposal seems to answer the call of civil society and the European Parliament for an additional European Values instrument[10], the planned budget of €642 million is only a slight increase compared to the funding available under the current MFF. Moreover, the current proposal foresees to open this programme to any legal public or private entity or international organisation (including in some third countries). As a result, the budget will not be sufficient to continue funding current programmes while supporting the capacity of independent civil society networks at EU level and CSOs at national level both necessary to strengthen the democratic fabric of the EU. If the programme is to build on its past impact, it needs to value contributions of each organisation type while encouraging synergies and interactions between different levels, from local and regional to EU and transnational CSOs. To achieve this, we call for increasing the budget to a minimum of 1.5 billion and 500 million for the Europe For Citizens programme (in line with the European Parliament proposal).

[10] http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B8-2018-0189&language=EN

Annex 1: European Social Fund Plus (ESF+)

Against the background of ongoing negotiations, we highlight the following key elements with respect to the future Fund, complementary to our earlier position of April 2018[11]:

- The proposed decrease of the co-financing rates would hinder the funding of important social projects while affecting many Member States and regions. In many cases, Member States transfer these co-financing rates to smaller beneficiaries who are not able to finance such a high self-contribution. We therefore consider that a stark decrease in co-financing would disproportionally disadvantage smaller projects and put the quality of social services at risk. The overall envelope for the ESF+ needs to be higher in proportion with increased co-financing rates as well as an increase to the health programme. Social Platform recommends increasing co-financing at least to 50% for the more developed regions, 70% for the transition regions and 85% for the less developed regions[12].

- Specific objectives under Art 4 of ESF+ must make a stronger case for promoting full inclusion and equal opportunities for all. We therefore recommend additional references to stress quality employment, inclusiveness of education systems, adequate social protection and a more holistic understanding of health, including well-being, to avoid a narrow interpretation of health as 'healthcare' only[13].

- We call for an increase of the earmarking for measures dedicated to social inclusion and poverty reduction to 30% (Art.7, consistency and thematic concentration). The post-FEAD (support to the most deprived) minimum allocation should come on top of this percentage, with an earmarking of 4%[14].

- While we welcome a reinforced focus on integration of young people into the labour market, we stress that the Youth Guarantee should evolve from an emergency initiative to address the impact of the economic crisis and become a more permanent measure to tackle youth unemployment and foster social inclusion.

- Climate change and the degradation of ecosystems have clear negative impacts on human health, inequalities and intergenerational sustainability. While the MFF must make clear commitments towards adaptation and resilience to climate change by catalysing the transition towards a net zero carbon economy, ESF+ needs to support a socially just transition. Building on synergies with the European Globalisation Adjustment Fund (EGF), the European Regional Development Fund (ERDF), the Cohesion Fund and InvestEU, ESF+ should put a stronger focus on training and reskilling workers in affected regions and support job creation in the green economy, including support to social economy enterprises.

[11] See Social Platform's position on ESF+: http://www.socialplatform.org/wp-content/uploads/2018/03/ESFplus-supporting-paper-public-consultation.pdf

[12] This is in line with the REGI committee amendments; however we suggest to further increase co-financing for transition regions as a number of MS risk losing up to a third of their funding.

[13] Link to amendments

[14] In addition, while the social integration objective (objective 10 under Art.4) falls under the general support of the ESF+ strand under shared management (Chapter2), it can also contribute to addressing the social inclusion of the most deprived and/or material deprivation. See Social Platform's proposal for ESF+ amendments, p.9

- There is a balance to strike between a European Semester process that puts an increasing, albeit insufficient, emphasis on social priorities, and investment needs that take full account of regional and local realities. The essential prerequisite for this lies in the ability of the European Semester to increase ownership on national level, by engaging regional and local authorities, social partners and civil society in priorities that surpass purely macro-economic concerns and promote social and green objectives on the same footing. Building on an intervention logic which is aligned with the European Pillar of Social Rights from needs assessment to programming of operations, the identification of investment priorities under ESF+ and ERDF programmes need to go beyond CSRs and take full account of challenges identified in country reports and the national reform programmes.

- Social Platform welcomes the integration of migrants as a clear objective within ESF+ while underlining that participation of third country nationals in ESF+ funded projects and programmes must follow the principles of equality of opportunities and non-discrimination in residence status, including people seeking asylum. While the ESF+ can facilitate a more holistic approach to migrants' inclusion in societies and the labour market in accordance with the priorities set out in the European Action Plan on the integration of third country nationals[15], policy coherence with the proposed AMF fund needs to be strengthened through systematic cooperation between the managing authorities of the two instruments. Therefore, the proposed division of responsibility between AMF and ESF+ must be clarified to avoid exclusion of specific target groups, and ensure integration and participation from the day people arrive in an EU member state.

[15] https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/proposal-implementation-package/docs/20160607/communication_action_plan_integration_third-country_nationals_en.pdf