

## **Responsible and smart spending for sustainable growth & jobs**

The Congress of the Alliance of Liberals and Democrats for Europe (ALDE) Party convening virtually on 11-12 June 2021:

Countries across Europe and the world have spent unprecedented levels on fiscal stimulus to support the economy and protect jobs. Whilst further acceleration of the vaccine rollout remains critical to re-start the economy and boost jobs, government spending continues to have an important role to play. As vaccination rates are picking up and our societies are re-opening, government's fiscal response must shift from rescue to recovery.

ALDE Party members believe that the EUR 750 bn recovery funds, including the EUR 671 bn NextGenerationEU funds channelled through the RRF, should be used to develop further high-quality growth, which is environmentally, fiscally, and socially sustainable and which promotes pan-European economic integration, including integration with European non-member states.

ALDE Party members believe that the deployment of recovery funds, post-pandemic, should not use the urgency of quality growth to lead to reversals in the move away from fossil fuels, or in the drive for more fiscal transparency, or in a reversal towards economic nationalism and new border controls.

### **Prioritise job creation aligning with the green and digital transitions**

We, the member parties of the ALDE Party, believe that national and the temporary EU recovery funds need to be prioritised and spent on projects that deliver jobs, in the immediate term, whilst contributing to the green and digital transition and building a more resilient economy.

The temporary EU recovery funds should not be used to displace existing national funding or plug holes in national budgets but provide an extraordinary, additional level of funding to be spent on top of existing national budgets to kickstart the economy with a focus on reforms that support the long-term growth.

### **Foster the green and digital transitions**

The ALDE Party fully supports the RRF spending targets of at least 37% and 20% for green and digital and encourage countries to increase these targets. If done right, these projects will be win-win and deliver on jobs, economic growth, and the green/digital transitions simultaneously. Such projects will also be important contributors to support the economic

#### **Resolution:**

Responsible and smart spending for sustainable growth & jobs

#### **Year and Congress:**

eCongress, June 2021

#### **Category:**

Theme

#### **Page:**

1

development of rural areas. Expenditures on green investments should be aligned with the EU's goal to reach climate neutrality by 2050, the recent climate goals for 2030 as well as the Paris Agreement.

Low carbon or fossil-free stimulus projects, i.e., infrastructure and construction investments, should be central in national recovery plans as they create a stimulus to growth in the immediate term and simultaneously are needed for the green and digital transitions. Projects should be aligned with national and international climate and energy as well as digital plans. E.g., energy efficient building renovations, climate adaptation projects in cities, sustainable rural development, sustainable waste and wastewater management, improved public transport and biking infrastructure, road infrastructure works to accelerate carbon-free e-mobility, rail upgrades, renewable energy plants, 5G and gigabit broadband, cybersecurity infrastructure, investing in new and emerging technologies such as AI etc.

Funding should also not be spent on projects that could lead to an increased use of fossil fuels. They must have strong provisions for reducing corruption in the use of the funds and ensure greater transparency, adopting the latest recommendations from the European Court of Auditors.

We need the Digital Services Act and Digital Markets Act to update our rules governing digital services and create a more level-playing field online whilst ensuring protection for citizens from data harvesting and surveillance by governments.

### **Investments to heal socioeconomic divisions**

The economic impact of the health crisis has exacerbated social divisions demonstrated for instance by the increase in individuals and families turning to food banks and relying on subsidies to pay rent. Loss of income and unemployment have simultaneously hit those with lower income jobs and jobs in the hardest hit sectors, including younger people, and small business owners who have not just lost their jobs but their lifework. The increase in long-term unemployment is especially worrying.

The first step to heal this division is by restarting the economy to generate jobs but investments are also needed to provide equal opportunities for everyone to actively participate in the future digital and low carbon economy. The ALDE Party therefore remains committed to remove barriers and boost investment in education, skills, and vocational training, in STEM (science, technology, engineering, and mathematics) and digital skills and increase the offer and scope of programs that enable the transition from study to work, such as professional orientation programs, dual vocational training programs, internships, traineeships and others. Additionally, ALDE Party supports increasing the investment in the Erasmus+ program, as well as other pan-European programs that enable the exchange of students and

### **Resolution:**

Responsible and smart spending for sustainable growth & jobs

### **Year and Congress:**

eCongress, June 2021

### **Category:**

Theme

### **Page:**

2

young entrepreneurs across Europe. These measures are essential to safeguard well-paid jobs for European citizens and help the youth find opportunities and security in the European labour market.

To counter the devastating impacts that the pandemic has had on social care institutions and the ongoing socioeconomic difficulties faced by disabled people, the EU and national recovery funds should support safe, community-based care.

We also need to ensure that cities and regions have the means to invest in the green and digital infrastructure. After nearly a decade of austerity, their share of spending rose during the pandemic while their revenues shrunk significantly. Governments should therefore provide adequate financing and balance the subnational governments' responsibilities with their ability to generate revenues and borrow sustainably.

### **No rule of law, no EU money**

The ALDE Party's lawmakers have been instrumental in creating the new tool to make the EU recovery funds conditional on the respect for rule of law on all levels of government. We urge the Commission to fully use this tool without any delay in the application of its legal and political levers.

### **Structural reforms to return to balanced budgets**

The ALDE Party continues to stand for responsible economic policy and balanced budgets which means a return to the Growth & Stability Pact and phasing out of quantitative easing in due course. Whilst we need to spend now to get out of the crisis and create jobs, the current historically low borrowing costs are not permanent and are already showing signs of change. Once our economies have returned to growth and our citizens are back in jobs, we will need to consolidate to make sure we have a cushion for future crises.

The economic stimulus therefore must be complemented by structural reforms in line with the European semester and country-specific recommendations to future-proof our public finances and make our economy more innovative and dynamic to foster SMEs and entrepreneurship. Funds such as those from NGEU shall only be disbursed if and when the country specific recommendations have been satisfactorily implemented. In this regard, Liberals remain fully committed to research and development and increasing spending on R&D to reach 3% of GDP as well as curtailing red tape.

Furthermore, Liberals deem it necessary to strengthen the own resources mechanisms being discussed at the EU level, as a strong foundation for a more integrated and genuine EU-wide economic policy.

### **Resolution:**

Responsible and smart spending for sustainable growth & jobs

### **Year and Congress:**

eCongress, June 2021

### **Category:**

Theme

### **Page:**

3

We also continue to stand for competition and the market economy, preventing and tackling monopolies of any kind. We have had to take unprecedented decisions to relax our state aid rules temporarily to face the pandemic. As we return to growth, we must return to embracing the dynamics of competition and strict rules on state aid while ensuring a level playing field.

### **Europe's prosperity remains dependent on open, global Europe & the Transatlantic partnership**

More, not less, free trade and diversifying supply chains will be key to help Europe to recover from the financial crisis and to improve its resilience when faced with future crises. Today, EU trade supports 35 million jobs and 16 million jobs depend on foreign investment. Liberals will therefore continue to be staunch supporters of free trade as a prerequisite for Europe's future growth and prosperity.

However, free trade does not and never has meant trade with no conditions. EU values and geopolitical interests, and most importantly the respect for human rights, will always remain at the core of any of our relations with third countries. Free trade should also be based on fairness and reciprocity and contribute to our green and digital transitions. For our post-Covid and further economic recovery we therefore must rebalance the global trading system, including within the WTO, in close partnership and cooperation with the US and other likeminded nations and push for new deals to facilitate trade in green tech and digital such as the Environmental Goods Agreement and e-commerce, while also promoting free trade via our bilateral trade agreements to help generate growth and more jobs. A carbon border adjustment mechanism could be explored to set the right incentives for the desired greening of the production on European territory.

### **Resolution:**

Responsible and smart spending for sustainable growth & jobs

### **Year and Congress:**

eCongress, June 2021

### **Category:**

Theme

### **Page:**

4