# Background

23-05-2012 - 19:16
Reference No: 20120523BKG45714

European Parliament

# Informal European Council on Investment, Growth and Jobs - EP press kit

**This press kit is a compilation of recent press releases, prepared for the informal European Council on 23 May, setting out the European Parliament's work and positions regarding growth and jobs .**

Since the beginning of the crisis, the European Parliament has striven to correct systemic weaknesses. It has emphasized the need for fiscal rectitude, while at the same time consistently underlining the need for growth and jobs and encouraging necessary reforms. Despite acknowledging the need for austerity in public spending, it has pushed for continuing investments which have a high impact on growth.

Of particular note, Parliament has worked on the economic governance 'six-pack' and 'two-pack' legislation, both of which aim at responsible budgeting while making sure that the growth dimension was well represented. MEPs have also constantly used the numerous reforms in financial services legislation to encourage financial actors to serve the real economy rather than taking gambles.

The EP is also regularly pushing the cause for an EU budget as a tool to reduce waste, multiply investments and create European added value. Only today, the Parliament voted for an effective Financial Transaction Tax, while it reached agreement with Council yesterday on a pilot scheme for 230 million euros in project bonds. On Thursday it will call on the Commission to come forward with actions to reduce waste of natural resources, which would also positively impact the EU's competitiveness and growth prospects.

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# Statements by committee chairs

**Sharon Bowles (ALDE, UK) Chair of the Economic and Monetary Affairs Committee**

"The ECON committee has always recognised that growth measures must accompany fiscal prudence. We must seek to correct the mistakes of the past and not go on a punishment spree.

The committee long ago pressed for project bonds for infrastructure and more use of the EIB. At the same time we opposed punitive interest rates on bail out loans, a call that was finally heeded last summer - but not before damage had been done.

We have also been conscious of the impact of regulation on growth and last week voted through measures in the latest capital requirements legislation to encourage lending to the real economy. This is aimed at counteracting the rolling back of banks' lending which is hitting these activities hardest. When our measures were first proposed there was some push back against our ideas, but the mood has changed and we believe many Member States now agree with us.

Within the economic governance 'six-pack' and 'two-pack' we have opened up room for growth measures, and pro-growth investments as well as being a driving force behind the exploration of Eurobonds. The committee has also carved out a new area to consider when designing governance structures fit for growth: macroeconomic imbalances. This will see an accent also placed on measures to be carried out by fit economies and not only requiring underperforming economies to reform. This new focus could see Germany asked to open up its services sector for example."

**Pervenche Berès (S&D, FR) Chair of the Employment and Social Affairs Committee**

"Growth is finally on the table at the European Council. Without sustainable growth, the return to balanced budget is illusory. There is a need for policies to create jobs, in particular for the youth. The European Parliament will vote on Thursday on a resolution to introduce a legally enforceable youth guarantee on the basis of successful initiatives that already exists in some member States such as Austria, to ensure that young unemployed people are not without jobs for more than four months."

**Malcolm Harbour (ECR, UK) Chair of the Internal Market Committee**

"Harnessing the single market to deliver its full potential - for enterprise and citizens - is the most powerful tool we have for putting Europe back on the path to growth and job creation. We need to reboot it into a digital future and boost consumer confidence. We must help small business to expand by cutting the cost of entry to a barrier free market in goods and services. As we approach the 20th anniversary of the first single market programme, implementing and extending the Single Market Act must be a top political priority".

**Danuta Hubner (EPP, PL) Chair of the Regional Development Committee**

"European regional policy is the main investment policy at the EU level that can produce growth in the medium-term and shift investment patterns towards new growth drivers. It also has the power of leveraging private investment.

"The growth agenda must produce measures both on the supply and demand side. It is about creating jobs in new enterprises and sectors. It is about young people being helped to create jobs and not about them looking for jobs. It is about new financial instruments designed and conceived with public funding but having an exceptionally strong leverage potential.

A successful growth agenda will be one which brings local and regional levels on board. Universities look for partners among SMEs on the ground. Banks can get involved with cooperatives or SMEs which are around the corner. Confidence can be generated and nurtured among partners who know each other."

# Fiscal Policy: Growth dimension and control of new Commission powers needed

**The European Commission should have more control over fiscal policy in EU Member States, but not the free rein it asked for, says the Economic and Monetary Affairs Committee in texts, voted on Monday, stating a position on the economic governance "two pack". This increased power must be democratically controlled and serve to spur economic growth, MEPs say.**

**More Commission oversight but no blank cheque**

At the insistence of the Socialists in particular, the Commission's day-to-day exercise of its increased powers would be monitored more closely by Member States and the European Parliament, so as to ensure oversight, accountability and legitimacy. To this end, the extra powers would be granted through "delegated acts", enabling Parliament or the Council to revoke them, and would need to be renewed every three years.

**Growth as the ultimate goal**

In line with shifting sentiment, both texts stress the need to ensure that fiscal monitoring does not hamper growth. The Commission's country-by-country assessments would therefore need to be more comprehensive, to ensure that budget cuts are not made at the cost of killing off investments with growth potential. Moreover, for countries being asked to undertake significant cuts these efforts must not harm investments in education and healthcare.

Member States would also be required to detail which of their investments had a growth and jobs potential and the deficit reduction timetables would be applied more flexibly in exceptional circumstances or in a severe economic downturn.

**Coordinating debt issuance**

Most importantly on the matter, a European Debt Redemption Fund would be set up and, one month after the legislation's entry into force, the Commission would present a roadmap for introducing Eurobonds and a proposal for a growth instrument which would mobilise around 1% of GDP per year over a ten-year period for infrastructure investment.

However, the centre right group stressed that it would fully support the principle of a redemption fund only if the proposal were backed by an analysis which the text calls on the Commission to carry out by the end of this year.

**Sharing reform burdens**

MEPs also added a requirement for the Commission to consider negative spillover effects caused by the policies of other Member States when looking closely at the accounts of a country deemed to be in serious financial difficulty. This could result in reforms being asked not only of the country in difficulty, but also of other Member States that are seemingly in good health.

# Bank capital rules: reform to boost risk resilience and lending to the real economy

**Bank capital requirements must be strengthened to make banks more risk-resilient and the risk weighting of loans to small firms must be reduced to facilitate lending to the real economy, said Economic and Monetary Affairs Committee MEPs in a vote on Monday. Bankers' bonuses must not exceed their fixed pay, they added.**

Adopted by 44 votes in favour with no abstentions or votes against, the position of the committee sends out a strong message to Member States that Parliament is calling for reforms with a very strong voice.

"The outcome of the vote is a very strong statement by Parliament to the Council that all political parties are determined to go ahead with stabilizing banks and financing growth. The new capital requirements are not only a pivotal piece of banking regulation, but a law to finance the real economy. The main challenge is to find the right balance. We must have the banks build more solid security buffers and finance the growth needed now in the real economy. Parliament wants to facilitate SMEs' access to finance with the new rules", said rapporteur Othmar Karas (EPP, AT).

**New rules for resilience**

The proposed legislation would require banks to hold enough capital to protect themselves against unexpected losses. "Systemically important" banks would be required to hold a supplementary capital buffer of 3%, which could be raised to 10% if this were considered necessary by the authorities.

The capital requirements system would thus be more flexible, but should also be better supervised by EU Member States' competent authorities, in collaboration with the European Banking Authority (EBA), whose supervisory powers would be extended.

**Better-governed banks**

Under the new rules, every financial institution would be required to have "robust" governance agreements, including consistent lines of responsibility, effective processes for identifying and managing risks and sound and fair remuneration policies.

Bankers pay should be consistent with effective risk management; not encourage unjustified risk-taking and reflect real-world performance, say MEPs. Bankers' bonuses must not exceed their fixed salaries, they add.

**Lending to small firms and consumers**

To boost growth and job creation, MEPs inserted new rules to reduce the risk weighting of loans to small and medium-sized enterprises (by 30%) and also of loans to start-ups.

# Tackling soaring youth unemployment in the EU

**Devising a "European Investment Plan" to create new jobs, reallocating EU structural funds to projects to create them for young people, and introducing a "European Youth Guarantee" to ensure that young unemployed people are not without jobs for more than four months, are among the proposals set out by MEPs in a resolution on measures to tackle youth unemployment, adopted by the Employment and Social Affairs Committee and to be put to vote in plenary this Thursday.**

Unemployment in the EU averages 10% and youth unemployment 22.1% - up from 14.7% in 2008, notes the resolution, drafted by Pervenche Berès (S&D, FR). Unemployment ranges from well below 10% in some EU Member States to 50% in those hardest hit by the crisis.

One reason for high youth unemployment is a failure to create new jobs, notes the text. MEPs welcome the European Commission's "Towards a job-rich recovery" communication and urge Member States to present a "European Investment Plan" to boost inclusive sustainable and job-rich growth.

**EU structural funds**

On 30 January 2012, during the European Council, European Commission President José Manuel Barroso announced that €82 billion in EU structural funds, out of the total €347 billion for 2007-2013, had yet to be allocated and could be redeployed.

MEPs regret that, after four year of the crisis, this €82 billion has remained unspent. They urge the Commission to propose as a priority, to redeploy a substantial part of that money into projects for young people.

They also ask the Commission to consider increasing the EU share of project costs co-funded with national governments of the eight countries worst affected by youth unemployment (Latvia, Lithuania, Slovakia, Greece, Spain, Portugal, Ireland and Italy).

**European Youth Guarantee and Quality Charter on Traineeships**

Parliament proposed, in a resolution passed in 2010, that the Council and Commission devise a "European Youth Guarantee" to give every young person in the EU the right to a job, an apprenticeship, further training or a job combined with training, if they have been out of work for four months.

MEPs also called on the Commission and Council to "set up a European Quality Charter on Traineeships, to ensure their educational value and avoid exploitation".

In the resolution by the Employment and Social Affairs committee, MEPs welcome the Commission's plan to present a proposal to the Council on those two instruments by the end of 2012 and strongly urge Member States to approve the proposals by the end of 2012.

MEPs add that the Youth Guarantee scheme needs to be legally enforceable if it is to make any real improvement in the situation of young people.

# Yes to budgetary control, but action is also needed on growth and employment

**Deeper economic policy coordination will require Member States to act on structural reform recommendations and also improve transparency, says Parliament's reaction to the Commission's annual growth survey and employment guidelines. The resolutions adopted also call for more effort on growth, employment and poverty.**

Speaking ahead of the vote Jean-Paul Gauzès (EEP, FR), rapporteur on the Annual Growth Survey (AGS) said: "We want Member States to implement the structural reforms to which they have committed themselves. This reform policy should not become a dead letter".

Marije Cornelissen (Greens, NL), rapporteur on the employment and social aspects of the AGS said: "There is a friction between fiscal policy and employment policy but we have to ensure more coherence between the two. There is a way to address both at the same time".

Pervenche Berès (S&D, FR), rapporteur on the employment guidelines said, "The EP wants to strike a balance between the goals of the EU2020 strategy and the Stability and Growth Pact. Member States are currently placing too much emphasis on the Stability and Growth Pact, to the detriment of growth and investment".

**Budget cuts alone do not restore economies or confidence**

Budgetary, growth and employment measures need to be taken together, say all the resolutions. For example, the AGS resolution says that the Commission's roadmap "overlooks the need to take urgent action to support short-term activity and employment".

The need to build confidence among investors, consumers and citizens is also stressed by the resolutions, which argue that the Commission's AGS document does too little to address it. The AGS resolution emphasises that democratic legitimacy and national ownership need to be substantially increased to step up the pace of economic reforms. It asks the Commission to shed more light on what Member States are doing and not doing as regards implementing the reform recommendations they receive. The resolution underlines that limited implementation of these reform recommendations will stall growth.

The same resolution also says banks should be made to lend more to the real economy and calls for legislative proposals on bank crisis management before the summer.

**Employment and social aspects**

The resolution on the social and employment aspects of the AGS calls on the European Council to ensure that fiscal consolidation does not increase poverty or hamper efforts to tackle unemployment and in particular youth unemployment.

MEPs propose introducing, in cooperation with the social partners, a Youth Guarantee scheme to secure the right of every young person to be offered a job, an apprenticeship or training after four months of unemployment.

Furthermore, they call on the European Council to set up a tax on financial transactions.

# MEPs back risk-sharing with private sector to restart stalled cohesion projects

**Stalled regional development projects in crisis-hit countries could be kick-started by sharing their investment risks between private and public investors, under plans voted by the MEPs on Thursday. Sharing risks should stimulate recovery, by providing capital and overcoming banks' unwillingness to bear risks alone.**

"With this proposal, we are addressing serious obstacles faced by some Member States, particularly Greece, in raising the private financing needed to implement infrastructure and productive investment projects that would help them to trigger the growth so badly needed" said rapporteur and Committee chair Danuta Hübner (EPP, PL), ahead of the vote.

**Risk-sharing instruments**

Under the proposal, Member States benefitting from EU macroeconomic assistance (currently Ireland, Greece, Portugal and Romania), will be able to ask for part of their EU regional funding allocation to be transferred to the European Commission. The Commission could then conclude a risk-sharing partnership with the European Investment Bank or another financial institution willing to lend to the project sponsors and banks.

The EU's financial contribution to the risk-sharing instrument must not exceed 10% of the total 2007-2013 national allocation from the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

**Attracting private capital**

The regulation aims to encourage private investors to back "strategic" revenue-generating projects. Priority will be given to projects partly funded by ERDF and CF but other projects contributing to the achievement of cohesion policy goals can also be included.

MEPs want the Commission to make sure that only projects for which there is a favourable financing decision by the EIB or other financial institution are eligible for financing through the scheme.

**Kick-start the projects quickly**

Parliament's negotiators insisted that the scheme must take effect as soon as possible, so as to help stimulate growth and create jobs. Member States wishing to benefit from it will have until 31 August 2013 to make their written requests to the Commission. They will need to specify the programmes and projects to be covered.

Greece has already stated its interest in the scheme, especially for its highway toll concession projects.

**No impact on overall 2007-2013 allocation**

The new regulation does not change the overall allocation of cohesion funding for 2007-2013 and will not result in any contingent liabilities for the EU budget beyond the financial allocations dedicated to the risk-sharing instrument.

# Infrastructure project bonds: MEPs secure deal with member states on pilot scheme

**The EU will set aside €230 million in guarantees to support the issuance of "project bonds" for EU infrastructure projects under a deal concluded by MEPs and EU governments in Strasbourg on Tuesday. The deal will pilot test this innovative plan to attract private investment in transport, energy and information technology network projects.**

With an expected multiplier ratio of between 15 and 20, these loans and guarantees could mobilise up to €4.6 billion in private investment.

Parliament has called several times for the introduction of such innovative risk- sharing instruments.

"Europe's economic crisis stems not only from the financial one, but also from declining investment. Given tough national budget restrictions and bank capital requirements, we must find new ways to boost investment for growth. Project bonds should make investing in important infrastructure projects more attractive to capital market investors, without excessive risks for taxpayers. This new scheme could play a key role in the growth strategy now being called for by many EU member states", said MEP in charge of the negotiations, Göran Färm (S&D, SE), who welcomed the first-reading agreement:

Modern and efficient infrastructure is vital to achieving the "Europe 2020" growth targets. Whilst the private sector should finance the bulk of these - mostly profitable - investments, the public sector's role in Europe will be crucial for achieving the EU2020 targets, added Mr Färm

Investment needs for transport, energy and Information and Communication Technologies (ICT) infrastructure projects in Europe are estimated at €1.5 trillion for 2010-2020.

EU budget and European Investment Bank loans or guarantees backing project bond issuing companies should make the bonds that they issue safer and more attractive to capital market investors such as pension and investment funds.

MEPs and the Council want to use 2012 and 2013 to introduce these new risk-sharing instruments, so as to pave the way for their wider use under the "Connecting Europe Facility" at the start of the new Multiannual Financial Framework (MFF) in 2014. The idea is to test how the financial markets perceive the initiative and to use the practical experience of the coming 18 months to fine-tune the initiative.

The outcome of the negotiations will be put to a vote in Parliament's Budgets Committee on 31 May, followed by a vote in the plenary session in July.

# Budget 2013: MEPs warn Council not to make artificial cuts

**EU Member States should "refrain from artificially deciding the level of payments for 2013 without taking account of the actual budgetary needs", said Parliament's Budgets Committee, approving the 2013 budget guidelines on Tuesday. MEPs mean to ensure that the European Commission is not placed in a position where it can no longer honour its contractual obligations, as happened in December in 2011 and will happen again in 2012, if no solution is found.**

**Stop postponing problems**

Committee members are "extremely worried" about the looming shortage of payments in 2012, for which they hold the Council responsible. In December 2011, the Council refused to fund claims amounting to €10 billion, as some Member States questioned the financial data provided by the European Commission. These payments had to be postponed to 2012 and will undoubtedly lead to a shortage of funds by the end of the year.

To again postpone payments to 2013 - the last year of the current multiannual financial framework (MFF) in which payments would normally increase - is considered bad financial management. "Not meeting contractual obligations and past EU commitments could lead to payments of interest on debts and loss of confidence in EU policies. A solution needs to be found as early as possible in the year", says the report, prepared by Giovanni La Via (EPP, IT).

**If the Council wants to cut payments, it must spell out which priorities to drop**

The report notes that the level of payments has become the main political issue within the Council in the past few budgetary procedures; even though they are merely the result of previous commitments.

MEPs want the budget to be determined on the basis of technical criteria such as implementation figures, absorption forecasts or the level of outstanding commitments.

If the Council again makes artificial cuts in payments during this year's budget procedure, "it should clearly and publicly identify and justify which of the EU's political priorities or projects it believes could be delayed or dropped altogether", say MEPs.

**Focus on youth employment and SME's**

Next year's EU budget should focus on youth employment and small and medium- sized enterprises (SMEs), say MEPs, welcoming similar statements by the Members of the European Council on 30 January.

Promoting growth and job creation requires specific actions and enhanced budgetary efforts to support competitiveness, innovation and SMEs, which accounted for 85% of newly-created jobs between 2002 and 2010 and are seen as the backbone of economic growth.

Budgets Committee MEPs are ready to work with Parliament's specialist committees to identify areas where actions need to be strengthened, but also possible "negative priorities".

# Internal market: MEPs call for fast-track infringement procedures

**Despite the pressing need for renewed growth in Europe, the latest Commission figures show that Member States are increasingly failing to deliver on pledges to turn EU laws into national ones and enforce them. MEPs worry that this hinders economic recovery and call, in a resolution adopted on Tuesday, for fast-track infringement procedures and an independent internal market prosecutor with the power to institute infringement proceedings.**

"Unless more is done for EU legislation to be transposed and implemented correctly in the shortest time possible our citizens and enterprises cannot reap the benefits of the internal market. Member States therefore need ambitious targets, and they need to stick to their commitments", Parliament's rapporteur Simon Busuttil (EPP, MT) said in the plenary debate on Monday.

His non-binding resolution presents Parliament's response to the Commission's 2011 Internal Market Scoreboard, which shows that although Member States have reduced the share of EU directives long overdue for transposition into national laws, the overall share of overdue directives, known as the "transposition deficit", still averages 1.2%, despite the 1% target agreed by Heads of State and governments in 2007. The share of incorrectly-transposed ones still averages 0.8%.

In the past few months as many as seven Member States have fallen even further behind in the transposing of EU directives.

Besides further reducing the current transposition deficit, MEPs insist that Member States must formally accept tougher transposition goals, which would limit both the transposition and the compliance deficits to 0.5% each.

In an amendment tabled by the rapporteur, Parliament calls on the Commission to ensure that infringements of EU law are pursued swiftly and asks for the establishment of a "fast-track infringement procedure" through an internal market prosecutor within the Commission. The currently average duration of infringement proceedings (over two years and rising), is too long, they say.

The prosecutor should have sufficient independence to institute infringement proceedings free from political pressure. However, infringement procedures should still be approved by the College of Commissioners, says the text.

To use transparency and better monitoring as tools to improve implementation, more information is needed on the quality of transposition. We need a better understanding of "the lost opportunities", Committee Chair Malcolm Harbour (ECR; UK) said, describing the current state of the single market as "a Ferrari motoring around in second gear".

The resolution also focuses on delivering single market benefits directly to citizens and businesses by strengthening problem-solving services, and notably by further developing the "Your Europe" portal, supplemented by a single human point of contact via the Commission's representative offices in each Member State.