



Background

Economic reform and stability for a new economy: The European Parliament's work

This press kit summarises the European Parliament's activities aimed at tackling the financial crisis and stabilising the economy. It also looks forward to Parliament's stance on the EU2020 strategy. Finally it contains information about work being done in Parliament to analyse the sources of the crisis and make proposals for the future.

This year will see substantial reforms to the financial system and plans put in place to develop the architecture for renewed growth. The creation of new jobs to offset the higher level of unemployment will also be one of the main challenges.

The European Parliament has been and over the next months will be doing its share to ensure that the EU successfully leaves the crisis behind, reforms itself to stay out of similar crises in future, develops into a thriving and sustainable economy based on an effective EU2020 strategy and takes stock of what led to the turmoil of 2008 and 2009.

Over the coming months Parliament will be focussing on a major reform of the financial services sector, will continue to work on internal market policy the EU's social agenda. Parliament is also undertaking a lessons-learnt exercise with regards to the crisis.

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Background

Europe's New Financial Services Architecture

The economic crisis highlighted the need to reform supervision of financial services. The current focus is on three proposals for new EU laws covering: alternative investment funds which includes hedge funds and equity funds; capital requirements for banks and the bonuses these financial institutions pay out; the supervision of the financial sector, both at the micro and the macro level. The European Parliament shares co-decision legislative power with the Council on all the legislation below.

Alternative Investment Fund Managers Directive (Hedge Funds Directive)

The proposed directive has the objective of ensuring that all alternative investment fund (AIF) managers in the EU are subject to supervision through the establishment of a binding authorisation and supervisory system.

Issues at stake

- No exemptions to the directive's application: suggestion to replace the "de minimis" threshold of EUR 100 million by a proportionality rule
- European passport to allow any fund domiciled inside the EU to be marketed throughout Europe; marketing of non-EU funds should be in each case subject to clearance authorisation by individual Member States
- Remuneration policy: apply the principles of the G20's Pittsburgh Declaration (on the remuneration of executives of banks and other financial institutions) to the AIF managers
- Depositories' liability: new rules are being proposed as regards the definition of the depositary, its location, role, functions, the conditions for delegating some of its functions, and its responsibility
- Leverage: AIF managers should ex ante define and inform the national supervisors of the leverage limit which they will use for each AIF

Jean-Paul GAUZÈS (EPP, FR): "The financial crisis has shown that the structural problems of the global financial sector are due in part to an excessive exposure to risks incurred by systemically important organisations and on the other hand the weakness of the management systems of this risk."

"This directive aims to create more stability in the financial system, better protect investors and contribute to the establishment of a single market in alternative investment funds"

Timeline

21st July 2009	Jean-Paul GAUZÈS (EPP, FR) nominated as rapporteur
1st December 2009	Presentation of rapporteur's draft report
12th April 2010	Vote in committee
July 2010	Vote in plenary
2011	Indicative entry into force

Background

Capital Requirements Directive III and Bonuses

This directive will target two areas linked to the most recent financial crisis: the low levels of capital held by banks and the bonus systems of financial organisations.

Issues at stake

- Is the regular reviewing of the Capital Requirements Directive really the best approach or should there be a complete overhaul
- Penalties and sanctions in case of a breach of the requirements
- Banks' remuneration policies

Arlene McCARTHY (S&D, UK): "the Council must back radical action to put in place long term rules to ensure a responsible and fair banking system, to restore consumer confidence and to tackle once and for all the issue of banker's bonuses and remuneration practices".

Timeline

October 2009	Arlene McCARTHY (S&D, UK) nominated as rapporteur
22nd February 2010	Presentation of rapporteur's draft report
26th April 2010	Vote in committee
June 2010	Vote in plenary
Early 2011	Indicative entry into force

Background

Financial Supervision: European Systemic Risk Board (ESRB)

The ESRB will be responsible for macro-prudential oversight of the EU's financial system to prevent or lessen systemic risks, avoid situations of widespread financial distress, and ensure that the financial sector contributes to the development of the real economy and to growth. Its objectives will be to tackle the fragmentation problem due to nationally based risk analysis, improve early warning mechanisms and translate risk assessments into action by the competent authorities.

Issues at stake

- Institutional balance between the EU institutions
- Involvement of ESRB in decision calling an emergency situation
- Should warnings and recommendations be binding? Should there be sanctions for non-compliance?
- Future evolution and review clause
- Definition of financial stability, adequacy of the scope of mandate and powers in order to achieve financial stability
- Cooperation between the ESAs and the ESRB

Sylvie GOULARD (ALDE, FR) rapporteur for establishment of ESRB: "if these authorities were not empowered effectively to control banking and insurance groups or other financial players operating on the level of the single market, it would be the whole European economy which would suffer."

"...we are looking forward to a rapid setting up of these new supervisory authorities. A crisis of such a magnitude should never happen again without us at least having done our utmost to try to prevent it."

Ramon TREMOSA i BALCELLS (ALDE, ES) rapporteur for role of ECB in functioning of ESRB: "The current crisis has proven more than ever the tight link between finances and real economy. The new supervisory architecture will ensure a better risk management and reduce the possibilities of recession. To achieve the EU2020 objective, in opposition to the scandalous failure of the Lisbon Strategy, the liberalisation and better control of the financial markets are crucial."

Timeline

October 2009	Sylvie GOULARD (ALDE, FR), Ramon TREMISA i BALCELLS (ALDE, ES) nominated as rapporteurs
22nd February 2010	Presentation of rapporteurs' draft reports
4th May 2010	Vote in committee
July	Vote in plenary
Early 2011	Indicative date for entry into force

Background

Financial Supervision: Sector specific supervisory authorities

A European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and a European Securities and Markets Authority (ESMA) will replace the existing European supervisory committees. They will be part of a European System of Financial Supervisors (ESFS) which will also include a network of national financial supervisors. The goal is to upgrade the quality and consistency of national supervision, strengthen oversight of cross-border groups and establish a European single rule book. On a more technical level two omnibus directives are also in the pipeline - one related to banking and UCITS and one on insurance and MiFiD .

Issues at stake

- Future evolution and review clause
- Use of comitology (after Lisbon: delegated act) in respect of Commission decisions; Parliament's role
- Cooperation and coordination between the three authorities, with ESRB and with the national supervisory authorities
- Information-gathering powers
- Cross-border operating groups
- Decision-making power vis-à-vis financial institutions;

Extract from group coordinators' joint statement after the December ECOFIN

The four coordinators for the EPP, S&D, ALDE and Greens political groups believe that the negotiations of the ECOFIN Council on the micro-supervision of the financial sector are going in the wrong direction.

The de Larosière report was already the result of a compromise and the link between macroeconomic and microeconomic must be preserved within the most coherent European framework possible.

2nd December 2009

Peter SKINNER (S&D, UK): "With the European Supervisory Authorities the Commission has taken the first steps in developing a supervisory architecture that allows cross-border financial institutions to be regulated in an efficient and effective manner, overcoming the national divergences that can lead to uneven playing fields and uncoordinated responses by national authorities to emergency situations."

Burkhard BALZ (EPP, DE): "The Omnibus directives will be relevant to close the regulatory and supervisory gaps which exist in the European legislation. This will make the European financial markets more crisis-proof and boost the functionality and growth potential of the single European market."

Timeline

October 2009	for EBA José Manuel GARCIA-MARGALLO (EPP, ES) for EIOPA Peter SKINNER, (S&D, UK) for ESMA Sven GIEGOLD (Greens/EFA, DE) for Omnibus directives Burkhard BALZ (EPP, DE) and Antolin SÁNCHEZ PRESEDO (S&D, ES) nominated as rapporteurs
22nd February 2010	Presentation of rapporteurs' draft reports
To be scheduled	Vote in committee
July 2010	Vote in plenary
Early 2011	Indicative date for entry into force

Background

The Internal Market: SME-friendly environment for the EU's economy

The 23 million SMEs in the EU, accounting for around 99% of all enterprises and providing over 100 million jobs, play a fundamental role in contributing to economic growth, social cohesion and job creation, are a major source of innovation and are vital for sustaining and expanding employment. The European Parliament has frequently noted, such as in its resolutions on the European Charter for Small Enterprises (January 2006) and on the Small Business Act (March 2009), that despite previous European Union initiatives there has been little or no tangible improvement in the business environment for SMEs since 2000.

This is why the EP, in a resolution adopted in March 2009, warmly supported the Small Business Act (SBA) (Commission Communication of 25 June 2008) which aims to drive an ambitious policy agenda to promote SMEs' and to anchor the "Think Small First" approach into policy-making at all levels. Members were unhappy, however, that the SBA was not a legally binding instrument. The SBA sets 10 guiding principles including easier participation of SMEs in public procurement and easier access to finance.

Late payments in commercial transactions

Liquidity problems can bankrupt a business. This is especially true for SMEs and the problem is compounded during a crisis, when credit is tighter than ever. A recast version of the current directive, in force since 2002, is intended to help companies obtain what is due to them more quickly. It implements one of the main recommendations of the SBA. The European Economic Recovery Plan also stressed that, in the context of the economic slowdown, sufficient access to finance is a pre-condition for investment, growth and job creation.

While supporting the purpose of the proposal, Parliament's internal market committee looks set to propose major changes in the document submitted by the Commission. The criticism mainly concerns the concept of penalties inflicted on public authorities that pay their contractors late. Moreover, during the hearing with national parliaments held on 26 January 2010 many MEPs questioned the idea of distinguishing between the public and private sectors, a distinction which they said would undermine legal certainty, discriminate against the public sector and be unfair to public service suppliers such as hospitals.

Barbara WEILER (S&D, DE): "SMEs are the backbone of the European economy. Due to late payments, highly healthy companies get into financial trouble. The directive on late payments requires punctual payments within 30 days - it will only be possible to delay in a few well-founded cases. The law aims at contributing to strengthening the solvency, the competitiveness as well as the innovative capacity of SMEs."

Timeline

September 2009	Barbara Weiler (S&D, DE) nominated as rapporteur
April 2010	Vote in committee
May 2010	Vote in plenary

New developments in public procurement

SMEs face obstacles when participating in public procurement markets, which account for 16% of EU GDP. According to the small business act one of the reasons is that smaller businesses are not aware of opportunities, are discouraged by procedures, and because public authorities may find it more comfortable to award certain contracts to large enterprises with a track record rather than to trust young innovative companies. Although progress has been registered, further significant efforts are needed to reduce the remaining obstacles especially by alleviating requirements imposed by contracting authorities in award procedures.

The European Parliament, in its resolution on the SBA, called on the Commission and Member States to strengthen SME access to and participation in public procurement by using the opportunities presented in the above-mentioned European code of best practices. Among other ways this could be done through making more use of e-procurement, adapting the

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size of contracts, alleviating the administrative and financial burden in tendering, providing relevant and proportionate qualification criteria in specific tenders, enhancing access to information on public tenders for SMEs, and harmonising required documents. This issue is currently being dealt with by the EP's Internal market committee.

Timeline

September 2009	Heide Rühle (Verts/ALE, DE) nominated as rapporteur
March 2010	Vote in committee
April 2010	Vote in plenary

Background

Social Agenda

Fight against poverty and social exclusion

Growing poverty in the EU is the most worrying problem caused by the economic crisis, says a resolution on the new social agenda adopted by Parliament in April 2009. The resolution points out that "successive Spring European Council meetings have reiterated the objective of the eradication of poverty and social exclusion" and emphasises "the need to reinforce the social dimension in Lisbon".

In addition, as part of European Year against Poverty and Social Exclusion, the EP Employment and Social Affairs Committee is drafting a resolution on the contribution a minimum income can play in tackling these problems. In a resolution on poverty and social exclusion adopted in the last parliamentary term, MEPs urged the Council to agree on an EU target for minimum income schemes of at least 60% of national median equalised income and an EU target for minimum wages (statutory, collective agreements at national, regional or sectoral level) to provide for remuneration of at least 60% of the relevant (national, sectoral etc.) average wage.

"Progress" microfinancing instrument

In December 2009, Parliament approved the creation of a "European Progress Micro-finance Facility" to make it easier for people who have lost or risk losing their jobs to get credit to start up small businesses (10 people or less and a turnover of less than €2 million). This instrument is aimed at people who do not have access to conventional credit markets, to enable them to obtain small loans (up to €25,000).

MEPs agreed to make €100 million available for the facility over four years. However, unlike the Commission, MEPs were keen to ensure the funds did not come entirely from Progress, a programme intended to help vulnerable groups. Following a compromise between delegations of the Parliament and Council, due to be approved in plenary on Thursday 11 February, the instrument will receive €60m in funding from the Progress programme and €40m from unallocated margins in the EU budget.

Adapting the Globalisation Adjustment Fund (EGF) to the crisis

In May 2009, MEPs voted to change the rules for triggering the European Globalisation adjustment fund (EGF). The aim was to make the aid available to a larger group of people having lost their jobs. In practice, this meant lowering the eligibility threshold from 1000 to 500 redundancies and widening the scope to also include job losses due to the financial crises. Following the changed rules, the number of applications from Member States escalated - from 5 in 2008 to 29 in 2009.

In December 2009, Parliament embraced measures to aid 1500 former workers at Volvo with suppliers in Sweden, 400 car workers in Austria and 400 construction workers in the Netherlands. Thanks to the new rules, they now receive training, coaching and aid for self-employment. In the coming months, Parliament will vote about supporting similar measures for people who lost their jobs at Karmann in Germany, Snaige in Lithuania and at other companies in the Netherlands, Bulgaria, Denmark, France, Ireland, Lithuania, Portugal and Spain.

Background

Taking Stock of the Crisis: Special committee to propose a long-term vision

As a tangible proof of its commitment to help avoiding any future recurrences of the crisis, on the 7th October 2009, the European Parliament set up a **Special Committee on the Financial and Economic Crisis (CRIS)**.

During its renewable 12 month mandate the 45-strong committee, lead by German Liberal Wolf KLINZ, will examine the ways to avoid future crises with a view to developing appropriate measures for the long-term reconstruction of sound and stable financial markets that support sustainable growth, social cohesion and employment, and respond to demographic challenges.

The next meetings of the committee are scheduled for the 11th and the 25th of February.

Timeline

30 October 2009	Pervenche BERÈS (S&D, FR) nominated as rapporteur
29 April 2010	Presentation of rapporteur's draft report
13 July 2010	Vote in committee
20–23 September 2010	Vote in plenary

Pervenche BERÈS (S&D, FR): "As rapporteur of this special committee I welcome our timetable that enables us to have a direct input in the elaboration of the EU2020 strategy. My top priorities are to ensure that solidarity is the backbone of this new strategy and that we give ourselves the tools which will allow us to address the instruments (revision of the financial perspectives, development of new financial tools...) in parallel to the objectives."

Background

The EU2020 strategy - EP President and MEP comments

The beginning of 2010 will also be taken up with hammering out Europe's next growth plan. Commonly known as the EU2020 strategy, it is expected that agreement will be reached in time for its formal adoption during the next June European Council.

Parliament will contribute to the 2020 strategy through a resolution by the political groups with a view to the spring European Council. In addition, within the Employment and Social Affairs Committee, Csaba Öry (EPP, HU) will write a report on the 2010 employment guidelines, which are a key instrument for implementing the Lisbon Strategy.

MEPs had the occasion of discussing the general concepts behind this strategy with the Spanish Presidency for the first time during the January plenary session. MEPs generally expressed their wish for a more binding set of rules to the ones available under the Lisbon Strategy. This was re-iterated during the various committee meetings held with Spanish Ministers.

Further discussions both during plenary sessions and also within specific committees are to be held over the coming months. Ms. Salgado, Spain's finance minister will return to address the ECON committee on the 16th March during a meeting with national parliaments.

Jerzy BUZEK on the EU2020 strategy

The President of the European Parliament, Jerzy Buzek commented on the European Council Summit and his views for the EU2020 strategy: "We should keep in mind that the EU means people. With the labour markets heavily affected by the crisis and unemployment rates which are soaring, it is of utmost importance that EU2020 strategy offers us the tools to effectively remedy this situation, in particular as regards youth unemployment and employability."

Furthermore, "The EU should embark on specific economic projects – such as a single energy market or even a European Energy Community, green technology and the accomplishment of the European financial supervision" Buzek said.

Background

Comments from MEPs

Below are comments from various ECON and EMPL coordinators and the CRIS chairman collected by the European Parliament's press service a few days before the 11th February Summit.

Economic and Monetary Affairs committee and CRIS

Jean-Paul GAUZES (EPP, FR - ECON coordinator for the EPP)

"The EU2020 must be a dynamic strategy which reinstalls confidence after the crisis and lays the ground for sustainable growth"

Udo BULLMANN (S&D, DE - ECON coordinator for the S&D)

"The European Union cannot afford another impasse of the kind we had with the Lisbon Strategy with its new growth strategy 'EU 2020'. The crisis of the past months had devastating consequences for both the economy and society. To overcome it, we need a 'new deal' for Europe. That is why the 'EU 2020' strategy must focus on sustainability, employment and solidarity."

Wolf Klinz (ALDE, DE - Chair of the CRIS temporary committee)

"We urge the extraordinary summit to take swift action to combat the economic crisis by accelerating efforts to complete the single market and by embarking on European projects that are necessary to ensure Europe's economic position and competitiveness in the world"

Sven GIEGOLD (Greens/EFA, DE - ECON coordinator for the Greens/EFA)

"The EU2020 strategy must combine economic development with new and decent jobs together with social justice, while respecting the Planet's limits. We must avoid having a strategy streamlined only on economic growth and reduced to the demands of industry."

Kate SWINBURNE (ECR, UK - ECON coordinator for the ECR)

"Research and innovation must be at the heart of EU decision-makers minds in the short and long term so the EU can come out of economic crisis stronger than before. If the EU2020 strategy can deliver flexibility in future funding of innovation, the EU will be more competitive globally by 2020."

Jürgen KLUTE (GUE/NGL, DE - ECON coordinator for the GUE/NGL)

"In light of the deep current crisis Europe is facing, the Council should not only question its obsession on international competitiveness, but also make sure that society will not alone pay for financial market actors' irresponsibility."

Godfrey BLOOM (EFD, UK - ECON coordinator for the EFD)

"We confidently expect that the serious lack of expertise in financial services at the European Council will end in mass migration of jobs towards Switzerland"

Employment and Social affairs

Pervenche BERÈS (S&D, FR - EMPL chairwoman)

"With an unemployment rate of 10% in the EU, the 2020 Strategy must focus on unemployment, in particular the integration of young people into the labour market. Given the poor results of the Lisbon Strategy even before the crisis, we need a new approach based on the social clause of the new treaty, a revision of the financial perspective and a questioning of the open coordination method"

Csaba ÖRY (EPP, HU - Rapporteur on the 2010 Employment guidelines and EMPL coordinator for the EPP)

"The weakness of the Commission's consultation document on the 2020 Strategy, published on 24 November, is that it is a list of good intentions and is too general. We need concrete goals and better coordination between the European institutions and the Member States. In addition, the consultation document makes no mention of cohesion policy"

Background

Open method of coordination

At the first discussion with social partners on the Commission's consultation document, several MEPs of the EP Employment and Social Affairs Committee stressed the limits of the open coordination method.

"The open coordination method, on which the Lisbon Strategy has been based for nine years, has shown its limits with the new challenges facing the EU. A post-Lisbon Strategy must be more pro-active", emphasises a resolution of March 2009 on the Lisbon Strategy.

Background

The EP's work in 2009

This press pack is mostly concentrated on the European Parliament's present and future work in dealing with the fallout from the economic crisis and economic reform. However the EP also played an important role during 2008 and 2009, the years when the crisis was hitting the global economy with full force. Then, the European Parliament, together with other players, played its part in directing large financial injections to the right places so as to keep the economy ticking. Below are just a few concrete examples of Parliament's input.

European economic recovery plan: Energy projects - May 2009

The European Energy Programme for Recovery will provide €3.98 billion to gas and electricity infrastructure, offshore wind energy and carbon capture and storage projects so as to aid economic recovery. On the MEPs' initiative unspent funds by the end of 2010 will be redirected to projects aimed at energy efficiency and renewable energy.

European economic recovery plan: Broadband - May 2009

€1.02 billion will be allocated to upgrading high-speed internet in rural communities. These upgrades should help covering the "white spots" on Europe's broadband map. Before the project started, 30% of the population in rural areas did not have broadband access.

Regional Funds: Energy efficiency and renewable energy investments in housing - April 2009

Based on a 2007 EP resolution, the rule changes to the ERDF of 2009 mean that all EU Member States and regions would be able to get EU regional development funding for energy-efficiency and renewable energy investments in housing. Previously only the 12 new member States could benefit in this way. It is expected to help create jobs in the building trade, and, by reducing energy consumption, help to slow the rate of climate change

Committee Chairs:

- Committee on Economic and Monetary Affairs - Sharon BOWLES (ALDE, UK)
- Temporary Committee on Financial, Economic and Social Crisis - Wolf KLINZ (ALDE, DE)
- Committee on Internal Market and Consumer Protection - Malcolm HARBOUR (ECR, UK)
- Committee on Employment and Social Affairs - Pervenche BERÈS (S&D, FR)