



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

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Brussels, 19 April 2018

Jean-Claude JUNCKER
President
European Commission

Dear President,

In the coming weeks, the European Commission will make crucial proposals for the future of the European Union and of the Eurozone, concerning the next multi-annual financial framework, the future of the cohesion policy, and the future functioning of the Eurozone.

The European Parliament has adopted clear and strong positions on these matters, notably through the Olbrycht-Thomas report and the Berès-Böge report, thanks to the hard work of our S&D rapporteurs and unfailing support of the Group. The S&D remains fully attached to an ambitious future MFF, to a strong and adequately funded cohesion policy, and to an EMU reform capable of enhancing its resilience and its capacity to promote growth and jobs.

Ahead of these Commission proposals, I would like, on behalf of the S&D Group, to draw your attention to the following points which are extremely important to us.

We are utterly convinced that:

- As adopted by a very large majority in plenary in March 2018 (on the basis of the Olbrycht-Thomas report) the financing of the post-2020 Cohesion policy for all of the EU 27 should be maintained (at constant prices) at least at the level of the current MFF. Additional new priorities and new instruments shall not be financed to the detriment to the cohesion policy, including with regard to the Eurozone; in this respect, we stress that the objectives and the instruments of cohesion policy should not be mixed up with the functions (macroeconomic stabilisation and enhanced economic policy convergence) which are specific to the EMU, and which have to be financed with additional resources and supported by specific instruments within the EU budget.

- As far as conditionalities are concerned, ex-ante conditionalities have proven their value for an efficient implementation of cohesion policy and for delivering on key policy goals of the EU, as rightly underlined in the 7th cohesion report. We are however open to a discussion to further elaborate on ex-ante conditionalities, notably concerning achievement of the UN sustainable development goals in the EU, implement the European Pillar of Social Rights, and to address increased spatial inequalities within the EU. In case of misuse of ESI Funds, the entity responsible is the one who breaches the rules - as stipulated in the current Common Provisions Regulation - and this should remain the case. In that respect, we would like to underline our utmost opposition to any kind of macroeconomic conditionality;

- The political debate on the future cohesion policy should not focus only on sanctions; on the contrary, positive incentives should be given, through genuinely additional financial support - and through a specific performance reserve or a bonus system to support those Member States which are undertaking a particular political effort in favour of, for example, integration of refugees and migrants;

- In case of breaches of our fundamental values or the rule of law, Member State Governments should be held responsible. Local authorities, or other beneficiaries of EU budget funding, should be in no way made responsible. We would like to draw your attention to paragraph 119 as adopted in the above mentioned Olbrycht-Thomas report, which foresees a robust and well thought out system of automatic financial consequences, based on criteria built on Article 2 of the Treaty on European Union and with the relevant stakeholders and EU agencies, that would not require Article 7 to be triggered.

- In respect of the instruments dedicated to the Economic and Monetary Union, these should include a specific tool to support convergence within the euro area to implement the euro area recommendation, whereas another instrument should help the other member states in the accession to the euro.

- The euro area dimension should also be clearly identified in the future stabilisation function which should be a true solidarity instrument. Therefore, we ask the Commission to present a specific financing mechanism for the euro area, counted over and above the ceilings of the multiannual financial framework, without prejudice to the other MFF programmes, and using leverage of the European Stability Mechanism, which for this reason it is essential to integrate into the Community framework.

- In order to fulfil its task, this stabilisation instrument should not be limited to an investment protection scheme, also including an Unemployment Benefit Scheme; As the Commission already admitted in its communication of 6th December 2017, "all these options have their merits and can also be combined over the time".

I very much hope you will take these points into consideration in your deliberations within the European Commission. They will be decisive in determining our attitude in the forthcoming parliamentary steps.

I remain at your disposal to further clarify these points if need be.

With my best wishes,

Yours sincerely,

Udo BULLMANN
President of the S&D Group
European Parliament

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