



POSITION PAPER

**S&D POSITION PAPER
ON EUROPE 2020
STRATEGY
A REVIEW FOR
SUCCESS**

*OUT OF THE CRISIS - A BETTER
ECONOMIC MODEL FOR EUROPE*

Financing a better Europe

Date: 16 March 2016



Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

European Parliament
Rue Wiertz 60
B-1047 Bruxelles
T +32 2 284 2111
F +32 2 230 6664
www.socialistsanddemocrats.eu

Date: 16/03/2016

TABLE OF CONTENTS

1	Introduction	3
2	A paradigm shift to be shaped by progressive policies	5
3	Strategic priorities	6
3.1	a) Climate change and resource constraints require a deep energy transition and the emergence of a circular economy	7
3.1.1	(i) Fostering energy transition	7
3.1.2	(ii) Promoting a circular economy	10
3.2	b) Developing solutions for a digital and progressive society	12
3.3	c) Promoting innovation: research and development, cultural and creative industries .	16
3.4	d) Strengthening social investment and fighting social inequality in lifelong learning, healthcare, gender equality, youth participation and cultural integration	19
4	Financial tools	23
4.1.1	(i) The budget of the European Union	24
4.1.2	(ii) Own resources	25
4.1.3	(iii) National budgets	26
4.1.4	(iv) EFSI	26
4.1.5	(v) European Investment Bank (EIB)	27
4.1.6	(vi) Capital markets	28
5	Governance and political instruments.....	29
5.1.1	(i) Integrated guidelines and headline targets.....	29
5.1.2	(ii) European Semester: country reports, country-specific recommendations, national reform programmes	30
5.1.3	(iii) Role of the Commission, the European Parliament and national parliaments .	31
5.1.4	(iv) Role of social partners, civil society and sub-national levels of governance ...	32

1 INTRODUCTION

The Europe 2020 objectives and targets were adopted in 2010 on the assumption that Europe could achieve a quick return to growth after the financial crisis that hit the EU in 2008, following the sub-prime mortgage crisis in the United States. In 2010 three main scenarios for Europe's economic outlook were considered¹: strong growth, sluggish recovery and a lost decade scenario. Six years down the road, the reality is somewhere between the second and the third scenarios, which makes many of the targets very difficult to attain.

The benefits of the Europe 2020 strategy (EU2020) mostly failed to materialise. There is almost stagnation in many areas. The conclusion from the 2010-2013 data is that the current economic governance and austerity policies do not help to fulfil the objectives of Europe 2020. The Europe 2020 strategy should remain the guiding approach of EU policy-making as the five headline targets are still appropriate and reflect Europe's current key challenges.

After several years of painful crisis and after the recent adoption of the Sustainable Development Goals² with 2030 as a target date, the European Union needs to relaunch its growth and employment strategy with a real ambition for the future. Reducing unemployment and social inequality is crucial for the success of European integration, now more than ever, as Europe prepares to deal with larger scale immigration. But additional and better jobs can only be delivered if necessary investments are made to boost the transition towards an innovative carbon neutral, circular and digital economy.

¹ COM(2010)/2020 "EUROPE 2020: A strategy for smart, sustainable and inclusive growth"

² [UN Sustainable Development Summit September 25-27, 2015, New York; http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E)

This transition to a new growth model must be consistent with the principles of sustainable development: economically, socially and environmentally. Any employment strategy has to be based on the creation of high-quality and sustainable jobs, not just on reducing unemployment *per se*. A new growth model has to be based on social justice. At the same time, to reach the growth target it is necessary to focus on R&D, innovation and creativity to invent new products, methods and potential services, including accessible goods and services, in both traditional and emerging sectors.

But to make innovative products and services, a well-educated work force is needed, which must be one of the tasks of the education system. At the same time companies need access to capital in order to encourage development and production of new products and services. This is why it is important to include long-term financing in the EU2020 strategy.

A new growth model also needs to recognise the importance of the single market, as set forth in the Lisbon Treaty, as a fundamental tool to aim for a social market economy where the free movement of goods, persons, services and capital must be balanced against social policy objectives.

Furthermore, the decisions about this strategy need to be taken with stronger democratic involvement from European citizens, as was shown by the public consultation organised by the Commission in 2014.

Regarding the funding of EU policies, two years after the start of the Multiannual Financial Framework (MFF) 2014-2020, the situation in which the current framework applies has changed, with new crises and priorities emerging. In fact, the resources available in the current MFF over the coming years are likely to be insufficient to tackle the number of crises or to finance priorities for EU2020 to a desirable extent. Hence, there is a genuine need for a mid-term revision of the MFF.

In addition, the EU2020 priorities, as well as any other priority which may be decided at the highest EU political level, should be accompanied by a binding financing plan, including an

assessment of its impact on the EU budget. Otherwise, there cannot be either real commitment or real success.

Given the new challenges the EU is facing on its external front – closely interlinked to the challenges the EU has internally – and given that progress at the global governance level (environment, energy, finances, taxation, etc) is essential to renew and support our internal model, the EU needs to concentrate its efforts and step up its policy coherence.

We must encourage our partners to converge with us, taking the same direction, taking into account their specificities, culture and civilisation. All the instruments of the EU's external action (strategic partnership, trade agreements, multilateral and bilateral co-operation and intercultural dialogue as a soft power) should be mobilised to reach both improved global governance and wide convergence.

2 A PARADIGM SHIFT TO BE SHAPED BY PROGRESSIVE POLICIES

These last five years have witnessed deep changes at both national and international levels, in many different ways: economic, geopolitical, demographic, technological, environmental, sociological, etc.

In the EU, but not only there, our societies are being transformed by powerful trends:

- Climate change and resource constraints requiring a deep energy transition, industrial transformation and the emergence of a circular economy;
- A new phase in the digital revolution, leading to new opportunities for growth in Europe, requiring a long-term solution to overcome the digital divide and the challenges of data security, and at the same time grasping the potential of this new revolution in terms of jobs creation;

- Geographical re-organisation with global networks and the emergence of megacities, and further development of sustainable transportation systems and energy infrastructure;
- Widening regional disparities – within countries even more so than between them – necessitate a real EU cohesion policy as an investment tool for the benefit of EU citizens;
- Deep social changes, with ageing, immigration and gender rebalancing but also new differences between generations, requiring new approaches in education and social policy;
- Citizens' alienation from political institutions and a growing democratic gap between the EU and its citizens, resulting in the rise of extremism and radicalisation on both ends of the political spectrum.

These trends cannot be ignored – on the contrary, the potential they offer should be fully exploited and maximised to help the EU reach its objectives for sustainable growth, competitiveness, sustainable development, quality jobs and social inclusion.

3 STRATEGIC PRIORITIES

One central goal should be addressed in the next phase of the Europe 2020 strategy: the EU should create a better framework for all member states to take advantage of this paradigm shift and move to a new growth model focussing on quality jobs. All the following strategic priorities should translate into new investments and jobs, with accompanying reforms:

- a) (i) Fostering energy transition and (ii) promoting the circular economy
- b) Developing solutions for a digital and progressive society
- c) Promoting innovation in sectors based on R&D, cultural and creative industries
- d) Strengthening social investment and fighting social inequality, in lifelong learning, healthcare, gender equality, youth participation, intercultural dialogue and social inclusion.

These strategic priorities and their targets, looking ahead to 2020, should build on the initiatives already underway, such as Energy Union and the Digital Single Market, keeping the completion of the single market in mind as the main instrument to foster higher structural economic growth and social cohesion. They should also feed into the more general framework to be set by the European Union, to monitor the implementation of the Sustainable Development Goals with the target date of 2030.

3.1 a) Climate change and resource constraints require a deep energy transition and the emergence of a circular economy

3.1.1 (i) Fostering energy transition

Significant progress has been made on the 2020 targets of 20% greenhouse-gas-emission reduction, renewable energy and energy efficiency targets. These targets have already been agreed and incorporated into legislation. While the first two are likely to be met and even exceeded, the mid-term review reveals that the energy efficiency target (an improvement of 20%, the only one which is not binding) will be missed. However, it is difficult to establish to what extent progress on these three targets can be attributed to the EU and member states' reform efforts or, paradoxically, to the impact of the crisis.

Among other things, strengthening measures aiming to achieve a further reduction of greenhouse-gas emissions can help to achieve Europe's ambitious climate change and energy objectives on a more stable basis. In general, the emissions trading system (ETS) is seen as the right instrument for achieving the EU's CO₂-reduction commitments. However, it has to be significantly strengthened to ensure a high carbon price, while ensuring the necessary protection for energy-intensive industry from unfair competition, as it currently fails to provide the necessary incentives for investment in low-carbon technologies. Furthermore, the EU needs fair effort-sharing between the ETS and non-ETS sector in order to avoid an asymmetric burden for sectors in direct competition.

We believe that the targets for energy efficiency and renewable energies should be significantly revised upwards and made binding on member states, regardless of progress in international climate change talks.

Renewable energy

The newly proposed target of 27% renewable energy sources (RES) for 2030 is disappointingly low and unambitious, representing little more than a business as usual scenario for the EU. The S&D Group proposed a much higher binding target of 45%.

To an extent, and more so in the earlier years and for less mature forms of renewables such as offshore wind, wave, tidal and others, subsidies³ are required to enable renewables to compete in the market with conventional energy sources. Subsidies for more mature renewable technologies, such as photovoltaic, could gradually be more phased out as they reach grid parity. Clearly, the high subsidies, both direct and indirect, that still exist for fossil and nuclear energy should be quickly and permanently phased out. However, even when allowance is made for jobs that would have been created from alternate deployment of these subsidies (consumers buying other goods, governments investing in alternative public services) renewables were still found to generate net jobs relative to the conventional energy sources that they displace.

In 2013 renewable energy accounted for 1.2 million jobs in the EU⁴ and research⁵ has shown that employment in the renewable energy sector in the EU could amount to 1.6 million jobs if a 30% target were set and up to 2.1 million for a 35% target. On average renewable energy jobs are relatively highly skilled, although unskilled workers are also needed. Likewise, the same

³ Public subsidies through renewable-energy support schemes and funding for research and innovation should also focus on these immature technologies. While a high carbon price or emission-performance standards would have a strong impact on the development of more mature technologies such as onshore wind or solar, it is unlikely to stimulate research into less mature renewables. The added advantage of some of these less mature renewables is that they are more predictable/less variable than wind and solar, so they can play an important role in balancing variable renewables. So EU member states should strengthen support schemes and direct them to less mature renewable energy sources.

⁴ http://www.irena.org/DocumentDownloads/Publications/IRENA_RE_Jobs_Annual_Review_2015.pdf

⁵ iea-retd.org/wp-content/uploads/2011/11/EMPLOY-task-1.pdf

research shows that net GDP would be higher by up to 0.4% with a 30% target and by up to 0.8% with a 35% target.

Box- Blue growth

The S&D Group considers it crucial to use the great potential of Blue Growth for innovation and sustainable growth in the marine and maritime sectors.

The 'blue economy' is composed of many diverse sectors such as [aquaculture](#), [coastal tourism](#), [marine biotechnology](#), [ocean energy](#) and the use of marine resources. Seas and oceans are drivers for the European economy. The blue economy represents roughly 5.4 million jobs and generates a gross added value of almost €500 billion a year.

Box- Smart infrastructure

It is essential that the 10% and 15% electricity interconnection targets for 2020 and 2030 respectively are met and exceeded by all EU member states in order to avoid energy bottlenecks and ensure increased market integration, which will lower overall energy system costs and increase energy security. The creation of a European supergrid should be supported to ensure efficient delivery of renewable sources to the major centres of consumption. The roll out of smart grids is central to delivering more efficiency through demand-response management, avoiding over-capacity and minimising the need for expensive storage solutions. It is important to prioritise support for only those infrastructure projects that really offer European added value, both at the transmission and distribution level, and ensure security of supply in the most affordable and sustainable way.

Box- Clean mobility

Clean mobility is a central part of the energy system we are aiming for. This is why the Energy Union and thus the EU2020 strategy should dedicate significant means to this objective, beyond research and development. The EU should develop a network of European transnational 'green

mobility corridors' and equip them with charging stations for electric and hydrogen vehicles, alongside further developing an effective and far-reaching public transport system.

3.1.2 (ii) Promoting a circular economy

As the overarching economic strategy for the EU, a revised Europe 2020 strategy should develop a roadmap for a decarbonised and circular economy by 2050, with clear 2020 and 2030 milestones to maintain and improve Europe's industrial leadership and prevent 'low-carbon leakage' to other regions. The Europe 2020 strategy should include a resource-productivity headline target (as suggested by the Commission⁶) to reflect the progress made.

It should provide guidance on how to implement the Sustainable Development Goals such as goal 7 on the access to affordable, reliable, sustainable and modern energy for all, and goal 12 on sustainable consumption and production patterns.

Promoting the development of a shared service economy – where collective access to shared goods and services becomes more important than individual ownership – could foster a decrease in resource use in the EU economy.

In this regard, specialised service systems ensure that products can be used several times by multiple users without these being the owners of the products in question. In a targeted service economy (eg copying services, car sharing, gardening, laundry and ironing services, etc) consumers would no longer be obliged to buy expensive equipment which they only use for a limited time. Through lease and rental services, manufacturers could remain the owners of their products, which would constitute an incentive to develop more durable products that are easy to repair, dismantle and recycle. This would also result in a more efficient use of raw materials, products and energy.

⁶ European Commission (2014), Towards a circular economy: A zero waste programme for Europe, COM(2014) 398final: "The review of the Europe 2020 strategy is currently underway supported by public consultation to gather all views on its development. The Commission therefore considers that any decision on setting a resource productivity headline target should be taken in the review."

An industrial transition is essential, moving towards a well-functioning economic system where materials are sustainably sourced, re-used and recycled in order to limit the quantity of virgin raw materials 'entering' the cycle, as well as the end-of-life waste 'leaving' the cycle. At a European level, a 30% improvement in resource productivity by 2030 would already deliver an increase in GDP of almost 1% and create more than 2 million additional jobs. It has become increasingly evident that there is a limit to growth in terms of the availability of natural resources. This means that companies have to respond to an increasing scarcity of natural resources. Re-use, recycling and remanufacturing thus reduce the pressure – from a business point of view – on competitiveness, profits and business stability and continuity.

To this end, the EU needs to embed its waste policies into a circular economy policy that focuses on the whole lifecycle of products, including the extraction of sustainable materials, ecological product design, eco-efficient production, sustainable consumption and waste management practices to close the loop. Therefore, the traditional waste policies – with their purely quantitative targets that create large amounts of secondary raw materials, too often exported for down-cycling – have to be complemented by product and (re)manufacturing policies that preserve valuable high-quality materials in closed loops. To stimulate demand and help to create an EU-wide market for high-end recycling, we need European standards (CEN) for high-quality secondary raw materials; eco-design requirements on repairability, durability and recyclability; standards on high-quality collection, sorting and separation; 'best available techniques' reference documents focussing on sustainable sourcing and remanufacturing of secondary raw materials⁷; together with product standards on recycled content for some materials in new products entering the EU market.

To measure progress and to develop and implement the actions necessary, we need:

- Binding targets on resource efficiency increases at EU and sectorial level, underpinned by a lead indicator and a number of sub-indicators on resource efficiency, including ecosystem

⁷ European Parliament Research Service, Mapping the cost of Non-Europe, 2014-19, 2015 and Lorenzani, D. and Varga, J., 'The Economic Impact of Digital Structural Reforms', European Commission Economic Papers No 529, 2014

services⁸. These indicators should measure resource consumption and water, carbon, material and land-use footprints, including imports and exports, and take account of the whole lifecycle of products and services.

- Suitable instruments and measures to address current policy gaps and market failures hampering the achievement of sustainable resource production and consumption.

3.2 b) Developing solutions for a digital and progressive society

The EU's ability to recover from the economic crisis and its future competitiveness will depend largely on its capacity to promote and implement an ambitious digital strategy. Europe 2020 is a useful milestone to see how Europe has progressed in further digitising the public and private sectors, and in the development and use of digital production tools.

The potential contribution to European GDP from achieving a fully functioning Digital Single Market has been estimated at €415 billion, which would mean an increase of 3% to EU GDP⁹. Most of the products and services to be delivered can become smarter and connected. The same can happen with jobs.

In order to best prepare European society for the opportunities and challenges of the future, the efforts already undertaken have increased the understanding that digital economy is a key part of the whole economy, and that the whole economy is now digital. However, these efforts need to be intensified and broadened in order to ensure consumers' and business' confidence and skills in the on-going digitisation of the economy. For this purpose it is also necessary to achieve a high level of trust in the digital economy and to make sure it is inclusive and transparent. We need a debate concerning public digital platforms which are subject to democratic scrutiny by civil society organisations.

⁸ Ecosystem services are the direct and indirect contributions of ecosystems to human wellbeing ('The Economics of ecosystems and diversity' - TEEB D0). They support our survival and quality of life directly or indirectly. <http://biodiversity.europa.eu/topics/ecosystem-services>

⁹ European Parliament Research Service, 'Mapping the cost of non-Europe, 2014-19', 2015 and Lorenzani, D. and Varga, J., 'The economic impact of digital structural reforms', European Commission Economic Papers No. 529, 2014.

The EU needs to develop industrial policy measures that support new and established European digital innovation and manufacturing. While determining its own approach, combining excellence in manufacturing with digital solutions, the EU needs to take into account the need for data security and the protection of personal data, and, more generally, the potential impacts (positive and negative) on society of these digital innovations and industrial applications.

The digital revolution poses challenges, but creates even more opportunities, not only in terms of jobs and growth, but also in terms of participation and e-democracy. It is, in fact, an opportunity to empower various vulnerable, excluded or disengaged citizens, reconnecting them and allowing them to participate actively in the social, cultural and political spheres.

Shaping the digital shift in a progressive way will be essential to ensure a just society in the future. Solutions have to be found to the inequalities created by new and often precarious forms of employment (such as high levels of self-employment, crowd-working, click-working) to ensure social protection and workers' rights in the digital employment world. In so doing, we should ensure the inclusivity of the internet.

At the same time we must make sure that we grasp all the opportunities and flexibility digitisation offers companies and employees. The digital divide in skills must be fought and prevented, by ensuring that citizens, regardless of their age and location, physical ability or position in any social minority group, have full access to digital services, to the know-how needed in the digital age and to social entrepreneurship through education and training.

The provision of services is changing rapidly, with more services being offered online and a clear shift from business-to-consumer relations towards consumer-to-consumer or 'prosumer' relations through new service models such as the sharing economy. Here, a high level of consumer protection needs to be guaranteed, as well as a non-discriminatory provision of services. The shift in service provision also poses challenges concerning taxation and the payment of social contributions, for example, as service provision and the generations diverge.

*Box- The following **industrial sectors** below (a non-exhaustive list) are growing and digital solutions will be required to push this growth:*

Cybersecurity/security

Provision of public services

Wellbeing, care in the community and healthcare

Management, logistics, infrastructure and transport

Agriculture, environment, climate, marine pollution and waste management

Finance, commerce and trade

Entertainment, culture and media

Education

By 2020, it is estimated that 90% of jobs in the EU will require digital skills. Digitisation is an opportunity for many new jobs and growth through innovation. We need to encourage digital and creative skills in schools and higher-education systems as this is the only way to develop the necessary information and communications technology (ICT) skills of youngsters in order to prepare them for the modern labour market, enabling them to free their analytical and creative potential. But we also need to support and prepare our workforce to take on this new opportunity, through financing training and retraining.

Our main objective is to reduce digital literacy gaps in order to include all citizens regardless of their social status, geographic location or functional disability. More investment is thus needed in digital education, including media literacy, the development of critical thinking and the capacity to deal with different opinions, so that all citizens can benefit from digitisation, in particular, children, people with disabilities and the elderly. A special emphasis must be placed on encouraging girls and young women into the field of ICT, where they are underrepresented and there is a demand for qualified employees.

The Commission and EU member states should focus on improving e-learning education by including digital skills in their education curricula. The support provided by the Erasmus+

programme must continue helping to improve digital teaching skills to address the shortage of well-qualified teachers and trainers, share best practices and promote the development of educational ICT courses adapted to all.

What could be done in the framework of the EU2020 strategy review?

- Connectivity targets do not seem very relevant in this context and may be partially outdated by 2020. At the same time, it appears that it may not be fully realistic to reach 30 Mbps everywhere. Therefore, space-based technology solutions should be further explored. Universal access targets, to tackle low speeds and broadband deployment in rural and other areas, should be set with projects for the development of broadband in rural areas and areas with low population density being recognised as services of general economic interest.
- We should not just assess connectivity through speed measured in megabits but also favour a digital strategy which proposes a substantial legislative review of the Telecom Framework in 2016, a clear spectrum framework and financial instruments (such as the European Fund for Strategic Investment (EFSI), Horizon 2020, the Connecting Europe Facility and other relevant structural funds, as well as incentives for private funds such as micro-financing, venture-capital and maybe a review of the state aid rules).
- The digital economy is seen by some as posing a threat to traditional jobs in the industrial and services sectors. We call on the Commission to assess the qualitative and quantitative effects of the digital economy on employment and on social standards. In particular, we call for more research into new forms of employment and how to safeguard job quality and social security in these processes of change.
- The Digital Economy and Society Index¹⁰ administered by the Commission is a useful tool to track digital performance in all EU member states. The DESI should also focus on the impact of

¹⁰ The Digital Economy and Society Index (DESI) is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU member states in digital competitiveness. More clarifications via this link: <https://ec.europa.eu/digital-agenda/en/desi>.

digitisation on traditional industries. Regarding digital inclusion, more data is needed on the impact of digitisation on the workforce, young people and children, the elderly and the disabled population. It should also look at its impact on lower-income populations and those who are out of work.

- The telecom sector should also be further transformed, always keeping the interests of consumers as the central goal. Tariffs should be reduced further and transparency and ease of switching should be improved. Issues that concern European citizens directly in their private and professional lives, such as geo-blocking, international calls and data traffic should be tackled as soon as possible.
- Education in e-citizenship (access rights, data-protection rights, e-consumer rights, cybersecurity and e-participation) should be widespread and easily accessible.

3.3 c) Promoting innovation: research and development, cultural and creative industries

Innovation must be a core part of our answer to the crisis, may it be in terms of new technologies, new ways to address new societal needs and new ways to organise work and companies. Improving the framework conditions for innovation in the areas of knowledge, industry and the green economy needs to go hand in hand with increased investment. It is crucial that investments in fixed assets and technology on the one hand and investments in vocational and educational training on the other hand are well co-ordinated.

In this context, it is of paramount importance that close co-operation and dialogue are encouraged between creative industries, universities and research centres to provide joint training programmes and lifelong-learning opportunities. Policies need to be established that combine infrastructure investment with investment in human capital, exploring innovation voucher schemes to help creative and cultural SMEs, and to help individuals acquire

professional and transferable skills. The role of social enterprise, including business models such as co-operatives, has a significant innovative role to play in fostering sustainable growth and inclusion across sectors, which should be explored and promoted.

While the private sector has a clear role to play in increasing Europe's innovation capacity, the entrepreneurial state is also a crucial keyplayer for innovation, either directly through public research and education or indirectly through providing a strategy for innovation, as well as the conditions and incentives for the private sector to innovate, by ensuring the quality of employment and securing the legal environment. Thus, both the private and public sector should support improving skill levels by investing in human capital, in quality education and in research and development. This will also help address the considerable regional innovation divide in the EU and support not only regions of excellence but also those lagging behind, to become part of the European innovation landscape.

The EU and its member states must provide a favourable environment for companies to invest in R&D and innovation. Setting benchmarks and standards has proven to be a strong driver for promoting innovation and sustainable competitiveness in several industrial sectors. Alongside strongly process-oriented research and innovation, research into basic cross-sectorial technologies is needed in such areas as ICT, biotechnology, nanotechnology, space, renewable energy, new means of transport and new materials. To monitor the innovation performance of EU member states, the innovation union scoreboard is a central tool as it provides a comparative assessment of research and innovation performance in Europe. It helps each country assess areas in which it needs to concentrate its efforts in order to boost its innovation performance (innovation performance is measured using a composite indicator – the summary innovation index – which summarises the performance of a range of different indicators).

Finally, the S&D Group is convinced that patents play an important role in promoting innovation and economic performance, since they enable innovators to capture the returns from innovative investments and provide the necessary security for investment, equity and loans. The community patent needs to deliver in ensuring low-cost, efficient, flexible and high-quality legal protection, adapted to the needs of SMEs, as well as providing a harmonised European patent litigation system.

The EU and its member states have to re-evaluate the whole ecosystem of innovation with a view to removing unnecessary barriers and there is a need to set up an easily accessible system to accelerate innovation and actively prevent fragmentation and bureaucracy.

At the same time, we will ensure that the value generated by the creative works – as one of the main sources of revenues in particular for the digital economy – is fairly and appropriately balanced for the remuneration of creators.

An updated EU2020 strategy should better recognise the contribution of cultural and creative sectors to Europe's development agenda. The S&D Group will continue promoting the knowledge square on the positive interactions between education, culture, research and innovation. Creative skills and creativity are essential to the knowledge-based economy. The promotion of STEM competences (science, technology, engineering and mathematics) in education and training systems must also include the arts: turning STEM into STEAM. Additional investments need to be generated by using the new EU-level investment instruments in order to keep the focus on research and higher education.

A specific concern relates to the lack of attention devoted to the cultural and creative industries (CCIs) which are estimated to be responsible for over 3% of the EU's gross domestic product and jobs, and which remain undervalued and unrecognised. In particular, they suffer from difficulties in terms of their ability to access start-up capital and financing, which limits their potential to contribute to employment and growth in many sectors across Europe: music, film, handcrafts, design, fashion, car, housing and many other industries.

As cultural and creative industries are able to create new trends, ideas and jobs, we must respect and strengthen the intrinsic value of culture. This is why we have to understand that the creative sector will ask for new financing models that allow us to foster this dual economic and cultural character.

Finally, despite recent efforts by the Commission, there is a lack of reliable output indicators, which makes it difficult to assess the quality, efficiency and impact of R&D policies. We stress the importance of a methodology to monitor not only R&D input but also the outcome of R&D policies and measures.

3.4 d) Strengthening social investment and fighting social inequality in lifelong learning, healthcare, gender equality, youth participation and cultural integration

We need a radical change in our education policy to promote social inclusion advancement. Equal educational opportunities, better early childhood education, greater permeability between the educational systems and more qualified teachers are required throughout the EU. The need to catch up on the acquisition of digital skills, the attractiveness of mathematics, computer sciences, natural sciences, arts and technology is increasing as well as the need for language learning. If we want to use all the integration opportunities provided by a good education, we need a pan-European effort.

For many years the EU has been working to reach ambitious targets on education and training. Although some progress has been made, citizens are not benefitting from positive outcomes. A closer look shows that the divide between the most vulnerable peoples, countries and regions, and others, has not been reduced and therefore more efforts are needed to really make a difference and change the trend to one of smart and truly inclusive growth.

The S&D Group has repeatedly warned that continuous public spending cuts in the education and culture sector in response to the economic crisis and the budgetary austerity policies being implemented in EU countries are having and will have disastrous effects. We need to invest more in education and quality training to improve the potential of young people, to lead the EU into a knowledge-driven society, combating unemployment and building an inclusive and democratic citizenship. These challenges are going to become even greater given the need to address unprecedented levels of migration with comprehensive policies to integrate migrants

while preventing a further exacerbation of the competition between the weakest members of our societies.

Member states and the EU have to develop a comprehensive strategy with bold and targeted policies to tackle educational inequalities and strengthen the social dimension to deliver now on the targets they have committed to: investing at least 2% of GDP in higher education; reducing early school leaving below 10% including improving support and guidance for groups at risk; reducing the number of 15-year-olds failing basic literacy standards; promoting a dual-learning system to improve the attractiveness of vocational education and training; supporting lifelong learning as well as the promotion and recognition of non-formal and informal learning; quality apprenticeships and traineeships; ensuring that at least 40% of 30 to 34-year-olds complete tertiary education; promoting an ambitious target for language learning for all young people in Europe; and the possibility of spending part of their educational pathway in other EU countries. The EU2020 targets on education and training cannot be reached without a social dimension supported by long-term investment plans integrating national budgets and EU funding.

In order to enhance the attractiveness of higher education in Europe, we need to focus on the overall quality of all levels of education and training, and on mobility through the Erasmus programme for students, teachers and workers – as well as young people outside of education, training or employment. Two priorities need to be reinforced: better recognition of diplomas and the achievement of the Bologna process, including the social dimension.

A social equity perspective fostering the broadest access to higher education will be crucial to boost female participation in the labour market and to integrate disadvantaged socio-economic groups, ethnic groups such as the Roma, migrants and refugees, people identifying as LGBTQI and people with a disability. We should introduce ways to broaden participation, removing financial barriers, bringing flexibility and recognising non-formal and informal learning, competences and skills. It is also essential to support the improvement of teachers' digital skills and inclusive policies to prevent radicalisation and marginalisation among students. The migration challenge should be turned into a window of opportunity if the right policies are developed. We can build a healthy European society based on the values of respect, tolerance and solidarity by promoting intercultural dialogue, acknowledging the value of Europe's cultural capital, protecting European cultural heritage and the diversity of cultural expression, giving the

EU motto 'Unity in diversity' real added value, promoting cultural participation, strengthening European citizenship and ensuring the transmission of our shared European heritage to future generations.

The EU2020 strategy for a smart, sustainable and inclusive economy sets out ambitious targets, including a 75% employment rate for men and women and reducing the number of persons experiencing or at risk of poverty and social exclusion by at least 20 million by 2020. It is unlikely that these targets will be met unless member states implement coherent policies to promote gender equality.

These developments should be positively combined with labour migration. The revised Europe 2020 strategy requires a comprehensive labour migration policy and better economic, social and cultural integration of migrants in order to meet the EU's goal for smart, sustainable and inclusive growth.

The falling birth rate in the EU has been exacerbated by the crisis; Europe is facing major demographic challenges as well as economic stagnation; one of the main disincentives for women to enter the labour market is the difficulty they face in balancing working and private responsibilities.

Our proposal serves two major objectives: strengthening the European social agenda while providing better conditions so that women can fully play their part in the economic recovery of the EU. We want:

- A coherent legislative package to promote equal sharing of responsibilities, to facilitate a better work-life balance/reconciliation policies as the most important precondition to increase female participation in the work force.

- A new instrument called 'Carers' leave' to improve working time flexibility throughout the whole working life as well as social protection for carers throughout life because men and

women also need to address specific time arrangements for care of relatives, elderly people, people with disabilities, etc.

- ✓ Promote innovative working time arrangements, reconciliation plans in order to attract and retain women in the labour market, promote a 'reconciliation economy' and incentives for businesses and self-employed women and men, within the boundaries of working time provisions, as defined by national and European law.

- ✓ Promote return-to-work programmes, communication channels between workers and workplace, emphasis on transformative policies to change behaviours and attitudes towards different types of leave and working-time arrangements.

- A strategic investment to boost the availability of quality affordable childcare facilities to reach the objective of a 33% coverage rate for children under three years of age (Barcelona targets).

- Investment in long-term social stabilisers to guarantee the necessary means and services that allow citizens to grow up as successful and responsible members of our society. The lifetime opportunities of children, especially the poorest, depend on a combination of the coverage of basic needs (nutrition and lodging), access to quality public services (health, culture and education) and the stable conditions of parents and carers in order to provide good parenting (social inclusion and labour market integration). Consequently, the European response to improving the living conditions of poor children must be multidimensional, rights-based and integrated, aimed at ensuring that children and their families have access to adequate resources and quality services.

- A stronger European Employment Services (EURES) to support job search and fair labour mobility.

- 'Gender-mainstreaming' in all fields of EU policy-making, at all stages and levels, in order to overcome gender inequality and ensure people of all gender identities are included.

- A clear focus on children ensuring all fields of EU policy-making are child-proofed and include children and young people in consultations.

- Education and labour policies that increase the representation of women in areas where they are traditionally and structurally underrepresented, such as science, technology, engineering and entrepreneurship.

- Policies on poverty reduction, social equality and macro-economics which recognise gender-based aspects of poverty and social exclusion and find holistic responses.

4 FINANCIAL TOOLS

A successful EU2020 strategy should rely on a broad investment strategy. Given that we are far from achieving employment and social targets, it is evident that financial resources must be put in place in order to develop the right policies to achieve those objectives. It can be successful only when sufficient budgetary resources can be mobilised on a national level to abandon blind austerity policies. The fight for the success of the Europe 2020 strategy is therefore also a fight against tax avoidance and aggressive tax planning (including intra-corporate transfers) which are hampering robust and efficient targeted public policies. Some initiatives have been developed, but, like the Youth Guarantee, they are already endangered by shortages in the EU budget. Others, such as a long-term unemployment scheme, are in the process of being developed.

4.1.1 (i) The budget of the European Union

The budget of the EU is the most suitable tool to implement the EU2020 strategy. Most European programmes are targeting its objectives, either directly or through effective earmarking. But the current limitation of the budget to 1% of the EU's GDP clearly jeopardises any capacity to reach the investment levels required to achieve the objective agreed on a political level.

Furthermore, the 2016 budget negotiation exhausted all flexibility under the current Multiannual Financial Framework after only two years of implementation, leaving no room for manoeuvre to respond to unforeseen political requirements.

The mandatory revision of the MFF will have to address the financial needs of a recovering EU, fulfil social and environmental objectives, and face the political crises (eg compensation scheme for Horizon 2020/Connecting Europe Facility in EFSI financing, refugees, terrorist threat, external actions, etc).

The mobilisation of additional means or other financial instruments therefore becomes indispensable.

Box - Cohesion policy instruments

The EU Cohesion policy, with its €351.8 billion for the 2014-2020 programming period, is the main investment instrument at EU level for pursuing the objectives of the Europe 2020 strategy. The five European Structural and Investment Funds (ESIF), (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Maritime and Fisheries Fund (EMFF), European Agricultural Fund for Rural Development (EAFRD)) are fully aligned with, and derived from, the Europe 2020 strategy and its headline targets on employment, research and development, climate and energy, education and the fight against poverty and social exclusion. Through 11 thematic objectives, cohesion policy provides support

to SMEs, R&D and innovation, education, training, the low-carbon economy, the environment and the fight against unemployment and social exclusion, as well as developing infrastructure connecting EU citizens and modernising public administrations.

Given the recent economic and political crises in Europe, which were followed by stagnation and mistrust in the financial markets, the flexibility of the financial instruments is essential in achieving the more global Europe 2020 policy objectives and the trust of the EU citizens. In particular, member states should be supported by the neutralisation of debt and deficit calculations in public investment carried out by their public operators when co-financing projects in the European Regional Development Fund, the European Social Fund and the Youth Employment Initiative.

4.1.2 (ii) Own resources

The current revenue system for the EU (own resources) has a number of shortcomings. It depends largely on national contributions, which are then perceived as a fiscal burden on national treasuries and citizens. The issue of own resources has become a key political debate which is crucial for the future of the EU. A parliament and the citizens it represents cannot be truly sovereign as long as they are barred from discussing revenues. The vote on own resources must seal Parliament's legitimacy in deciding on spending, the sovereignty of democracy and the necessary institutional balance of the European Union.

The current MFF should be made more consistent with the updated Europe 2020 strategy and the next one should be aligned with the next growth strategy as well as the European electoral cycle (2019-24). Thus, all these decisions could count on stronger democratic legitimacy, defining the next mandate of the European institutions.

Furthermore, the EU budget should be made more stable, sustainable, predictable and autonomous. There is a need to alleviate the burden of excessive expenditure from national budgets and reach a win-win-situation for member states and the EU: there is a necessity for a genuine system of own resources. It is a top priority to agree on viable recommendations for

reform – which would entail a mix of different own resources. These recommendations should include the most suitable candidates for EU own resources.

Possible candidates for new revenue sources are the ones that have an EU added value, created by the very existence of the EU (ie in the form of the single market). The advantages of new revenue should reflect political priorities, such as combating tax evasion/tax avoidance, reducing the risk of financial speculation, addressing environmental issues, etc. Collecting and allocating resources at EU level would be the best way of preventing tax-circumvention mechanisms between EU countries. This additional revenue should proportionately reduce the contributions of member states and enable them once more to play the role for which they were originally intended.

A decrease in national contributions would make the system more autonomous, transparent and fair. This can only be done by creating genuine own resources.

4.1.3 (iii) National budgets

Investment can further be boosted if EU countries adapt their public finances by conducting a counter-cyclical policy and make full use of the existing flexibility clauses in the legislation, including countries under the corrective arm. Countries with more fiscal capacity should be required to accelerate investment within the macroeconomic imbalance procedure (MIP) process.

4.1.4 (iv) EFSI

With the entry into force of the regulation on the European Fund for Strategic Investment (EFSI) aiming at boosting private and public investment, the EU now has an investment tool that can start financing strategic projects in order to fulfil the EU2020 strategy objectives. This would require fostering sustainable job creation leading to quality employment and achieving social, economic, cultural and territorial cohesion, encouraging social investment with the aim of promoting a positive social impact and reducing inequality through measures such as improving

public services and supporting the creation of jobs for disadvantaged groups. This is only possible if EU states involve their local and regional authorities in promoting project pipelines and investment platforms.

Co-operation should be encouraged between the European Investment Bank (EIB) and national promotional banks and institutions (NPBIs), as well as investment platforms, notably in the framework of the EFSI, in view of their special skills and knowledge in the field of SME financing. The EIB should use all means, including the European Investment Advisory Hub, to actively promote the participation of NPBIs in the financial instruments that it is entrusted to implement. NPBIs, or associations thereof, should contribute a fair amount to projects, and not only finance.

Furthermore, it is of the utmost importance to monitor that the EIB ensures the additionality of its financing operations under EFSI. The aim is to enable the EIB to take more risks and to move away from its triple-A-rating mantra; hence extreme vigilance in monitoring compliance with this criterion is needed.

The financing of EFSI unfortunately had a negative impact on important programmes, such as Horizon 2020 and the Connecting Europe Facility. In order to mitigate the cuts to Horizon 2020 and the Connecting Europe Facility as much as possible, the S&D Group will continue to use the annual budgetary procedure to strengthen these affected programmes.

4.1.5 (v) European Investment Bank (EIB)

The EIB's primordial objective should be to provide funding to the real economy, fostering economic growth and job creation instead of only focusing on its triple A rating. The revised EU2020 strategy should also include policies which put Europe's main investment bank at the service of the real economy including the financing of the riskier projects which enhance cohesion and job creation in the EU. Effective checks may be needed to ensure that all projects are aligned with EU objectives and policies at the earliest stages of the EIB's selection process , so that only fully compliant projects are included in the pipeline.

We will also explore and encourage the potential of activating an additional €3 billion under the EIB external mandate ahead of the mid-term review.

4.1.6 (vi) Capital markets

The Capital Markets Union (CMU) can be a useful tool to diversify funding, providing a complementary alternative to banking credit, to tackle cross-border fragmentation and achieve harmonisation. It should in no way be an occasion to deregulate the financial markets hence taking us where we were before 2007. The CMU is composed of several initiatives (including long-term investment, securitisation, a review of the Prospectus Directive, Venture Capital and Entrepreneurship, covered bonds). We need to push for legislative proposals in all these areas to defend the community method. Moreover, as some of the key obstacles to further capital market integration remain outside the current CMU proposals, we should ask for more to be done in the fields of accounting, taxation, insolvency law, company law, property rights and the legal enforceability of cross-border claims. Finally, we should also ask for a Single European Capital Markets Supervisor to be seen as a natural evolution in European economic governance.

The Banking Union is one of the most significant projects currently under way. It aims at reducing risks in the financial system, minimising taxpayers' involvement, harmonising banking supervision and resolution practices, ensuring deposits are protected and setting up a single supervisor. A functioning Banking Union, complemented by appropriate regulation to reduce risk-taking by banks – such as a legislative framework to separate investment from deposit activities – will reduce the overall risk in the financial system and ensure further integration of the euro area and the EU. The financial system needs further regulation to make sure its focus goes to supporting economic activity, in the areas of innovation, sustainable development and quality job creation. Financial innovation could also be promoted as long as it serves our economic and social agenda.

5 GOVERNANCE AND POLITICAL INSTRUMENTS

5.1.1 (i) Integrated guidelines and headline targets

The links between the different flagship initiatives and how the flagship targets converge and reinforce each other remains unclear. It is important to understand the underlying reasons for the mixed performance of the flagship initiatives so far. Up to now there has been a feeling that the flagship targets are working in silos and are more focused on reaching their sub-targets rather than the main growth target. Instead, the targets should be a tool for stronger co-ordination between existing EU and country-level policies.

These flagship initiatives can only be effective if their governance is organised around powerful investment communities involving users, entrepreneurs, business, research, education and training institutions, funding bodies and other relevant stakeholders. They should focus on the headline targets, identify and implement the necessary measures, mobilise different financial resources according to a governance framework which identifies clear responsibilities at local, regional, national and European levels.

The flagship targets should be effectively implemented and monitored, and it should be clear who is responsible for their progress. The roadmaps for the targets should be updated with priority actions for the next five years, taking into account the progress made so far.

At the European institutional level, more systematic collaboration needs to be organised between the European Commission, the European Parliament and the European Council, while respecting their political differences.

Each integrated guideline and each flagship initiative should be linked to a clear leading committee in the European Parliament and a clear leading formation in the Council. Both of them should have closer direct exchanges with the legislative and executive powers in each EU country. This should improve connections with the national parliaments and public

administrations. National and sub-national public administrations should enhance their capacity to operate in a multilevel and multi-stakeholder environment. We also believe that a dedicated Council formation working on single market issues would provide an important policy stimulus and feed issues through to the European Council.

5.1.2 (ii) European Semester: country reports, country-specific recommendations, national reform programmes

One of the aims of the European Semester is to monitor the implementation of the Europe 2020 strategy through the 'integrated guidelines'. However, Europe 2020 is obviously not on the same footing as the procedures of the European Semester and the Annual Growth Survey (AGS).

Furthermore, the goals of Europe 2020 and the three priorities of the European Semester (re-launching investment, pursuing structural reforms to modernise our economies and responsible fiscal policies) are neither aligned nor coherent. The Semester should be better aligned with the Europe 2020 strategy. It means that the European Semester should become, as it used to be, a tool at the service of implementing the EU2020 strategy, and not the other way round. Moreover, we underline the need to use the single market agenda in the European Semester in order to cover a clear set of priorities related to the real economy.

Procedurally there is a lack of clarity between the Stability and Growth Pact, the Macroeconomic Imbalance Procedure (MIP) and Europe 2020 given that the same recommendations can sometimes appear under any of the three procedures¹¹. Re-focusing the MIP on medium-term imbalances rather than long-term issues would allow the re-establishment

11 In 2015, two countries (Luxembourg and Slovakia) received country-specific recommendations related only to these integrated guidelines. For instance, the recommendations to Slovakia covered (i) the cost-effectiveness of the healthcare sector, (ii) long-term unemployment (activation measures, second-chance education, childcare facilities), (iii) education (teacher training, Roma children participation), and (iv) infrastructure and governance on public procurement. The same year, Hungary was also asked to improve the governance of public procurement, but this was under the Macroeconomic Imbalance Procedure. Ireland was also asked to increase the cost-effectiveness of its healthcare system, but this was under the Stability and Growth Pact heading. Italy was required to strengthen active labour market policies and vocational education, this time under the Macroeconomic Imbalance Procedure. (Source: Agnes Benassy-Coeure, 'Economic Policy Co-ordination in the euro area under the European Semester', p. 16)

of a more coherent view of integrated guidelines. It would also put all countries on an equal footing, since given country-specific recommendations would appear under the same heading for any member state. It would also draw a separation between two different objectives concerning the labour market: (1) a higher employment rate (Europe 2020); and (2) limiting cyclical unemployment (MIP). Youth unemployment, which is in large part a structural issue, would be treated under the Europe 2020 heading, whereas cyclical unemployment, which requires aggregate demand policies, would fall under the MIP.

To increase national ownership of the Europe 2020 process, it may be useful to alternate different areas of public policy in order to offer more transparent benchmarking of member states and involve the corresponding ministers. For instance, year n could be particularly focused on education and the labour market, year $n+1$ to regulation of the goods and services markets (including energy), year $n+2$ to private and public governance. This would give a chance for a shared European strategy to emerge and for best practices to be encouraged. It would also reduce the frequency of the reviews of the same policies, and allow all the ministers concerned to be involved. Reforms can sometimes take time. Reviewing them every year could result in repetition of the same recommendations, with limited value added and some administrative fatigue.

5.1.3 (iii) Role of the Commission, the European Parliament and national parliaments

It is clear that the process of completing the Economic and Monetary Union (EMU) will require much greater democratic legitimacy. First of all, we need to ensure that the European Parliament keeps pressing hard for an inter-institutional agreement on the European Semester. The European Parliament should express its positions at each critical step of the European Semester.

The Spring European Council should remain the locus for the overall eurozone economic policy debate, associated with an upgraded role for the European Parliament through co-decision. For the time being, as this will come too late for the 2016 European Semester, solutions need to be found that will allow Parliament to express its positions in the best possible conditions between

December 2015 and February 2016. An option is to adopt a resolution in the economic and monetary affairs committee on the Euro area recommendation in the December plenary, followed by an economic dialogue with the Commission, European Central Bank (ECB) and the Eurogroup president in the committee in January (before adoption of the recommendation by the Council). The Annual Growth Survey (AGS) report could then be adopted with a corresponding mandate in the February II plenary, ahead of the March European Council on 'economic priorities'. The dialogue with the European Parliament should start before the Commission presents its AGS proposal. Furthermore, it is important to clarify what the role of the eurozone summit should be and how it can receive input from the Eurogroup finance and social ministers. The European Parliament should organise itself accordingly and develop its co-operation with the national parliaments.

5.1.4 (iv) Role of social partners, civil society and sub-national levels of governance

New concepts to develop the governance of the Europe 2020 strategy have already been referred to: innovation platforms and investment communities. Others should also be mentioned: social networks for problem-solving, transition clubs and transition towns to foster energy transition, public-private agencies to foster strategic investment and sound financial innovation.

To help implement the EU2020 strategy on the ground, Article 5 of the Common Provisions Regulation (CPR) for the European structural and investment funds made the multi-level governance (MLG)¹² principle a binding one. The partnership principle was also strengthened. It now means that not only do public authorities at different levels (local, regional, national, EU) need to be consulted at all stages of design, implementation and monitoring of partnership agreements and operational programmes, but also economic and social partners, as well as bodies representing civil society, NGOs and other bodies for promoting social inclusion, gender equality, non-discrimination, etc.

¹² In the white paper on multi-level governance by the Committee of the Regions adopted in 2009, it has been defined as 'co-ordinated institutional action by the European Union, the member states and local and regional authorities, based on the partnership principle and aimed at drawing up and implementing EU policies'.

In general, more consideration must be given to the power of civil society to pursue intercultural exchange, people-to-people dialogue, peace-building initiatives and citizenship engagement, in order to empower communities and allow their involvement in decision-making. To this end, structural and sustainable support must be provided to NGOs and relevant organisations, including for small -scale initiatives working at the grass-roots level.

The European Code of Conduct on Partnership constitutes yet another important step towards enhancing collective commitment and ownership of cohesion policies. It allows EU countries to implement multi-level governance but leaves the necessary flexibility for the practical modalities of implementation, as member states implement the MLG and partnership principles in different ways, according to their historical background, administrative structure and capacity, etc.

Over the coming years, supporting growth and job opportunities will be the most demanding challenge for governments at national, regional and local levels. Only through well-targeted, concerted and co-ordinated action between both public and private players at all levels can the EU2020 agenda succeed.

