ETUC priorities on the Post-2027 EU budget and the next EU multiannual financial framework (MFF)

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Context

In view of the significant geopolitical risks and external threats, it is essential that the EU budget ensures the EU remains united in tackling challenges related to social progress and reducing inequalities between Member States. During the period 2024-2029, the EU and its Member States need to secure additional resources to strengthen territorial, regional and social cohesion, ensuring quality jobs and the just transitions of our societies. This will require **an increased and better tailored EU budget**, and an EU-financed investment facility dedicated to develop social and environmental assets and infrastructures.

The Open Strategic Autonomy sets new common objectives for the EU, supported by the MFF, its magnitude calls for increased resources. However, further resources must also be allocated to preserve rights, cohesion and solidarity, in line with the EPSR and La Hulpe Declaration, to offset the risk of inequalities as the internal market deepens.

The ETUC is keen to an early contribution to the institutional discussions and anticipate policy developments on the post-2027 EU budget, by timely drawing the trade union milestones vi-à-vis the new Commission.

ETUC demands

Values: The rules governing the use of EU funds must ensure compliance with the rule of law, democratic principles, fundamental human and workers' rights, EU acquis and the highest EU social standards. In line with the ETUC position "Towards more social and democratic rules for the EU funds" and the ETUC resolution on "Industrial policy for quality jobs - Social conditionalities for social progress" and in continuity with the trade union victory of EFFAT with the renegotiated CAP, social conditionalities must be guaranteed. Social conditionalities are even more urgent when more public resources are allocated to business: they must be accessible only to employers who ensure quality jobs, respect employment standards and enhance fair labour practices. The ETUC also reiterates its call for a revision of the EU public procurement Directives to ensure that public money goes to organisations that respect workers' and trade union rights, that negotiate with trade unions and whose workers are covered by collective agreements.

Policies: The competitiveness agenda can be positive but there must be no disproportion with respect to the social agenda (Annex n. 10). **The EU must adequately fund upward convergence, fight inequalities, have greater cohesion across all European regions** and horizontal principles, including gender equality, equal opportunities and non-discrimination, consistently with needs. **It must support investment in green policies, just transitions and fair economic policies.** Competitiveness must be based on innovation, public investment, public services, fair and progressive taxation, investment in inclusive and high-quality social protection, industrial relations and social dialogue, quality jobs and good living and working conditions.

Budget: The EU post-2027 MFF must be increased to meet both known and unforeseen needs (Annex 5). Additional **own resources** must ensure the long-term financing of the EU budget, essential to sustain the Union's initiatives equally benefitting all Member States and prevent any further burden on workers and pensioners.

The social agenda must be supported by appropriate and need-based funds: in particular, **cohesion and structural funds,** and especially the ESF+, **must be increased and strengthened** in order to invest in all regions, strengthen the social dimension, thus the single market and the EU competitiveness. The next MFF must also significantly support youth, and ensure the continuity of and reinforce Erasmus+, that also supports the mobility of youth, teachers and educational workers.

Also funds crucial to manage key transitions must benefit in priority from budget increase consistently with the needs, in addition to and in coordination and coherence with cohesion funds. The Just Transition Fund and the Social Climate Fund, among others, are underfunded. The EU must ensure these are confirmed after 2027 with more resources, broader scope and revision through social dialogue. It has to tackle energy and mobility poverty, address the social consequences of climate policies and support workers and households. **The ETUC also calls for permanent EU funding for national and trans-national trade union counselling services for mobile/migrant workers.**

Appropriate resources for crises management must be allocated to cope with global shocks**, on top of all other funds**: the post-2027 MFF must not repeat the mistake of withdrawing funds that are necessary for cohesion policy to cover emergencies. Moreover, the EU's economic and social resilience should rely on the establishment of automatic stabilisers designed upon positive experiences such as SURE.

An EU-financed permanent instrument to maintain public investment at competitive levels is needed. The recent RFF based on joint EU-borrowing through EU bonds, is an inspiration to build this instrument. The Von Der Leyen's proposal for an EU investment fund for clean industry is a positive step, but a broader facility should support public/social investments, particularly in the fields of the cross-border infrastructure, completion of the energy union, in the industrial sector and reskilling and training. Also, such an additional instrument must not be implemented at the expense of existing ones, but complement them in a meaningful way.

The MFF resources must not replace national spending commitments for social objectives, in particular those related to the just transition, labour market policies and social protection schemes. The Porto targets and SDG indicators should guide these investments, aligning the EU financial strategies with broader social objectives.

Governance: An EU's increased budgetary capacity should be accompanied by political improvements in priority management: defence and competitiveness, for instance, should not be prioritised above social cohesion and enforcement of EU social legislation.

The EU needs **more effective political power to manage more complex challenges and increased resources**, with unified and responsive EU decision-making. There is an opportunity to revise the EU decision-making processes towards more transparency, decisiveness and democracy, and areas of EU competence in a way that is more respondent to todays' needs.

The MFF should contribute to establish **'European common goods and services',** encompassing not only defence, security, competitiveness and energy autonomy, but also social priorities, poverty and inequality eradication, ageing in dignity, pensions, health care, education, food security and housing.

A democratisation of the budgetary process must ensure greater involvement of the European and national parliaments. The **partnership principle** must be strengthened and enshrined into EU law beyond the existing scope of the Code of conduct. The **meaningful involvement of social partners** must be guaranteed in the design, the implementation, the follow-up and the evaluation of funds, including technical assistance (TSI) especially in cohesion-related expenditure. Consistent financial resources must be allocated **for capacity building,** in order to empower social dialogue both at European and national level, to enhance social partners' potential and the role of social dialogue, including in neighbourhood policies, enlargement and development cooperation.

"Reaction to the possible restructuring of EU budget

The proposal on reorganisation of MFF raises many concerns that must be addressed.
The new design of the EU budget foresees only 3 major funds; Single National Plans; European Competitiveness Fund and Strategic Funding approach aims to remodel the MFF along the lines and logics of the Recovery and Resilience Facility (RRF).
The ETUC stresses that before any reorganisation of the MFF, in particular if this would have any impacts on the ESF+, cannot be put forward by the Commission without a dedicated and informed social partners consultation.
Any proposal for MFF reorganisation must be the result of such consultation and must in any case address the following key concerns:

1. Social, territorial and economic cohesion funding and policies, as well as ESF+ must be safeguarded, and spending for social progress objectives must be increased, including supporting quality jobs, promoting social dialogue and collective bargaining, capacity building for social partners;
2. Proposed RFF/NGUE style of financing needs to be assessed in terms of accountability, budgetary control and enforcement of conditionalities (rule of law, public procurement and social conditionalities). The greater power to national governments could risk weakening the regional and local dimension, that already lack the resources and control over need-based interventions;
3. The reorganization risks pre-empting the political debate needed on the competitiveness fund, which must first identify the industrial policy we need, the role of public investments and how to match competitiveness, social fairness and environmental protection;

4. The MFF should not be linked to the European Semester process. Social convergence and cohesion policies cannot be traded off to contingencies of fiscal consolidation and negotiations between Member States and the EU Commission on reforms and investments."

Annex: I

Context of the discussion

In the recent years, the EU proved capable of reacting promptly to unprecedented challenges by gathering resources for protecting workers and companies from the effects of the pandemic (through the instrument SURE), enhancing recovery and setting forward looking resilience paths. Acting as a "union" at a supra-national level allowed the EU to mobilise crucial resources not only to cope with the emergencies of the pandemic and war, but also to lay the foundation for a more comprehensive and coordinated approach to EU funding and investment capacity that needs to be confirmed and further enhanced.

In the Action Programme 2023-2027 adopted in Berlin (Chapter 3.6 and others, e.g. Chapter 3.2), the ETUC has underlined the necessity to reform the approach to the design of the EU budget, Multiannual Financial Framework and all EU funds in order to anchor them to a more holistic development of the EU, capable to give concreteness to a "*social* market economy", and contribute to a more social Europe, actual equality, upward convergence, dignity for working people and the wellbeing of everyone in the EU and the planet.

The Multiannual Financial Framework defines the budget cycle of the EU for a period of seven years. It consists of the EU's long-term budget from 2021 to 2027, amounting to EUR 1.211 trillion (EUR 1.074 trillion in 2018 prices), topped up by EUR 806.9 billion (EUR 750 billion in 2018 prices) through Next Generation EU (NGEU), a temporary instrument to boost the recovery after the pandemic. Through a negotiation and agreement among the EC, the EP and the Council, the MFF defines, in general terms, the maximum limits of the amount of money that the EU can spend, the Spending Programmes (where the money should be spent - spending structure) and the Rules that establish how to finance the expenditures. The core of the current budget is a stimulus package worth EUR 2.018 trillion in current prices. More information on the current MFF is available in chapter 2.0 of the ETUC Trade Union Guide to Effective Use of Available Funds for Cohesion Policy available here in 12 languages. Based on the ETUC Position on the Multiannual Financial Framework post 2020, the current MFF proved to be insufficient already in 2018 when first negotiated, and still was in 2023, after the mid-term review.

Before the European elections, preparatory debates on the renewal of the MFF for the post-2027 have started. The EU Strategic Agenda 2024-2029 and the European Council Conclusions of June 2024 state that the next MFF will have to reflect the EU priorities, ensuring that the EU budget is fit for the future and that European responses are actually given to challenges. The guidelines of the EC President Von Der Leyen for her next mandate provide important indications on the design of the next MFF, such as the political priorities of the EU and thus the spending paths the EU intends to engage in.

The EC President's guidelines make explicit references to social areas which need appropriate budget allocation to be boosted: a new Action Plan on the Implementation of the EPSR with the strengthening of a series of crucial EU programmes (such as Erasmus+ programme, "skills funding"); the engagement to "ensure a just transition for all" and to "significantly increase our funding for a just transition across the next long-term budget"; the reference to the importance of cohesion policy, investment in social inclusion and skills development and to ensure that effective conditions are met for people to opt freely for their 'right to stay'. In his recent report on the Future of European Competitiveness, Mario Draghi also supports the increase in the EU budget: he estimates an additional investment of 750-800 billion EUR (4.4%-4.7% of GDP) is needed annually to meet the EU goals for a strong, green, innovative and competitive union.

However, the Draghi report sheds a different light on the economic and investment perspectives of the EU. While these are functional to the EU prosperity, they emerge as not directly anchored to a job-rich progress, a stronger social dimension, the reduction of inequalities and in general the overall use of the public funds and investments in accordance with the rights and expectation of European workers facing transitions.

The institutional policy documents do not provide clarity or concreteness on a series of crucial aspects such as how will Member States be convinced to engage in higher EU budget; how to systemically organise the post-27 long term budget and the EU response to the ongoing challenges and transitions that the EU faces, both internally and on the global stage; how much funding will be allocated to certain policy priorities; what values, besides the rule of law, will be included in the important revision of the financial rules that will be at stake with the establishment of the new MFF.

The European Council Conclusions of June 2024 (Paragraph 50) invited the Commission to present by spring 2025 in-depth pre-enlargement policy reviews containing operational elements on the following four strands: values, policies, budget and governance. They stressed that the proposal for the new MFF would be presented by July 2025.

The relevance of cohesion policy in the overall framework of the future of the EU has been underlined on many occasion: the High Level Group report on the Future of Cohesion Policy and the 9th Cohesion Report, as well as the Letta report. They all recall how crucial it is to develop a fair, inclusive and truly social market. Draghi's report also supports the need for greater cohesion and the removal of the many loopholes and obstacles to the effectiveness of funds for economic, territorial and social cohesion.