Statement

Prevent ”Cash for Reforms“. Improve Political Governance!

DGB Statement on the EU Multiannual Financial Framework 2028 - 2034

Core Demands

- The DGB takes a critical view of the plans for a so-called "results-orientation" in EU structural policy as this concept foresees a stricter integration of the European Semester in future EU structural policy. The DGB rejects this plan for the following reasons: a) The reform recommendations of the European Semester are in contradiction with the economic policy objectives of the Structural Funds and rarely in the interests of labour b) They have so far been formulated in technocratic procedures without involvement of the parliament. A close dovetailing of European Semester and Structural Funds would coerce EU Member States into implementing unrelated and, from an economic policy perspective, counter-productive reform requirements.
- The DGB is in favour of better political governance of the future EU investment policy. This includes a stronger focus on the objectives of EU funds and a target-oriented reform of governance mechanisms. Continuous and effective monitoring of whether the funds have also contributed to achieving the programme objectives is essential and relevant.
- In future, EU investment policy should make a greater contribution towards creating decent jobs. Criteria of ‘Decent Work’ must be enshrined in future EU funding policy as this is important both for reasons of distributive justice and higher social acceptance of the transformation. Central to achieving this goal is making future EU funding policy conditioned upon meeting certain social requirements (so-called social conditionalities).
- Structural Funds have been characterized by the partnership principle for decades. For the trade unions, this principle is a central political steering instrument of EU investment policy and should be seen as pioneering location-based sustainable change. This instrument should therefore be firmly embedded and further developed in the area of EU structural policy.

10 February 2025

Contact:

Dr Dominika Biegon
Head of Unit for European and International Economic Policy
Department of Economic, Financial and Tax Policy

German Trade Union Confederation
Federal Executive Board
Keithstr. 1
10787 Berlin
Phone: +49 (0)30 240 60-469

dominika.biegon@dgb.de
www.dgb.de/wirtschaftspolitik

Background

The political debate on the EU's next Multiannual Financial Framework, which will determine European budgetary policy between 2028 and 2034, has already begun in Brussels. The European Commission has announced radical plans to remodel the political control of the EU budget. The EU Commission intends to enshrine the principle of "cash for reforms" in the next Multiannual Financial Framework. This principle has had a long tradition in EU budget policy and has been further refined on occasion of the Recovery and Resilience Facility. Following the example of the Recovery and Resilience Facility, the 750 billion euro EU recovery fund, the disbursement of EU funding is to be more closely linked to the implementation of EU structural reform requirements defined in the European Semester. In this context, there is also talk of a "performance-based approach" or a "results-orientation" in budgetary policy. Both the EU Commission and the German government are also in favour of a stronger link between EU cohesion policy and the European Semester." An adjusted[1] governance framework should ensure powerful incentives for national reforms," emphasise the German government. The German Länder have meanwhile taken a more critical stance towards these plans.

The EU Commission is also planning to introduce a high degree of centralisation in the management of EU funds. The proposal is to merge the program plans of the various different funds into one plan per Member State, which will then be implemented centrally by the respective Member State. The details are still unknown, though. However, what has become known already would mean a radical reorganisation of the political governance of EU funds. With regard to the EU Structural Funds in particular, there is the risk of a departure from the essential, proven and well-functioning structural principles of EU cohesion policy, such as shared management, the location-based approach, the multi-level system and the partnership principle.[2]

These developments have caused the DGB to prepare a comprehensive statement on the issue of the political governance of future EU investment policy. We are critical of both the planned centralisation and the dovetailing of European Semester and EU structural funds. In the following, the DGB will substantiate its criticism of the plans (section 1) and develop constructive first ideas for the better management of funds in the EU's next Multiannual Financial Framework (section 2).

The DGB is in favour of effective political governance of EU investment policy. No one wants to provide EU funds to EU Member States unconditionally - which has never been the case anyway. For Structural Funds, for example, the definition of clear political objectives is decisive. These are laid down both in the individual regulations of the funds and in the so-

[1] Bundesrat (2025): Entschließung des Bundesrates "Regionale Dimension der EU Haushaltspolitik" erhalten, TOP023=0604-24(B)=1051.BR-14.02.25

[2] DGB (2024): DGB position on the future of EU cohesion policy, 16 September 2024, https://www.dgb.de/fileadmin/download_center/Positionen_und_Thesen/2024-09-16_Positionspapier_Zukunft_Koh%C3%A4sionspolitik_final.pdf

called "regulation with common provisions" in the ordinary legislative procedure. A clear earmarking of the funds and the continuous and effective review of whether the funds used have also contributed to achieving the programme objectives are essential and relevant. It must also be ensured that the funds employed have contributed to the creation of decent jobs. The structural reform requirements in the European Semester, on the other hand, are largely in contradiction with the objectives of the structural funds, which are intended to contribute to social, territorial and economic cohesion in the EU. For these reasons, the DGB rejects a link to unrelated structural reform requirements from the European Semester.

1) Cash for reforms - status quo and criticism

The idea of making the disbursement of EU funding dependent on the successful implementation of structural reform requirements formulated in the European Semester has gradually found its way into EU budget policy. In 2014, the umbrella regulation for the Structural Funds laid the legal foundation for a stronger link between the Structural Funds and the European Semester. This link is currently made via the programme planning and partnership agreements, the mid-term review and the macroeconomic conditionalities (see Article 19 of Regulation 2021/1060). Despite this legal basis, the European Semester has hardly played a role in the practical implementation of the Structural Funds to date. Various legislative initiatives aimed at tying the disbursement of EU structural funds even more closely to the reform requirements of the European Semester have failed.[3] With the Recovery and Resilience Facility, a new path was finally taken that anchors the European Semester even more firmly in European investment policy: In order to receive money from the Recovery and Resilience Facility, Member States must submit a national plan with reforms and investments and demonstrate to the EU Commission how to implement the structural reform requirements from the European Semester in the medium term. These investment and reform projects are operationalised in detail in the so-called milestones and targets. Payments from the fund will only be made once a Member States has demonstrated that it has achieved a certain number of defined milestones and targets. The EU Commission's plans for the next Multiannual Financial Framework indicate that this form of political governance is to be taken from the Recovery and

[3] The discussion had already begun in 2012/13 with the "Competitiveness Pact", followed by a draft regulation for a so-called structural reform support programme in 2018. When this draft regulation also failed, the EU Commission proposed a budget instrument for convergence and competitiveness (the so-called BICC) in 2019. All proposals were withdrawn after massive criticism. See also Karrass, Anne (2018): "Troika for all? EU Commission again proposes financial rewards for social cuts", https://www.blickpunkt-wiso.de/post/troika-fuer-alle-eu-kommission-schlaegt-erneut-finanzielle-belohnungen-fuer-sozialabbau-vor--2191.html

Resilience Facility and applied to other EU funding programmes, in particular the EU Structural Funds.

1.1 Practical experience

The so-called "performance-based approach" to budget management, i.e. closely linking the payment of funds to the implementation of structural reform requirements from the European Semester, is the central political governance instrument of the Recovery and Resilience Facility. Reviewing the practical experience made with this principle is helpful for a political assessment of it. From a trade union perspective, the key question is *what kind of structural reforms* have been promoted with the performance-based approach in the Member States. Both initial experience with the Recovery and Resilience Facility and experience that the Member States had with the European Semester before the coronavirus pandemic should be taken into account.

Political analyses paint a clear picture: in some cases, the reform pressure generated by the European Semester has favoured progressive reforms in the Member States aimed at strengthening collective bargaining coverage or reducing precarious employment. On the whole, however, the experience to date shows that the EU Commission has primarily focused on market-liberalising reforms and social cuts as part of the European Semester and has successfully contributed to building up pressure for reform in some Member States.

The recovery and resilience plans for Spain and Romania deserve positive mention. In *Spain*, the government under social-democratic leadership successfully negotiated progressive labour market reforms to be included in the national recovery and resilience plan with the aim of increasing the level of unemployment insurance coverage and reducing precarious employment.[4] These reform plans were approved and supported by the EU Commission. The support of the EU Commission contributed to the rapid implementation of these reforms. The promise of EU funds from the Recovery and Resilience Facility had helped to do away with the initial resistance of employers to this progressive reform agenda.

Another positive example is *Romania*. Here, the trade unions were able to successfully include important reforms in the national recovery plan with the help of the EU Commission. These include, for example, a reform to set the national minimum wage, which heeds the requirements of the EU Directive on national minimum wages. A law that strengthens social dialogue and collective bargaining has also been an important part of the national plan.[5]

---

[4] Banyuls / Recio (2025): The NGEU funds in Spain. Do they boost a change towards a new productive model? Transform Europe working paper, i. E.

[5] Dimitru, Raluca (2022): National Recovery and Resilience Plan: Romania, Italian Labour Law e-Journal Special Issue 1, Vol. 15 (2022).

There are also numerous negative examples unfortunately. In the *French* recovery and resilience plan, the government has already announced the highly controversial pension reform, which was adopted in April 2023. In its assessment of the French recovery plan, the European Commission insisted that the French government actually press ahead with the implementation of the pension reform.[6] For our trade union colleagues in France, it is clear that the European Commission was a key player in pushing France's controversial pension reform and influencing the design of the reform. In *Belgium*, too, the European Commission played a key role in the pension reform adopted in 2023, which, among other things, led to an increase in the hurdles for receiving an adequate pension.

Overall, however, the analysis of the recovery and resilience plans is only of limited use when assessing the cash for reforms principle. The conclusion of some academics and officials that the European Commission has acted in a more balanced manner in recent years and has held back with market-liberalization reforms and social cuts is - as described above - only partially correct. We must also take into account that the escape clause of the Stability and Growth Pact was activated between 2020 and 2023, which gave Member States more room for manoeuvre in terms of fiscal policy. As a result, there has been less reform pressure from the EU Commission in recent years. This could change radically in the coming years when the reformed EU fiscal rules are applied again.

Looking at the experience gained with the European Semester in the years before the pandemic is therefore more meaningful. There are numerous studies that prove that the European Commission's reform proposals have a liberal bias. Emma Clancy's study, which provides a simple list of the recommended structural reforms, speaks volumes.[7] The analysis of all country-specific recommendations since 2011 shows that the European Commission has recommended raising the retirement age or making cuts to pension funding 105 times. It has proposed 63 times to cut spending in the healthcare system or to carry out privatisation and 50 times it has criticised excessively rapid wage increases in Member States.

A comprehensive empirical comparative study by Professor Roland Erne and his colleagues, in which the reform requirements of the European Semester between 2008 and 2020 were analysed in four Member States (Germany, Italy, Ireland and Romania), has shown that the European Semester has not become more balanced. On the contrary, the nature of the reform requirements has changed slightly. While the European Commission demanded a strict austerity policy from many Member States at the time of the Eurozone crisis, which focused on wage cuts and cuts to social security systems, the focus of the reform requirements shifted after 2014: structural reform requirements were now being pushed, which were aimed

---

[6] Chazilaou, Konstantina (2022): National Recovery and Resilience Plan: France, Italian Labour Law e-Journal, Special Issue 1, Vol. 15 (2022).

[7] Clancy, Emma (2020): Discipline and Punish. The end of the road for the EU's Stability and Growth Pact. Study commissioned by the GUE/NGL Group. April 2020, https://www.martin-schirdewan.eu/wp-content/uploads/2020/05/DuS.pdf

more at making the labour market more flexible, weakening collective bargaining and increasing competition/privatisation of public services.[8]

In-depth country analyses show that the reform pressure built up by the EU Commission had actual consequences in the Member States. This applies primarily to those Member States, such as Greece, Ireland and Portugal, that had refinancing problems after the financial crisis and were directly dependent on loans from the troika (ECB; IMF, European Commission). However, it was not only the so-called programme countries that were exposed to enormous macroeconomic adjustment pressure. Also core Eurozone countries have recently pushed ahead with labour market reforms and the decentralisation of wage-setting systems following pressure from the EU Commission.[9] This applies, for example, to France, which has been in the Excessive Deficit Procedure continuously since 2012. Here, the European Commission intervened in the context of the European Semester and thus exerted influence on the comprehensive labour market reforms that were put in place between 2012 and 2017. In cooperation with the employers' associations, the EU Commission urged the French government to make labour law more flexible and to decentralise the collective bargaining system.[10]

In summary, practical experience shows that

- In a few cases, reform projects in the interests of trade unions were advanced as part of the European Semester. However, this was only possible with progressive governments and only in the context of regulatory environment (activation of the general escape clause) that gave these Member States greater fiscal policy leeway.

- In general, the reform requirements of the European Semester weaken labour rights and contradict fundamental economic policy objectives of the EU, such as the principles of sustainable economic growth, social progress and full employment enshrined in Art. 3 TEU. They also contradict the political objectives of the Structural Funds, which are intended to contribute to greater territorial, social and economic upward convergence. A closer link between the European Semester and the Structural Funds would pressure Member States into implementing irrelevant and, from an economic policy perspective, counterproductive reform requirements.

[8] Erne, Roland et al. (2024): Politicising Commodification. European Governance and Labour Politics from the Financial Crisis to the Covid Emergency, p. 235 ff.
[9] Rathgeb, Philip / Tassinari, Arianna (2022): How the Eurozone disempowers trade unions: the political economy of competitive internal devaluation, Socio-Economic Review 20(1), 323-350.
[10] Syrovatka, Felix (2022): New European Labour Policy. Umkämpfte Integration in der Eurokrise, Frankfurt a. M/New York: Campus, p. 428 ff.

- These reform requirements take particular effect if a Member State is subjected to an excessive deficit procedure and therefore subject to stricter budgetary control by the EU. The EU Commission has never formally imposed sanctions on a Member State to enforce the implementation of reform requirements. However, the practice of recent years shows that the threat of sanctions alone can have an effect if domestic influential players such as employers' associations take up the EU Commission's reform recommendations and use them strategically to increase reform pressure.

Demands of the DGB

- The DGB rejects the idea that the principle of cash for reforms is to be anchored more firmly in the Structural Funds.
- At the same time, the DGB is in favour of a reform of the European Semester, as this instrument already plays a central role in the EU's economic policy coordination.
- The aim should be to strengthen social and ecological criteria in economic policy coordination and to democratise the process.
- The Social Convergence Framework introduced in the reformed fiscal rules could be a starting point and could strengthen the social dimension of the European Semester. This governance framework offers new opportunities to identify and monitor social imbalances in the Member States.
- From a trade union perspective, the Social Convergence Framework must be further expanded in order to have a real impact, including: a) Negative assessments of social issues in the spring reports of the European Semester should lead to a recommendation from the EU Commission. b) The integration of a EU minimum wage monitoring group within the meaning of Article 10 of the EU Minimum Wage Directive in the European Semester would be desirable.

1.2 Democratic Legitimacy

In addition to the market-liberal asymmetry of the reform requirements formulated in the context of the European Semester, democratic concerns are decisive for the trade union rejection of an even closer anchoring of the European Semester in EU investment policy.

One thing is certain: if non-compliance with reform recommendations results in the withdrawal of EU funding in future, these "recommendations" cease to be recommendations but represent binding requirements.[11] This means that the European Semester must be measured against higher normative criteria of democratic accountability.

[11] Becker, Peter (2020): A European economic policy in the making. Successes with modest means, SWP Study 16/2020, Berlin: Stiftung Wissenschaft und Politik.

So far, the European Semester has been a largely non-transparent, technocratic process. No parliament - neither a Member State parliament nor the European Parliament - is involved in the formulation of European economic policy guidelines as part of the European Semester. Similarly, there is no effective involvement of the social partners. Although there are regular consultations with trade unions and business organisations as well as other interest groups as part of the European Semester, these are more of an informal exchange. The current consultation process hardly allows for interfering with or amending structural reform requirements. The negotiations on the reform requirements are primarily conducted bilaterally between the national governments and the European Commission. Hence the EU operates in a governance mode that is beyond the legislative sphere. Rather, what we have here are specific instructions directed at individual Member States, which are issued in the context of the European Semester.[12]

The European Semester is therefore characterised by an acute lack of democratic accountability and control. The specific, bilateral nature of the recommendations makes it difficult to articulate social resistance to reform recommendations. An EU directive for social cuts would quickly fail due to social resistance that could be organised in the European Parliament or in national parliaments. However, if social cuts are imposed on Member States in the form of a "recommendation" from the EU institutions under threat of a reduction in EU funding, without any parliamentary involvement, there is no room for political resistance. This technocratic form of political control that characterises the European Semester, makes it difficult for citizens to clearly identify who is responsible for financial policy decisions, and democratic alternatives are not presented.
This is particularly critical in areas for which the EU has no competence at all (e.g. collective bargaining systems, the retirement age or the funding of healthcare systems).

It is also important to highlight that a closer link between the European Semester and structural policy would also shift the balance of power between the European Parliament and the European Commission in EU economic policy even more in favour of the latter. The Recovery and Resilience Facility is a clear example of this shift. In the ordinary legislative procedure, a decision was taken on the scope of application of the fund and on several general and specific objectives (Art. 3 and 4, Regulation 2021/241). On pressure from the European Parliament, for example, the legal text stipulated that the fund should contribute to the implementation of the European Pillar of Social Rights. In political practice, however, these democratically decided political objectives were bypassed by the reform recommendations of the European Semester, as disbursements from the fund were only made if the corresponding milestones and targets (which are essentially an operationalization of the Semester recommendations) were implemented. The European Pillar of Social Rights hardly played a role in the political process. The first draft of the German Recovery and Resilience

[12] Höpner, Martin / Rödl, Florian (2012): Illegitimate and unlawful: The new macroeconomic regime in the euro area. Wirtschaftsdienst, 92(4), 219 - 222.

Plan did not even mention it. A binding requirement of the European Parliament set out in a legal text was effectively rendered obsolete. Something similar could happen with the political objectives of the structural funds. They would remain part of the regulations, but from a political standpoint the implementation of the structural reform requirements would take precedence.

Demands of the DGB

- The DGB is in favour of ensuring that the economic policy objectives of EU investment policy continue to be laid down by ordinary legislative procedure in the respective fund regulations - as has been the case to date - and are not in practice be bypassed by unrelated structural reform requirements.
- Also, a democratisation of the European Semester is long overdue. The following should be core elements of such a reform:

  a) A law should set binding minimum standards for the involvement of national parliaments.

  b) The European Parliament should have a formal say in the decision on country-specific recommendations. In particular, it should check whether the recommendations violate fundamental EU objectives such as the Green Deal or the European Pillar of Social Rights and veto them if necessary.

  c) The involvement of organised civil society must be improved. If the social partners' feedback was documented in writing and the EU Commission was obliged to address the social partners' objections in the country reports and to take them into account appropriately in the country-specific recommendations, the effectiveness and binding nature of the consultation process could be strengthened.

On the issue of democratising the European Semester, the DGB has developed concrete proposals[13] and, in cooperation with the Friedrich-Ebert-Stiftung, has commissioned a legal opinion in which reform proposals are developed for strengthening the principle of democracy within the limits of primary law.[14]

1.3 Sluggish absorption of funds

An additional disadvantage of a close link between the European Semester and future EU investment policy is that it can impede the rapid absorption of funds. Experience with the Recovery and Resilience Facility shows

[13] DGB (2023): Opinion of the DGB on the Communication from the European Commission on Guidelines for a reform of the EU economic policy framework, https://www.dgb.de/fileadmin/download_center/Stellungnahmen/DGB-Stellungnahme-Reform-des-wirtschaftspolitischen-Rahmens-der-EU.pdf

[14] Dawson, Mark (2023): How to democratise Europe's fiscal rules, study commissioned by the Friedrich-Ebert-Stiftung. https://collections.fes.de/publikationen/content/titleinfo/451227

that the operationalization of structural reform requirements through so-called detailed "milestones and targets" was a bureaucratic hurdle that significantly impaired the disbursement of funds. The imposition of unrelated requirements meant that the actual objective of the Recovery and Resilience Facility, namely to support the rapid stabilisation of investments in the Member States, was severely impaired. Many Member States' governments, including the German government, felt that the governance framework of milestones and targets was too rigid. The milestones and targets were set at the beginning of the multi-year funding period and could only be changed - for example if the political framework conditions changed - in a complex procedure that took several months. The rigidity of the political governance framework of the Recovery and Resilience Facility is one of the central deficits that was criticised by both politicians and academics during the mid-term review of the Recovery and Resilience Facility.[15] Transferring the "cash for reforms" principle to the structural funds would therefore be in clear contradiction to the objective of accelerating the absorption of EU funds.

Demand of the DGB

Structural reform requirements hinder the rapid absorption of funds. For this reason, the DGB rejects a close anchoring of the European Semester in EU structural policy.

1.4 Government level

Another argument against a close link between the European Semester and the Structural Funds is that the regions and federal states do not have the political authority to implement the country-specific recommendations. These are primarily aimed at the federal level. The regions and federal states only have limited scope to exert pressure on the federal level to implement the structural reform requirements from the European Semester. Consequently, a close link between the European Semester and structural policy could inadvertently hold the regions hostage to the shortcomings of their national governments. Access to urgently needed funds for regional economic development could be impeded without the countries and regions even having the opportunity to influence the political process. The result would be a shift in the balance of power - from the regional and state level to the federal level.[16]

[15] European Commission (2024): External supporting study - Case study on the functioning of the RRF and other EU funds, https://commission.europa.eu/document/download/c203ce47-c5d4-4fa1-abfc-50343d9ddcb6_en?filename=case-study-on-the-functioning-of-the-rrf-and-other-eu-funds.pdf, p. 16

[16] Schwab, Thomas (2024): Quo vadis, Cohesion Policy? European Regional Development at a Crossroads, Policy Paper, Bertelsmann Stiftung, https://www.bertelsmann-stiftung.de/fileadmin/files/user_upload/EZ_Policy_Paper_Quo_vadis_Cohesion_Policy_2024_ENG.pdf.

Demand of the DGB

The country-specific recommendations within the framework of the European Semester are improper for the German federal states in the context of cohesion policy. Reform requirements (e.g. in the context of the so-called “enabling conditions”) should address the right political level and focus on ensuring the efficient strategic use of funds.

2) Towards a better political governance of investment policy in the EU's Multiannual Financial Framework

2.1 More focussed objectives of EU funds and better governance mechanisms

The DGB will continue to advocate an ambitious structural policy in the next legislative term and, against the backdrop of the socio-ecological transformation, is in favour of topping up the Structural Funds. One thing is certain: a stronger focus on the objectives of the funds and clear earmarking are essential to ensure efficient and effective use of funds and prevent misuse. It must be ensured that EU funding also makes an effective contribution to achieving the objectives of the respective funds.

It is pretty obvious that the governance principle of cash for reforms does not ensure effective delivery. On the contrary, the monitoring system of the Recovery and Resilience Facility has serious shortcomings. In a series of opinions, the European Court of Auditors has stated that the monitoring system does help to track the progress of EU countries with the agreed reforms and investments. However, the extent to which the projects funded contribute to the objectives of the Recovery and Resilience Facility, such as making the European economy greener and more resilient[17], is not adequately monitored. In a press release in 2023, Ivana Meletic, the competent Member of the Court of Auditors, emphasised: *The EU Recovery Fund provides EU countries with more money than ever before, but citizens need to know whether its basic objectives are being met and how the money is being spent. We are in a paradoxical situation where we can measure progress for the EU's largest fund, which is supposedly performance-based, but not the performance itself."*[18]

---

[17] European Court of Auditors (2023): The Recovery and Resilience Facility's performance monitoring framework: progress in implementation is measured, but the framework is not sufficient to capture performance, Special Report 26/2023, https://www.eca.europa.eu/ECAPublications/SR-2023-26/SR-2023-26_DE.pdf., see also: Darvas, Zsolt et al. (2023): The EU Recovery and Resilience Facility falls short against performance-based funding standards, Bruegel analysis, 6 April 2023, https://www.bruegel.org/analysis/eu-recovery-and-resilience-facility-falls-short-against-performance-based-funding.

[18] See: https://www.eca.europa.eu/de/news?ref=NEWS-SR-2023-26

The shortcomings of the fund are particularly blatant in the area of ecological transformation. This includes both the EU's climate targets and targets in the area of environmental sustainability. The European Court of Auditors comes to a sobering conclusion: the effective contribution that the Facility makes to ecological transformation is not clear – on account of a number of shortcomings in the monitoring system. In particular, the tracking of climate-related expenditure was based to a large extent on approximate values, meaning that the climate contribution may have been overestimated. Weaknesses were also identified in the rules and regulations of the Recovery and Resilience Facility and in the national reporting of the Member States. [19]

In order for the funds to achieve their objectives as effectively as possible, a stronger focus on the objectives of the funds and a clear earmarking of resources are just as important as a strengthening of governance structures.

In terms of cohesion policy, recent studies show that the structural funds make an effective contribution to supporting regional economic structures and promoting private investment activity.[20] For example, every euro invested as part of cohesion policy will have tripled by 2043.[21] The partnership principle and the involvement of the social partners it entails make an important contribution, because funding is much better adapted to regional challenges on the ground.

At the same time, however, an analysis of the distribution effects also shows that the cohesion funds are not yet sufficiently reaching less developed regions.[22] A stronger focus of the Structural Funds on long-term investments in social, territorial and economic convergence is therefore essential. For us, the focus on long-term convergence goals means, on the one hand, focussing even more on disadvantaged target groups. On the other hand, it is also crucial that the cohesion funds continue to invest in all regions and focus more strongly on transformation in order to proactively prevent structural breaks.

In addition, an efficient and sustainable transport infrastructure is essential for a socio-ecological transformation of industry. The transition to environmentally friendly transport in line with the European Green Deal offers great opportunities for a better quality of life and high-quality jobs. Priority must be given to reliable and predictable funding for climate-friendly public

---

[19] European Court of Auditors (2024): Ecological Transition: Contribution of the Recovery and Resilience Facility is unclear, Special Report 14/2024, https://www.eca.europa.eu/ECAPublications/SR-2024-14/SR-2024-14_DE.pdf.
[20] Andersson, Malin et al. (2022): The recovery in business investment - drivers, opportunities, challenges and risks, European
Central Bank, Economic Bulletin issue 5/2022, p.81 ff, Box 3.
[21] EU Commission (2024): Ninth Report on Economic, Social and Territorial Cohesion, https://ec.europa.eu/commission/presscorner/detail/de/ip_24_1616
[22] Redeker, Nils / Bischof, Daniel / Lang, Valentin (2024): Fixing Cohesion How to Refocus Regional Policies in the EU, https://www.delorscentre.eu/fileadmin/2_Research/1_About_our_research/2_Research_centres/6_Jacques_Delors_Centre/Publications/20240618_Redeker_et_al_Cohesion.pdf

transport and its infrastructure that fulfils social standards and sustainable criteria. In terms of structural policy, it is important to develop transport infrastructures nationwide, interconnect Member States regionally and not to focus on connections between the metropolitan regions only.

In order to improve the effectiveness of the funds in the future, it is important to make meaningful adjustments to the governance of the funds in addition to a stringent target orientation.[23] After all, the suboptimal effectiveness of the funds in disadvantaged regions is often due to the insufficiently developed administrative capacities on the ground (see also section 2.4).[24] A more user-friendly design of the procedures through enhanced digitalisation, targeted local capacity building or adjustments of the audit principles, are just some of the measures that could help improve the situation in future.[25] In addition, the establishment of clear social conditionalities can make an important contribution to more economic and social upward convergence (see point 2.2.).

Demands of the DGB

The DGB draws the following lessons from the implementation of the Recovery and Resilience Facility and the EU Structural Funds. The following points are key to the effective use of funds:

a) Clear definition of the political objectives of the funds

b) Introduction of effective control mechanisms to ensure that funds have delivered on the objectives

c) Targeted improvement of governance structures (digitalisation, capacity building, user-friendly design of procedures, amendment of audit principles)

2.2 Social conditionalities

The DGB is in favour of firmly anchoring social criteria (conditionalities) in the political governance of all EU investment funds. The DGB believes that public funds must always be linked to criteria of decent work, such as collective bargaining, location development, job security and qualification strategies. This also applies to EU Structural Funds. Anchoring social conditionalities in EU funding policy is therefore a decisive political lever to secure and increase the number of jobs covered by collective agreements. Strengthening decent work is essential for social acceptance of the transformation and for reasons of distributive justice. In addition, companies

[23] European Court of Auditors (2019): Service delivery in structural policy, Issues paper June 2019.
[24] Ibid.
[25] Wojtowicz, D (2024): Research for REGI Committee - Streamlining EU Cohesion funds: addressing administrative burdens and redundancy, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

that are bound by collective agreements and that have co-determination are demonstrably more sustainable and more successful in managing the transformation.[26] A stronger focus on the creation of decent jobs is also in the interest of an efficient use of funds. Ignoring social criteria when allocating funds may lead to higher social follow-up costs (such as low wages and related higher social assistance costs or higher unemployment rates), which the public then has to pay.

Finally, social conditioning would make a major contribution to the implementation of the EU Minimum Wage Directive in order to meet the target of 80 per cent national collective bargaining coverage set out in the directive. The DGB legal opinion shows that social conditionality is possible at national and European level.

Demand of the DGB

Public funding should be linked to decent work criteria, such as collective bargaining, location development, job security and qualification strategies.

2.3 Partnership principle and multi-level governance

The partnership principle and multi-level governance have been practised in the Structural Funds for decades. The trade unions are convinced that they are a central and successful political governance instrument of EU investment policy. They ensure the appropriate involvement of regional and local authorities and organised civil society, including the social partners. In this way, programmes can be tailored to local and regional circumstances. These steering mechanisms have been proven to make more efficient, social and sustainable use of funds.[27] In addition, regionally managed EU-funded projects with civil-society involvement that are tangible on the ground are an important manifestation of democracy and a counterpoint to right-wing populist, anti-democratic and anti-EU tendencies that gather momentum in many Member States. The partnership principle and shared management of funds should therefore not only be seen as paving

[26] See, for example, Scholz, Robert (2023): Corporate co-determination and the socio-ecological transformation. Relationship between the co-determination index and ESG criteria in listed companies, Mitbestimmungsreport No. 79, 12.2023, https://www.imu-boeckler.de/de/faust-detail.htm?produkt=HBS-008751
[27] Piattoni, S. (2006). Informal governance in structural policy. Perspectives on European Politics and Society, 7(1), 56-74; Cartwright, A. & Batory, A. (2011). Monitoring Committees in Cohesion Policy: Overseeing the Distribution of Structural Funds in Hungary and Slovakia. Journal of European Integration, 34(4), 323 - 340.

the way for localised, sustainable change, but also as important pillars for a Europe that remains democratic in the future.

For that reason this political governance instrument should be firmly anchored and further developed in the area of EU structural policy. The EU Code of Conduct on Partnership from 2014, which forms the basis for the work of the Monitoring Committees, should be revised in order to ensure the effective implementation of the partnership principle in all Member States. A sufficient degree of participation should be warranted in future by defining minimum standards, e.g. in the form of binding participation of the social partners in the development of programmes and guidelines. This principle should also be firmly embedded in the legal framework for new EU investment instruments. Following the example of the EU Structural Funds, there should be an obligation to set up monitoring committees (or similar bodies) for new EU investment instruments or to involve bodies that already exist in other areas.

Demand of the DGB

The DGB is in favour of revising the EU Code of Conduct on the Partnership Principle and defining minimum standards for the involvement of social partners. The partnership principle should be effectively embedded in new EU investment programmes.

2.4 Improve administrative capacities

The DGB points out that the EU's investment policy works better on the ground if EU funding programmes also finance administrative capacity building and technical assistance. This applies both to the administrations in the Member States and to civil society. This is why the DGB is calling for binding capacity building and for supportive monitoring and advisory structures for the social partners, each financed by an appropriate contribution from Structural Funds under shared management.[28] Only then can organised civil society participate effectively in the monitoring bodies that steer and control the disbursement of EU funds at national and EU level.[29] A

[28] DGB (2024): DGB position on the future of EU cohesion policy, 16 September 2024, https://www.dgb.de/fileadmin/download_center/Positionen_und_Thesen/2024-09-16_Positionspapier_Zukunft_Koh%C3%A4sionspolitik_final.pdf

[29] European Commission (2024): Case study on the functioning of the RRF and other EU funds, https://commission.europa.eu/document/download/c203ce47-c5d4-4fa1-abfc-50343d9ddcb6_en?filename=case-study-on-the-functioning-of-the-rrf-and-other-eu-funds.pdf, see also: Mendez, Carlos /Bachtler, John (2022): The quality of government and administrative performance: explaining Cohesion Policy compliance, absorption and achievements across EU regions, Regional Studies, 58(4), 690 - 703, https://doi.org/10.1080/00343404.2022.2083593

coordinated EU approach to closing capacity gaps is of great importance for cohesion and avoiding fragmentation of the internal market.

Demand of the DGB

EU investment funds should provide adequate funds to support administrative capacity building and technical assistance.

2.5 Gender budgeting

Finally, it is important that future EU investment policy is more closely linked to a progressive gender equality policy. The DGB calls for the integration of the gender perspective as well as the implementation of gender budgeting and the integration of the EU gender equality strategy in all phases of economic policy management. To this end, the Commission should clarify how the gender equality strategy can be integrated into the Multiannual Financial Framework in terms of gender mainstreaming and evaluate the extent to which the genders benefit from the EU budget.

Demand of the DGB

Gender budgeting should be anchored as a political governance instrument in the EU's Multiannual Financial Framework.