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I

(Resolutions, recommendations and opinions)

RESOLUTIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

478TH PLENARY SESSION HELD ON 22 AND 23 FEBRUARY 2012

Resolution of the European Economic and Social Committee on the economic and social situation in the European Union, adopted at its 478th plenary session

(2012/C 143/01)

At its plenary session of 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the present resolution by 157 votes to 30, with 12 abstentions.

The European Economic and Social Committee (EESC) adopted the present resolution, expressing its deep concern about the situation of the Union and addressing an urgent call to the European institutions and the governments of the Member States to do everything within their power to reaffirm the fundamental and unquestionable value of European unity.

1. The EESC:
 - regrets the fact that there is prevarication and differences of opinion among EU Member States, at the very moment when Europe should be demonstrating its resolve, unity and solidarity;
 - nevertheless welcomes the Eurogroup's agreement of Monday, 20 February on the second aid plan for Greece, but does regret the delays in and sluggish nature of progress towards finding a definitive solution;
 - is, however, concerned about the social and economic consequences, and asks the European Council to back measures for revitalising the economy, especially in those countries hardest hit by the crisis;
 - points out that there is a need to invest in the real economy by means of genuine industrial policies that could help halt the current downward spiral into recession; and
- welcomes the twelve-government initiative addressed to the Council and the Commission.
2. The EESC notes that the public is increasingly coming to doubt the institutions of the Union, and thus the actual Union itself, and - at the same time - lay the blame on the very same Union for its current hardships.
3. The Committee feels that measures on budgetary and fiscal discipline will not be enough on their own, and that economic policy governance in the Euro area and throughout the EU should be broader and more ambitious.
4. The EESC underlines the key role which the European Commission will have to play in setting out Europe's general interest here, particularly as regards implementation of economic and monetary policy measures, including those provided for in the new intergovernmental treaty.
5. In this connection, the EESC wishes to highlight the need to boost the 2020 strategy, especially measures to support

young people, research and innovation and the green economy. The EESC congratulates the European Commission president, Mr Barroso, on the new measures he announced at the European Council meeting on 30 January of this year to promote young people's access to jobs and asks him to ensure the immediate implementation of practical initiatives in this area. The EESC also advocates measures to support small and medium-sized enterprises, in full compliance with applicable EU law.

6. The EESC stresses that, in the negotiations on the future multi-annual financial perspectives for 2014–2020, the EU ought to be endowed with a sizeable, and increasing, budget. It supports the European Commission's proposal to find new own resources for financing the European budget and to make use of different forms of public and/or private investments. For its part, the EESC will draw up a report on the cost of "non-Europe", which will highlight the expected benefits of greater European integration. The EESC also stresses that there should be no discrimination against those countries which have joined the EU since 2004, in terms of eligibility thresholds and criteria for accessing European funds.

7. The EESC supports the idea of a stronger role for the European Central Bank to stabilise the situation in the Euro area, as well as financial engineering mechanisms which make use of private savings and the markets (Eurobonds) for financing promising projects for revitalising economic activity.

8. The EESC therefore calls on the European institutions and national authorities to:

- avoid weakening the treaties in any way, or the institutions established therein;
- implement Community measures that promote growth and support infrastructure development, as well as the efforts of small and medium-sized enterprises, young people's access to the labour market and measures promoting an efficient and clean energy policy for Europe;
- adopt an ambitious budget to apply these measures and strengthen European cohesion;
- speak with one voice to both the European public and the rest of the world;
- address a positive message to young people in Europe so as to present the European Union as a solution for coping with the crisis and which offers them prospects for the future; and
- ensure that decisions taken at all levels are based on real public participation by means of procedures which genuinely involve the European Parliament and national parliaments, entailing effective consultation of organisations representative of civil society, making the most of what autonomous social dialogue can contribute.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

478TH PLENARY SESSION HELD ON 22 AND 23 FEBRUARY 2012

Opinion of the European Economic and Social Committee on 'How to involve civil society in financial regulation' (own-initiative opinion)

(2012/C 143/02)

Rapporteur: **Mr MORGAN**

On 20 January 2011, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

How to involve civil society in financial regulation.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February 2012), the European Economic and Social Committee adopted the following opinion by 66 votes to 53 with 41 abstentions.

1. Conclusions and recommendations

1.1 One of the reasons for the financial crisis was inadequate and ineffective regulation and supervision of the financial markets. One of the difficulties in financial regulation is how to ensure that differing and contradictory positions are given a balanced hearing. There is no effective counterweight to the legitimate representation of the financial sector's interests. Political debate primarily plays out between the legislator on one side and the financial sector concerned on the other.

1.2 With financial regulation in particular the European Economic and Social Committee (EESC) is well-placed to rectify the lack of civil society involvement, because the EESC includes representatives both of financial industry associations and of consumer organisations and trade unions. The EESC cannot, and has no desire to, be a substitute for the direct involvement of civil society organisations. Civil dialogue is a public, democratic opinion-forming process in which all relevant stakeholders should be effectively involved.

1.3 In the EESC's view, it goes without saying that the financial sector itself has a legitimate place in the opinion-forming process. It is the financial companies that are affected

by regulation and have to meet the requirements and implement the statutory obligations. The EESC also recognises that the majority of sectors and companies within the financial industry operate honestly and with integrity and had no part in causing the financial crisis.

1.4 Given the complexity of the detailed legislation, it is crucially important for civil society organisations not just to set basic objectives and call for a general tightening-up of the rules, but to put forward knowledgeable and practical proposals and arguments. This will require considerable efforts to ensure that the organisations can enter discussions on an equal footing with the legislator and with other organisations.

1.5 The European Commission, European Parliament, Council and Member States must take initiatives themselves to achieve wider involvement of civil society in the regulation of financial markets.

1.6 The European Central Bank, the European Systemic Risk Board and the newly established European Supervisory Authorities should ensure that civil society organisations are

adequately involved in their work. The procedures of the stakeholder groups that must by law be consulted by the supervisory authorities should allow for the specific characteristics of civil society organisations to be taken into account.

1.7 It may in certain cases be appropriate to provide civil society organisations with financial support from EU funds in order to rectify deficiencies in the representation of key interests. In such cases, it must be ensured that the financial contributions are fully transparent, that the independence of the organisations is guaranteed and that they are not given preferential treatment in their dealings with the Commission over organisations that have not received such support.

1.8 Alongside consumer organisations and trade unions there are a whole range of other groups that could make significant contributions to discussions on the financial markets, including charitable organisations, small and medium-sized enterprises, organisations of institutional investors, industrial and service undertakings with major financial operations and associations of such undertakings, financial intermediaries and even ratings agencies. Given the competitive environment in financial markets, representatives of sectors other than those directly affected by regulation could also make valuable contributions.

1.9 Not all subjects are equally amenable to contributions from civil society organisations. While consumer protection issues, the use of tax revenue to rescue financial institutions and taxation of the financial sector lend themselves particularly well to such contributions, detailed technical issues such as calculating solvency or financial reporting are of less interest.

1.10 It is not enough to make sweeping and indiscriminate calls for tighter regulation: that is of no help to the legislator. Not only must proposals be as specific as possible, but the advantages and disadvantages of stricter rules must also be weighed up.

1.11 The EESC encourages European and national civil society organisations to take a closer interest now in financial regulation. Many such organisations would do well to set themselves the discrete (and in some cases new) objective of promoting financial market stability and extend their fields of interest and activity accordingly.

1.12 In the EESC's view, it would be worthwhile for these organisations to take advantage of their role in financial regulation to broadcast a positive message about the EU's successful work in this field to their members and the general public.

1.13 Despite its evident specific mistakes, the European financial industry has also been one of the victims of the

crisis, and it therefore needs to contribute to effective financial regulation. The individual sub-sectors of the financial industry should not hesitate to comment on the regulation of other sub-sectors in the interests of financial market stability.

1.14 The financial industry itself should also initiate dialogue with civil society organisations. Given the level public attention the financial sector has attracted in the wake of the financial crisis, it would be beneficial for it to open a dialogue with civil society organisations, exchange arguments and hear their suggestions.

1.15 The media obviously play a prominent role in the opinion-forming process in Europe, and it would be valuable for the position of civil society organisations to also be represented in the media to a greater extent.

1.16 The EESC will continue to pay close attention to proposals for financial regulation, and to hold broad-based discussions and issue substantive opinions on them, placing particular emphasis on incorporating the position of civil society representatives. The sections and study groups will hold hearings as part of the consultation process in order to get civil society organisations more closely and directly involved in its opinion-forming process.

1.17 When planning its work programme, plenary sessions, and section and study group meetings, the EESC will ensure that there is sufficient opportunity for in-depth discussion of financial regulation. It will manage its financial and human resources in such a way that members have access to qualified expert advice on financial regulation issues.

2. Objective of the opinion and background

2.1 The crisis in the financial markets ⁽¹⁾ since 2008 has had a serious negative impact on ordinary people worldwide, particularly in the European Union, and the EESC has already examined the issue closely on a number of occasions. One reason for the market collapse, the speculation that preceded it and the trade in high-risk financial products was inadequate and ineffective regulation and supervision of financial markets.

2.2 One of the difficulties in adopting rules in this field has been, and still is, how to ensure that differing and contradictory positions are given a balanced hearing within a pluralistic and democratic opinion-forming process. There is currently no effective counterweight from civil society organisations to the legitimate representation of the financial sector's interests, and this asymmetry should be rectified in the new financial legislation.

⁽¹⁾ The crisis caused by excessive public deficits is not discussed in this opinion, though the question could also be raised here of why civil society did not press more strongly, and at an earlier stage, for a reduction in borrowing.

2.3 As the European institution representing civil society, the EESC considers it a duty, alongside issuing its own opinions, to facilitate broad and comprehensive involvement of all relevant parties in the European legislative process. The EESC is therefore concerned when it regularly proves impossible to hold balanced debates in certain political domains.

2.4 The aim of this own-initiative opinion, therefore, is to analyse civil society's role in the regulation of financial markets and to make recommendations to enhance that role.

3. Civil society involvement: shortcomings and obstacles

3.1 To date financial regulation has been primarily monitored by those concerned within the financial sector, as was amply confirmed at the hearing held by the EESC on 28 November 2011. This cannot be attributed to a lack of openness on the part of the EU institutions; there has so far been little interest in the issue among organisations outside the financial industry, as evidenced for example by the low levels of participation in European Commission consultations, European Parliament hearings and public discussions.

3.2 Even now, political debate on directives or regulations relating to the financial sector primarily plays out between the legislator on one side and the financial sector concerned on the other. In other spheres, by contrast, the policy debate - in particular the debate between civil society organisations in Brussels - is also at the heart of pluralistic debate: for example, between employers and trade unions regarding social policy, between industry and environmental organisations on environmental policy, or between business and consumer organisations on consumer policy.

3.3 In the EESC's view, there are a number of reasons for these deficiencies in financial regulation.

3.3.1 The aim of financial regulation is to guarantee the security and stability of the financial markets, thus a rather abstract and intangible public good, which for a long time also appeared not to be under any threat. It was not easy to discern any substantial citizens' interests to protect, and so nobody outside the financial markets had much incentive, reason or motivation to consider these issues.

3.3.2 Financial markets are highly complex and difficult for non-experts to understand. The diversity of players, complexity of products and many-layered interactions make it difficult for organisations outside the sector to participate knowledgeably in the debates.

3.3.3 It is often difficult to determine the direct - and more especially the indirect - impact of regulation on the interests of the members of civil society organisations, particularly if it involves complex implementing provisions and technical standards rather than directives and regulations.

3.3.4 The process of regulating the financial markets is relatively difficult to understand. The Lamfalussy process used previously, and the current system of delegated acts, implementing acts and binding technical standards with many procedural steps and a large number of institutions and authorities involved to varying degrees, make it hard to issue focused opinions at the right moment. The substance of the regulation is also increasingly prescribed by global institutions such as the G20, the Basel Committee and the IASB (International Accounting Standards Board), whose activities are not very transparent.

3.3.5 The large number of regulatory proposals, the speed of the legislative processes and the large number of stakeholders have stretched to the limit the capacity of decision-makers in the institutions to hold discussions, draft position papers and participate in conferences.

3.3.6 The high degree of global integration of financial markets, the global mobility of capital and sensitivity of trade have in the past always been hard to counter as arguments against intervening in European markets. Competition for volatile capital to promote growth and jobs made a "light touch" regulatory approach seem sensible, and for a long time this appeared to be adequate.

3.4 These difficulties are also the reason for the establishment of Finance Watch, an initiative by MEPs that brings together various European and national organisations to keep a critical eye on legislation relating to the financial sector.

3.5 There appears to be a similar issue in the Member States, where there is no evidence that civil society has significantly influenced financial regulation.

3.6 Problems seem to arise with taking account of the interests of small and medium-sized businesses in the financial sector, and with getting civil society involved. Many smaller financial institutions complain that the complexity of the rules and the high administrative costs involved make them difficult to implement.

4. General comments

4.1 Participatory democracy is a key component of the European social model and of European governance. Representative and participatory democracy are anchored in the Lisbon treaty, but all this requires is that the institutions give "citizens and representative associations" the opportunity to make their views known (Article 11 of the EU Treaty). It is therefore down to European bodies themselves to take the initiative where proposals prompt a one-sided reaction, or no reaction at all, from civil society.

4.2 It goes without saying that it is the democratically mandated institutions that adopt the decisions, and that civil dialogue has a purely preparatory and monitoring role.

4.3 The EESC is organised civil society's pre-eminent forum for representation, debate and expression of opinions, and serves as a vital bridge between Europe and its citizens; the EESC plays this role especially in relation to legislation.

4.4 With financial regulation in particular the EESC is well-placed to play a prominent role in rectifying the lack of civil society involvement, because it includes representatives both of financial industry associations and of consumer organisations and trade unions. The EESC's obligation to issue opinions on Commission proposals means that members systematically engage with the legal texts, and need no additional encouragement or motivation.

4.5 Since the start of the financial crisis the EESC has repeatedly expressed the views of civil society organisations, issuing around 30 opinions on the financial crisis in general and legislative initiatives in particular since mid-2008.

4.6 The lack of other civil society involvement makes it all the more important for the European institutions to pay attention to the EESC's opinions in this area.

4.7 The EESC cannot, and has no desire to, be an alternative to direct involvement of civil society organisations. Civil dialogue is a public, democratic opinion-forming process in which as many stakeholders as possible should be involved in various ways.

4.8 In the EESC's view, it is quite clear that the financial sector's involvement in the opinion-forming process is just as legitimate as other organisations'. It is the financial companies themselves that are affected by regulation and have to meet the requirements and implement the statutory obligations. Another reason why financial industry associations need to be involved is that the sector itself obviously has the greatest interest in financial stability. Its expertise is also required in order to make reliable impact assessments.

4.9 The EESC also recognises that the majority of sectors and companies within the financial industry operate honestly and with integrity and had no part in causing the financial crisis. In the EESC's opinion, the blanket condemnation of the financial sector that is sometimes heard is not justified. Most businesses in the sector have not profited from the excesses of the financial markets, but have themselves been negatively affected by the crisis and its impact, and the number of customers of financial institutions who have suffered losses has been limited, thanks partly to government assistance.

4.10 Nonetheless, the main victims of the financial and economic crisis have been individual citizens, as taxpayers, employees and consumers. They need, through their civil

society organisations, to get more closely involved in drafting new rules for the financial sector, in order to ensure that a crisis of this magnitude does not occur again.

4.11 Given the complexity of the detailed legislation, it is crucially important for civil society organisations not just to set basic objectives and call for a general tightening-up of the rules, but to put forward knowledgeable and practical proposals and arguments. This will require a considerable effort to ensure that organisations can enter discussions on an equal footing with the legislator and other civil society organisations.

5. Detailed recommendations

5.1 The European Commission, European Parliament, Council and Member States must take initiatives themselves to achieve wider involvement of civil society in the regulation of financial markets.

5.1.1 It is absolutely crucial for the direct and immediate impact on civil society of proposed regulation to be set out simply, openly and precisely in the proposals, to enable organisations to better understand how the public will be affected.

5.1.2 If ultimately consultations on financial market matters produce little response from civil society, as has often been the case in the past, individual organisations should be specifically invited to take part. If necessary, the consultation time frames should be extended, as already provided for in the Commission's "smart regulation" initiative. Consultations should not just focus on technical matters, but specifically ask for the views of civil society. The particular perspective of civil society organisations should be taken into account.

5.1.3 Relevant organisations should be involved right from the start in public hearings of the European Commission or European Parliament. Despite their busy schedules, the institutions should be open to discussion with civil society organisations and take part in their events.

5.1.4 Groups of experts in the European Commission and the European Parliament should include representatives not only of the financial industry but also of other groups, though it must be ensured that the people nominated have the necessary expertise in the subject area in question: nothing will be gained if there is an imbalance in specialist knowledge.

5.1.5 It may in certain cases be appropriate to provide civil society organisations with EU financial support in order to correct deficits in the representation of key interests. However, this runs counter to the principle of autonomy and self-financing in defending civil society's interests, and may harm the independence of these organisations and lead to conflicts of loyalty on both sides. It must at any rate be ensured that the financial contributions are fully transparent, that the independence of the organisations is guaranteed and that they do

not get preferential treatment in their dealings with the Commission over organisations that have not received such support.

5.2 Other EU bodies involved in financial regulation, such as the European Central Bank, the European Systemic Risk Board and the three European Supervisory Authorities (for banking, securities and insurance) should take account of the positions of civil society organisations in their work.

5.3 The procedures of the stakeholder groups that must by law be consulted by the supervisory authorities should permit the views of civil society organisations to be taken into account, allow for feedback to the relevant organisations, and thus become an additional route for involving civil society. This is not always the case at the moment, not least due to confidentiality requirements for documents and consultations that are excessive from the perspective of transparency.

5.4 Civil society involvement in financial regulation cannot be increased simply by making abstract political demands. We need a more specific concept of who should comment on which financial issues, and when they should do so.

5.4.1 Alongside consumer organisations and trade unions there are a whole range of other groups that could make significant contributions to discussions on the financial markets, including charitable organisations, small and medium-sized enterprises, organisations of institutional investors, industrial and service undertakings with major financial operations and associations of such undertakings, financial intermediaries and even ratings agencies. Representatives of financial sectors that are not directly affected by regulation could also make valuable contributions.

5.4.2 Not all subjects are equally amenable to contributions from civil society organisations.

5.4.2.1 While consumer protection issues, use of tax revenues to rescue financial institutions and taxation of the financial sector lend themselves particularly well to such contributions, detailed technical issues such as calculation of solvency or financial reporting are of less interest.

5.4.2.2 Organisations should not, however, focus solely on regulations at the point when they are adopted, but look at the whole gamut of regulation, including implementing provisions and technical standards, even if this may seem laborious.

5.4.2.3 The EESC does of course acknowledge that long-term stability and sustainability in financial markets result from the interplay between a large number of specific provisions that will each be discussed separately. Even if its organisations cannot

look at all the documents presented, civil society must at least examine those topics that are key to the success of regulation as a whole, which means not only consumer law, but also for example regulatory oversight, capital requirements or corporate governance.

5.4.2.4 The issue is also that supposedly technical problems often conceal highly political issues that directly affect the general public. For example, the interest rate used for calculating reserves for pension funds has a significant impact on the ability of insurers to give long-term guarantees of pension levels.

5.4.2.5 It is not enough to make sweeping and indiscriminate calls for tighter regulation: that is of no help to the legislator. Not only must proposals be as specific as possible, but the advantages and disadvantages of stricter rules must also be weighed up, taking account of factors such as the burden on businesses (particularly small and medium-sized financial institutions), access to credit for individuals and businesses, and the functioning of the market.

5.4.3 Civil society should if possible make its voice heard at all stages of the decision-making process. In many cases, fundamental decisions are taken at an early stage, for example following initial consultation by the Commission or when the supervisory authorities are drawing up blueprints. Civil society organisations therefore need to be familiar with, and follow, the complex procedures referred to above, which are different from standard procedures.

5.5 The European Economic and Social Committee encourages European and national civil society organisations to take a closer interest now in financial regulation.

5.5.1 Many such organisations would do well, in the EESC's opinion, to set themselves the discrete (and in some cases new) objective of promoting financial market stability and to extend their fields of interest and activity accordingly.

5.5.2 Given the complexity of the financial markets and rules governing them, as set out above, civil society organisations need to develop and expand human resources as needed with the appropriate specialist skills. It may also prove necessary to create new bodies, strengthen cooperation with national organisations and bring in external experts.

5.5.3 In this connection, the EESC welcomes the establishment of Finance Watch, a new European-level body that aims to promote financial market stability. This alone will not, however, be enough to allow broad civil society involvement.

5.5.4 Civil society organisations should also take part in public debates at European level and in the Member States, thus making a policy contribution to financial regulation.

5.5.5 In the EESC's view, it would be worthwhile for these organisations to take advantage of their role in financial regulation to broadcast a positive message about the EU's successful work in this field to their members and the general public.

5.5.6 Cooperation between national and European civil society organisations is particularly important in this field, firstly because the activities of European and national regulatory levels are especially complementary when it comes to financial regulation, and secondly because national organisations often have greater resources than the European umbrella organisations – resources that should be used, particularly in this domain, for efforts at European level.

5.5.7 Given the ease with which capital can be moved around the world, financial regulation needs to be brought up to a comparable level worldwide. Organisations that have an international focus or international connections could make a particular contribution in this regard. They can call for effective financial regulation to a comparable level worldwide, so as to curb competition between business locations based on minimal standards. The interests of global financial market stability must be defended with equal vigour in all financial centres worldwide.

5.6 Despite its evident specific mistakes, the European financial market has also been one of the victims of the crisis, and it therefore needs to contribute to effective financial regulation.

5.6.1 The individual sub-sectors of the financial industry should not hesitate to comment on the regulation of other sectors in the interests of financial market stability.

5.6.2 In the EESC's view, it is self-evident that the interests of the financial industry must be represented to decision-makers transparently and with integrity and respect. Associations representing industry regularly meet these expectations; the occasional activities of individual businesses and their business representatives did not always do so in the past.

5.6.3 The financial industry itself also needs to initiate dialogue with civil society organisations. Given the level of public attention the financial sector has attracted in the wake of the financial crisis, it would be beneficial for the financial sector to open a dialogue with civil society organisations, exchange arguments and hear their suggestions. This would be a significant step towards forming closer ties with society

as a whole. Should the financial sector wish to use self-regulation to impose a particular conduct, it would be appropriate for civil society also to be involved in developing those rules.

5.6.4 In the interests of fair and transparent civil dialogue, the EESC welcomes the establishment of a joint register of lobbyists by the European Parliament and the European Commission and appreciates the findings of the European Parliament working group chaired by Mr Buzek. However, it would stress that tightening up the rules must not prejudice or hinder the participation of civil society organisations. This applies in particular to practical issues such as easy access to EU departments and attending public meetings.

5.7 Academia, social foundations and think tanks are urged to bring their judgment, expertise and experience to bear in discussions on the financial markets. Although such organisations do not generally focus on involvement in specific legislative work, they should take the opportunity to deploy their resources in the interests of avoiding future crises.

5.8 The media obviously play a prominent role in the European opinion-forming process, and it would be valuable for the position of civil society organisations to also be represented in the media to a greater extent. To this end, it may be necessary to persuade the relevant organisations to adopt positions on a specific issue, as at the moment few representatives take part in the public debate on their own initiative.

5.9 The European Economic and Social Committee itself intends to increase its involvement in discussions on plans for financial regulation.

5.9.1 The EESC will continue to pay close attention to proposals for financial regulation, hold broad-based discussions on them and issue substantive opinions, placing particular emphasis on incorporating the position of civil society representatives.

5.9.2 It will ensure that representatives of all three of its Groups are equally involved in the debate and take part in all stages of the process.

5.9.3 The sections and study groups will hold hearings during discussions in order to get civil society organisations more closely and directly involved in the Committee's opinion-forming process.

5.9.4 The EESC will ensure, when planning its work programme, plenary sessions, section meetings and study group meetings, that there is sufficient opportunity for in-depth discussion of financial regulation.

5.9.5 The EESC will also work to ensure that its members from the relevant civil society organisations look closely at issues surrounding financial regulation and influence their organisations accordingly.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on 'Growth and sovereign debt in the EU: two innovative proposals' (own-initiative opinion)

(2012/C 143/03)

Rapporteur: **Mr CEDRONE**

On 14 July 2011 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Growth and sovereign debt in the EU: two innovative proposals.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February 2012), the European Economic and Social Committee adopted the following opinion by 121 votes to 46 with 11 abstentions.

1. Main recommendations

J. Monnet: "Europe can progress and unite only when goaded into action by crisis"

1.1 The EESC considers that the euro problem is primarily political rather than economic. The credibility of the euro has been undermined since rating agencies lost confidence that governments would take decisive action to avoid the default of debt distressed Member States. Recent responses such as the Commission proposal for Stability Bonds address only stability rather than growth⁽¹⁾ while the Council draft Treaty on Coordination and Governance⁽²⁾ suffers from an extensive "democratic deficit" in by-passing the European Parliament and other Union institutions.

1.2 The EESC also considers that the way out of what is a systemic Eurozone crisis does not lie in falling back on national egoism or curtailing rights, but in changing economic policies, boosting competitiveness and consolidating fairness, solidarity and cohesion. This would restore confidence from the public in the European project and the feasibility of restoring the European Social Model rather than the risks for all of failure to resolve the crisis, which could potentially lead to the very ideal of Europe faltering and failing.

1.3 The EESC believes that the EU institutions should not fall into the trap of responding only to rating agencies, even though they sometimes identify market weaknesses. The institutions are duty-bound to indicate an effective way out of the crisis to their own citizens which provides at the same time a project for the

future of the EU which can foster trust and optimism, and strengthen a sense of belonging and involvement in making a shared ideal of social progress and high levels of employment a reality. In particular, electorates need to see that stability is matched by growth, rather than only austerity, while robust economic growth could restore confidence and credibility in the Eurozone on financial markets.

1.4 In this regard, the EESC welcomes the steps undertaken by the European institutions in favour of a common budget and fiscal policy, although the measures taken so far are only partial and limited. However, it considers that, without prejudice to the immediate activation and use of the European Financial Stability Facility (EFSF) and subsequently the European Stability Mechanism (ESM), there is an urgent need to frame two practical proposals that can resolve the issue of growth (Eurobonds) and stabilise debt (Union bonds)⁽³⁾. These proposals would allow certain countries and the EU not to pursue a defence of the euro only by austerity, which damages social conditions, stifles growth and risks triggering recession.

1.5 In particular, in order to swiftly stimulate growth it is necessary to set up an economic, social and cultural recovery plan, a kind of "new European pact", comparable to the America's "New Deal" to enable Member States to enjoy

⁽¹⁾ European Commission, Green Paper on the feasibility of introducing Stability Bonds, COM(2011) 818 final, 23 November 2011.

⁽²⁾ European Council, Draft Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. 10 January 2012.

⁽³⁾ It should be noted that the definition of "Eurobonds" used in this opinion does not precisely match that from other sources. The European Commission's Green Paper analyses the feasibility of "Stability Bonds" in a sense similar to the "Union Bonds" proposed in the present opinion, but with the difference of assuming that such bonds would need either joint or several guarantees. Other proposals, such as those from Lorenzo Bini Smaghi use the term "Eurobonds" in the same context of gaining stability whereas, in this opinion Eurobonds refer to net issues of bonds to restore and sustain economic recovery. See further Von Weizsäcker, J. and Delpla, J. (2010). *The Blue Bond Proposal*, The Bruegel Institute, Policy Brief 2010: 3. Schmidt, C. M et al, (2011). Proposal for a European Redemption Pact, 9 November. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung.

robust and sustainable development based on competitiveness, productivity, employment, welfare, prosperity and, above all, democratic consensus. This also would create the conditions to realize effective common economic and fiscal governance

1.6 A variety of bonds have been proposed as possible solutions to the present crisis, hand in hand with the necessary structural reforms⁽⁴⁾ that the Member States should be encouraged and motivated to get under way. Yet a political weakness among them, including those in the Commission Green Paper, is that they include either joint or several guarantees by Member States, which has rendered them unacceptable to key governments, not least to that of Germany.

1.7 By contrast, the EESC submits that such guarantees and transfers are not necessary either to convert a share of national bonds to the Union, nor for net issues of Eurobonds. It also submits that bond finance would not encourage laxity in managing public finances if conversion of national debt to the Union were in a debit rather than credit account. Net issues of bonds would not be deficit financing rather than shift savings, including global surpluses, into investments that can enhance cohesion and enhance competitiveness.

1.8 The EESC therefore advocates the introduction of two complementary but distinct EU bonds: **Union Bonds** for stabilising debt, and **Eurobonds** for recovery and growth. The EESC recommends also the use of a share of the net inflows into Eurobonds to finance a **European venture capital fund**, which was one of the design aims of the European Investment Fund (EIF)⁽⁵⁾.

1.9 Union Bonds – gradually converted national debt of up to 60% of GDP to Union Bonds – could be held in a consolidated but untraded debit account⁽⁶⁾. Since they are not traded they would be ring fenced against speculation by rating agencies. But they would not need fiscal transfers. Member States whose debt is held in Union Bonds would service their share of them. The conversion would also mean that most of them would then be Maastricht compliant in relation to their remaining national debt. Greece would remain a special problem, but no more than that, and would therefore be manageable.

⁽⁴⁾ Starting from the fulfilment of the single market as suggested by the Monti Report.

⁽⁵⁾ Holland, Stuart (1993). *The European Imperative: Economic and Social Cohesion in the 1990s*. Foreword Jacques Delors. Nottingham: Spokesman Press.

⁽⁶⁾ Private bond holders would thus enjoy considerable advantages in terms of the risk of bankruptcy, in that national bonds would be converted on a one-to-one basis with Union bonds at the pre-existing interest rate.

1.10 The Stability and Growth Pact would not require revision in order to achieve this, but it would gain the credibility it currently lacks amongst markets and electorates since stability would be achieved without austerity. Furthermore, converting a substantial proportion (up to 60%) of the debt of the EU's indebted countries could be by an "enhanced cooperation" procedure. Those Member States preferring to do so could keep their own bonds⁽⁷⁾.

1.11 Unlike Union bonds, Eurobonds issued to finance recovery and growth would be traded and could attract funds into the EU. The BRICS - Brazil, Russia, India, China and South Africa - reconfirmed in September 2011 that they were interested in holding reserves in euros in order to help stabilise the euro area. Doing so by means of Eurobonds rather than by national bonds could strengthen the euro as a global reserve currency and help the emerging economies achieve their ambition for a more plural global reserve currency system.

1.12 Eurobonds need not count on the national debt of Germany or any other Member State nor need joint or several sovereign guarantees. The European Investment Bank has been successfully issuing bonds without the need for recourse to national guarantees for more than 50 years and done so with such success that it already is twice as large as The World Bank.

1.13 Inflows of global surpluses to Eurobonds would restore the growth which is the most effective way to reduce debt and deficits as evidenced by the Clinton administration's second term in which the federal budget each year was in surplus. They could co-finance EIB investments which are serviced by the revenues of the Member States benefiting from them, rather than fiscal transfers between Member States.

⁽⁷⁾ Member States which wish to establish enhanced cooperation between themselves within the framework of the Union's non-exclusive competences may make use of its institutions and exercise those competences by applying the relevant provisions of the Treaties, subject to the limits and in accordance with the detailed arrangements laid down in Article 20 (TEU) and in Articles 326-334 (TFEU). Enhanced cooperation should aim to further the objectives of the Union, protect its interests and reinforce its integration process. Such cooperation should be open at any time to all Member States. The decision authorising enhanced cooperation should be adopted by the Council as a last resort, when it has established that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole, and provided that at least nine Member States participate in it. Acts adopted in the framework of enhanced cooperation bind only participating Member States and should not be regarded as part of the *acquis* which has to be accepted by candidate States for accession to the Union (Article 20 TEU). All members of the Council may participate in deliberations on an enhanced cooperation procedure but only the members of the Council representing the Member States participating in enhanced cooperation shall take part in the vote (Article 330 TFEU).

1.14 Such bond-financed and investment-led growth within the EIB Group's convergence and cohesion remit since the 1997 Amsterdam Special Action Programme could achieve the macroeconomic level for fiscal transfers.

1.15 **Cohesion** would be increased. Eurobonds could co-finance EIB investment projects for which the EIB has already received a mandate since 1997 to promote cohesion and convergence in the following sectors: health, education, urban renewal, environment, green technologies and support for small and medium-sized enterprises and start-ups in the new technology sector.

1.16 **Competitiveness** would be boosted, with a share of the capital flows attracted by issuing Eurobonds financing a venture capital fund for small and medium-sized enterprises. This could enable a European *Mittelstandpolitik* (SME policy), which was one of the design aims for the European Investment Fund, which now is part of the EIB Group.

1.17 While the European Central Bank is the guardian of stability, the EIB Group can safeguard growth when its investment projects are co-financed by Eurobonds. After the 2008 financial crisis, the EIB was asked whether it would hold and issue bonds for debt stabilisation. It declined, which was understandable at the time. But the parallel main design aim for the European Investment Fund was that it should issue the Union Bonds proposed by Delors in the Commission 1993 White Paper on *Growth, Competitiveness, Employment*. As part of the EIB Group, and drawing on the EIB's experience in successful bonds issues, the European Investment Fund could undertake net issue of Eurobonds (see further, section 5.2 to 5.8 of this Opinion).

1.18 Eurobonds thereby could co-finance a European plan for growth, and a "European Growth Pact" bringing together all its most dynamic players – businesses, trade unions and associations – in a pact that would be a powerhouse for practical responses to the current crisis. This would be a European "New Deal" along the lines of the American precedent, capable of restoring growth and employment, cutting debt, regaining trust and hope in the future of the EU – and in particular reducing youth unemployment.

1.19 At the same time a procedure will have to be put in place to tackle the crucial issues the EU faces without delay: the fiscal and **economic dimension**, as addressed at the Brussels summit on 8 and 9 December 2011, that should also include strengthening the ECB as a guarantee of financial stability; the **social dimension** and the **political dimension**, to fill the current democratic deficit and speed up the decision-making process. In practice, this means removing all the constraints limitations (especially the constraints of the decision making process and the political weakness) that have prevented, and continue to prevent, the EU from acting swiftly and effectively, not only in order to support the euro but also so as not to endanger its own existence and purpose by aggravating its decline.

2. Background

2.1 The primary aim of the present opinion therefore is an Action Programme that can be implemented from now, without needing new institutions, or Treaty revisions, and which can lay down the foundations for a common management of the euro area debt. In recognising the need to reduce unsustainable levels on national debt, this opinion therefore complements others already issued or being drafted by the EESC addressing the issue of growth, industrial and financial policies, productivity and competitiveness

2.2 After the 2007/08 financial crisis, it was hoped that the worst was over. Tackling the crisis was very costly for the people of Europe and brought about a rise in public debt. But two years on, despite the short-term rise in national debt being due to the cost of salvaging banks, the focus of blame shifted from private to public debt.

2.3 With the attack on countries deemed most vulnerable, the euro area's fragility has been fully exposed, despite its total national debt – which still needs to be reduced and brought under control – being lower than that of the USA. The measures put in place, albeit belatedly, constitute a major step forward, but are not enough because the crisis is systemic and does not hinge upon the debt of one or another country in particular.

2.4 This has clearly pinpointed a crucial problem for the survival of both the euro area and of the European project itself: "who lays down the law and who has the final say?". European civil society has now clearly understood that it is no longer elected governments who control the situation, but rather unelected bodies who have taken their place. The risk, then, is not only for the legitimacy of individual governments, but also of the survival of the democratic process at European level.

2.5 Up until 2008, the euro was untouched by currency fluctuations and strengthened against the dollar to become the second global reserve currency. One of the reasons why this changed and the euro came under attack is that until the Greek crisis the rating agencies had assumed that the Union would not allow a Eurozone Member State to go under. When there was no rapid solution to the Greek crisis, spreads on new bond issues soared. It was lack of political will to agree to a solution of the sovereign debt crisis in Europe over two years that encouraged rating agencies to downgrade the debt of a succession of Eurozone Member States and which now is affecting the core as well as the periphery.

2.6 Notwithstanding the need to consolidate the debt (gradually, so as not to kill the "guilty" patient, instead of curing it), the EU ought to act with greater determination. Hamstrung by the need to not exacerbate their public finances, and worn out by slow growth, the Member States (and not just the most

indebted ones) have been inert, as has the EU, or at least slow to take decisions. Nor have bond markets been reassured by a policy response of restraint, austerity and cuts, when this risks low or negative growth.

2.7 One dimension of this is to displace that one country's surpluses are other countries' deficits. Another is a misplaced perception of the "crowding out hypothesis" and a parallel misperception that cutting public investment and spending necessarily will "crowd in" private investment and spending. It also has been overlooked that in some EU cases where earlier austerity programmes in smaller Member States were followed by an economic recovery, this was under conditions in which the EU as a whole was expanding demand for exports, and in several cases accompanied by depreciations of currencies which now is not an option for Eurozone Member States.

2.8 What the EU needs is to regain the confidence of the people of Europe that the single currency is to their mutual advantage. This implies an economic, social and cultural Action Programme and a "new European pact", along the lines of America's "New Deal", whose success encouraged President Truman to back The "Marshall Plan" which, as well as aiding recovery in the post-war period, enabled all European countries to enjoy sustained development based on competitiveness, productivity, employment, welfare, prosperity and, above all, consensus (participation and social partnership).

2.9 Such a perspective, including both stability and growth, would generate the political consensus for further instruments of common economic and fiscal governance. It defies reason to have a common currency yet 17 different national debt management policies. Yet a budgetary policy of fiscal austerity is not enough to redress this. What are needed are both consistent debt management strategies and common financial instruments which can fund European growth at a time when excess national debt levels are being reduced.

2.10 The EU's response to the crisis cannot be reduced to the words "restraint, austerity, cuts, sacrifices", regardless of the consequences. This is to say nothing of the judgment and distinction between the "virtuous" and the "non-virtuous", which often does not do justice to the truth and the actual responsibilities. Such an approach generates resentment, selfishness, rancour and bitterness, including culturally, and is leading Europe down the path of petty revenge and dangerous populism. At the top, there is a misdiagnosis, a moralistic view of the crisis that is preventing the so-called virtuous helping the others.

2.11 The austerity-growth equation is a dilemma that the EU must move away from, with the consent of the people by taking action simultaneously on two levels; as set out in the following paragraphs.

2.12 On the one hand, a new, more advanced proposal needs to be drawn up on the sovereign debt issue, a proposal based on common solidarity and Treaty principles that provides for the reduction of debt levels, and maintains Member States' responsibility, while deterring speculative attacks. Defending the euro, which is primarily a political issue, would benefit all countries, particularly the richer ones, and avoid the paradox of the initial dream of a single currency becoming a nightmare for the people of the EU.

2.13 The second proposal should aim to win the confidence of the people of Europe. It is thus necessary to put in place an economic, social and cultural Action Programme to realise the ambitions of the 2020 European Economic Recovery Programme, backed up by the requisite funding. The EU also needs a big idea, a kind of "new European pact", along the lines of America's "New Deal", for example. The "Marshall Plan", as we know, as well as aiding recovery in the post-war period, enabled all European countries to enjoy sustained development based on competitiveness, productivity, employment, welfare, prosperity and, above all, consensus (participation and social partnership).

2.14 The EU should therefore make every effort to respond with one voice to the questions of the markets, which have shown their limitations, through their unfettered, unregulated actions. Yet this does not depend on the unanimous support of all the Member States for new financial instruments. The "enhanced cooperation" principle can be brought to bear in this area. Rather than reducing the euro area to a "hard core" of countries, who could suffer loss as a result, countries under speculative attack should be allowed to transfer a significant portion of their own debt to a European debit account, to the advantage of all the Member States.

3. Union Bonds to stabilise national debt

3.1 In Europe, sovereign debt is no longer sovereign. The limitations and mistakes of the EU and of individual countries, together with the lack of an effective framework to supervise and invigilate financial institutions, have facilitated predation against national currencies⁽⁸⁾. Exploiting also the poor management of public finances, the sovereignty of some vulnerable Member States has deteriorated.

3.2 The EESC considers it vital to consolidate disciplined public accounts in certain countries, not least through fair and agreed structural reforms. In the longer term there could be a fiscal union with a minister for the economy and treasury of the euro area. It defies reason to have a single monetary (and budget) policy and 17 different debt policies. But right now,

⁽⁸⁾ See the EESC opinion on the *Proposal for a Regulation of the European Parliament and of the Council on amending Regulation (EC) No 1060/2009 on credit rating agencies*, OJ C 54, 19.2.2011, p. 37.

urgent measures are needed to stabilise national debt, together with common management of Member State budgets by means of EU supervision.

3.3 A higher political profile also should be given to the fact that, while some Member States are deeply indebted, the Union itself has next to no debt. Until May 2010 and the beginning of national debt buy-outs it had none at all. Even after buy-outs and bank rescue operations, Union debt is little more than one per cent of Union GDP. This is less than a tenth of the debt to GDP ratio of the US in the 1930s when the Roosevelt administration began to shift savings into investment through the expansion of US Treasury bonds⁽⁹⁾. **Unlike the US, the EU has a late starter advantage on bonds.**

3.4 Sovereignty can be restored by means of the Union, enabling government, rather than the financial markets to govern, which can be supported by tightening the supervision and responsibility of financial market participants, including credit rating agencies. This can be done, however, without debt buy-outs or joint sovereign guarantees or fiscal transfers. For example, in funding the New Deal, the Roosevelt administration did not buy out the debt of Member States of the American Union, nor require them to guarantee US Treasury bonds nor demand fiscal transfers from them. The US funds its Treasury bonds from federal taxes, whereas Europe does not have a common fiscal policy. However, Member States can finance the share of their national bonds converted to Union Bonds without fiscal transfers between them.

3.5 With a strategy of austerity in response to financial markets, the European Economic Recovery Programme has been displaced. Most electorates are not even aware of the Union's commitment to it, yet are well aware that they are being asked to accept sacrifices for the rescue of banks and hedge funds. There is little awareness amongst the wider public of the term European Economic Recovery Programme or EERP.

3.6 The conversion of a share of national debt to the Union could also be on an enhanced cooperation basis, with key Member States, including Germany, retaining their own bonds. According to the Lisbon Treaty, enhanced cooperation is between a minority of Member States. Yet the introduction of the euro itself was a de facto case of enhanced cooperation amongst a majority. The Bruegel institute has proposed a new institution to hold the conversion of national sovereign debt to the Union⁽¹⁰⁾. But a new institution is not needed.

⁽⁹⁾ The US did not opt for deficit financing until Roosevelt's second term. But the main driver for recovery from the Depression in both his first and second administration was by bond-financed social and environmental investments which Europe could parallel now in order to achieve recovery.

⁽¹⁰⁾ Von Weizäcker, J. and Delpla, J. (2010), *The Blue Bond Proposal*, Bruegel Policy Brief 2010/03.

3.7 The converted share of national debt into Union Bonds could be held by the EFSF (then by the ESM) in a dedicated conversion account rather than traded⁽¹¹⁾. This would ring fence the converted bonds from speculation. The investors would keep their assets until maturity of the bonds at their prevailing rate of interest. This would also avoid moral hazard because bonds in a debit account could not be used for net credit creation. The advantage for both governments and bond holders is that the risk of default by some Member States thereby will be significantly reduced.

4. Eurobonds, to restore recovery and sustainable growth

4.1 Recent developments have highlighted the need for the Union to pursue common economic and social governance in line with the unity created through the common currency, in order to better address increasing macroeconomic imbalances. So far, however, the Commission and European Council only have addressed stability, displacing the need to restart growth.

4.2 This neglects both the social dimension and global dimensions of protracted austerity despite the importance for the emerging economies of sustained European demand for their exports. It also neglects that funding the restoration of growth need not be by fiscal transfers between Member States rather than by a recycling of the surpluses of the emerging economies.

4.3 For example, one of the points made forcefully by a number of proposals appearing in the press that echo the Bruegel proposal and the earlier 1993 proposal of Union Bonds to Delors, was that net issues of Eurobonds would attract surpluses from the central banks of emerging economies and sovereign wealth funds, producing a multiplier effect.

4.4 These financial inflows to Eurobonds could turn the commitment since 2008 of the Member States and the European Parliament to a European Economic Recovery programme into a reality. Although the initial flotation of the bonds would be incremental, the cumulative inflows from a share of the almost USD 3 trillion of the surpluses of the central banks of the emerging economies and sovereign wealth funds would be substantial.

4.5 The inflows could well come to match or exceed the Commission's own resources and do so without the fiscal transfers which Germany and some other Member States oppose. They also could co-finance investments by the EIB Group in the cohesion areas of health, education, urban renewal and the environment.

⁽¹¹⁾ Private holders of bonds that cannot be traded on the market could if necessary sell them to the ESM at nominal value, up to the established ceiling.

4.6 The 1997 Amsterdam Special Action Programme gave the EIB a mandate regarding the cohesion and convergence objectives, since when it has successfully quadrupled the volume of its loans for investment finance. A further quadrupling of investments by the EIB would be equivalent to US post-war Marshall Aid ⁽¹²⁾. Nonetheless, unlike the Marshall Plan or the Structural Funds, its finance would not be grant-based but would shift savings into investment. Through economic multipliers, such investments would generate sustained demand in the private sector and employment growth. This would restore confidence both on markets and among the public that austerity could be replaced by higher standards of living and wellbeing. Growth and higher levels of employment also would generate direct and indirect tax revenues that could assist debt and deficit reduction.

5. The legal and institutional context of the proposal

5.1 *Union Bonds and the European Financial Stability Facility*

5.1.1 The EFSF could hold the share of national debt converted into Union Bonds in a dedicated conversion account. This would be consistent with its stabilisation remit. It could do so even though it is due to be replaced by the ESM in July 2012. The converted debt could then be held by the ESM.

5.1.2 The principle that debt converted into Union Bonds should not be traded would have safeguarded the EFSF from downgrading by rating agencies and bond markets. Holding the bonds in a debit account should reassure Germany and other Member States that national bonds converted into Union Bonds could not be used for credit creation.

5.2 *The EIF Design and Eurobonds*

5.2.1 The ECB need not be involved in net bond issues. The initial design for the Union to issue its own bonds was that this should be by the European Investment Fund, which was set up in 1994 and has been part of the EIB Group since 2000. The primary design role for the EIF was for common bonds to counterpart a common currency. Its secondary design was financial support for small and medium firms and new high tech start-ups, which has been its sole role since 1994 ⁽¹³⁾.

5.2.2 The initial EIF design recognised that a single currency would deprive Member States of devaluation as a means of

⁽¹²⁾ An opinion poll carried out in mid-1950 interviewed 2 000 people in France, Norway, Denmark, Holland, Austria and Italy. In all, 80 % knew of Marshall Aid and between 25 % and 40 % had an understanding of how it worked.

⁽¹³⁾ Stuart Holland (1993). *The European Imperative: Economic and Social Cohesion in the 1990s*. Op. Cit.

balance of payments adjustment, and that there was no political support for fiscal transfers on the scale recommended by the MacDougall Report ⁽¹⁴⁾. But, drawing on the precedent of the New Deal, it recognised also that European bonds could finance structural, social and regional policies which had been the intent of the 1956 Spaak Report for a Common Market ⁽¹⁵⁾. This also was consistent with the aims of the MacDougall Report for "structural, cyclical, employment and regional policies to reduce inter-regional disparities in capital endowment and productivity".

5.3 *The EIF Design for Venture Capital*

5.3.1 The 1993 recommendation that the EIF should support small and medium firms was not only for equity guarantees or for loans to SMEs but for a European venture capital fund with a budget of up to 60 billion ecu and a special remit to finance high tech start-ups.

5.3.2 Financed by EU Bonds, this would be invested over several years but would have macro potential. Sound management of the fund, in cooperation with national credit agencies and regional development agencies with knowledge of local SMEs, should ensure that the bonds could be financed by returns on the equity capital, whenever the performance of these enterprises so allows.

5.3.3 The aim was that this would offset the lack of private venture capital in Europe relative to the US, reduce the dependence of SMEs on fixed interest borrowing which penalised new start-ups before they could secure a market, and thereby reinforce micro innovation and competitiveness with macro economic and social gains.

5.3.4 A venture capital rather than loan guarantee role for the EIF was neglected when it was set up in 1994, with the outcome that until it was brought into the EIB Group in 2000 it had guaranteed only 1 bn ecu for SMEs. Its original design for a micro instrument with macro effect was only recovered by the September 2008 Nice Ecofin which scheduled EUR 30 bn for support for SMEs, yet still only through loans rather than equity.

5.3.5 A venture capital fund role for the EIF rather than only loans should be reconsidered as part of the net issues of Eurobonds to complement the conversion of a share of national debt to the Union.

⁽¹⁴⁾ From 5 % to 7 % of GDP - European Commission (1977). *Report of the Study Group on the Role of Public Finance in European Integration*.

⁽¹⁵⁾ Intergovernmental Committee on European Integration (1956). *Report on the General Common Market* (The Spaak Report).

5.4 *The EIB*

5.4.1 The EIB has always issued its own bonds and has expressed a clear preference for retaining their identity, distinct from EU bonds. This is justified. First, the EIB issues its own bonds primarily for project finance, and wishes to retain this specific identity. Second, there was the presumption that servicing Eurobonds would need fiscal transfers, whereas the EIB serviced its own from revenues on project finance. Third, that the fiscal transfers could need an increase in Commission own resources which would be improbable. The EIB also was concerned that its own credit rating might be downgraded if it becomes involved with debt stabilisation,

5.5 *Complementary EIB and EIF roles*

5.5.1 But these reservations would not apply for net issues of Eurobonds by the European Investment Fund. Although part of the same group, the EIB and the EIF are different institutions. As such, EIF Eurobonds would be distinct both from EIB bonds and from the Union Bonds for debt stabilisation held by the EFSF.

5.5.2 EIF issues of Eurobonds could complement EIB bonds in joint project financing. The servicing of the bonds could be from revenues gained from investment projects rather than from fiscal transfers. The EIB would retain control, with the projects dependent on its approval, and managed by it, thereby safeguarding its integrity in project management.

5.5.3 Where it needed commitment from local partners, which is important to it, the EIB could gain this by cooperation in project management with national credit institutions such as the *Caisse des Dépôts et Consignations*, the *Cassa Depositi e Prestiti* and the *Kreditanstalt für Wiederaufbau*.

5.6 *EIF bond management*

5.6.1 The EIF would need a new business plan to manage the open market issues of the bonds which was central to its initial design. This would need a team with high professional competence, but it could draw it from the EIB and liaise with national debt agencies. Since its issuance of Eurobonds would be incremental, it could also build the new team over time.

5.6.2 Ecofin is the governing body of the EIB Group. **It would not need a Treaty revision** in order to decide that the EIF should issue Eurobonds, any more than when the EIF was established in 1994.

5.7 The criteria for a European Economic Recovery Programme do not need to be decided by Ecofin or need a proposal from the Commission. The EIB has been given both cohesion and convergence remits by the European Council since the Amsterdam Special Action Programme and the Luxembourg 1997 and Lisbon 2000 European Councils to invest in health, education, urban renewal, the urban environment, green technology, financial support for small and medium firms and new high-tech start ups as well as the trans-European transport and communications networks.

5.8 Since 1997, the EIB has successfully quadrupled its annual investment finance to the equivalent of two thirds of the Commission's own resources. Quadrupling these again by 2020, aided by co-finance from investment in Eurobonds by the central banks and sovereign wealth funds of surplus economies, could turn the European Economic Recovery Programme into a reality. This is especially the case given the evidence that investment multipliers are as high as three, and therefore double to treble fiscal multipliers⁽¹⁶⁾.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽¹⁶⁾ J. Creel, P. Monperrus-Veroni & F. Saraceno (2007). *Has the Golden Rule of public finance made a difference in the United Kingdom?* Observatoire Français des Conjonctures Économiques, Working Papers 2007-13.

Opinion of the European Economic and Social Committee on 'Developing a people-oriented, grassroots approach to internal market policy' (own-initiative opinion)

(2012/C 143/04)

Rapporteur: **Mr Pegado LIZ**

On 20 January 2011 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on

Developing a people-oriented, grassroots approach to internal market policy (own-initiative opinion).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 February 2012.

At its 478th plenary session, held on 22-23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 118 votes to 3 with 8 abstentions.

"The arguments in favour of Europe are constantly evolving. Europe is a concept that has to be adapted to the evolution of political and economic circumstances."

(José Manuel Barroso, *Expresso*, 19 November 2011)

1. Introduction

1.1 We are now approaching the point where, according to Jacques Delors, the European single market should have been completed, free of barriers or any kind of obstacle, for two decades; this is the right time for organised civil society, represented by the EESC, to ask how far we have come and where we are headed.

1.2 Thinking about the internal market today, however, entails thinking again about the entire model of the European venture. There is every cause to wonder whether Europe – as conceived by some, who have striven so hard to build it, as others have attempted gradually to dismantle it over the last 60 years – will still exist in 2050 as a model of freedom and a beacon of culture, championing peace, advocating fraternity between peoples and equality between people, in a world free of discrimination and barriers. This was the question posed recently by Commissioner Barnier in an eloquent speech to Humboldt University.

1.3 This is all the more true at a time of particular upheaval, as Europe struggles with a stubborn crisis that is systemic rather than cyclical, and is not only economic and financial, but also a crisis of social and cultural values, from which the broad swathe of interests represented at the EESC sees no obvious way out.

1.4 We are facing a crisis of jobs. The situation is such that Europe can no longer guarantee jobs for its citizens. The only way out of this predicament is through the creation of growth and the main instrument for achieving such growth must be the full accomplishment of the internal market.

1.5 **Civil society quite legitimately has questions** regarding the ability of the present EU institutional model as shaped by the Lisbon Treaty to handle this crisis; it **doubts** that the current economic and financial model is capable of effective and appropriate self-regulation and is greatly concerned at the lack of consistent and effective regulatory measures as well as at the proliferation of isolated and contradictory decisions from all sides; it **wonders** how stricter and more effective control over

the financial system can be achieved, in view of the successive stock market crashes with all the inevitably ensuing social and economic damage; it **fears** that the deep-rooted symptoms of the crisis, given the imminent danger of world recession, suggest that the European model in its current form may collapse. Civil society is therefore calling on its current leaders to show the necessary ambition and vision to successfully regenerate the European economic and social model in keeping with the values and principles enshrined in the Treaty.

1.6 It was thus especially gratifying that in parallel with the drafting of the present opinion, the EFTA Consultative Committee deemed it necessary to draw up an opinion on the same topic and that it was possible to confer with them at a joint meeting in Oslo ⁽¹⁾.

2. The internal market: what is it, and what is it for?

2.1 The idea of a "common market" was already couched in the original text in terms of a **key instrument** for a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, and accelerating raising of the standard of living and closer relations between the States belonging to it (Article 2). **The internal market was designed from the outset not as a stand-alone policy or a simple free trade area like EFTA, but as one part of an overall strategy.**

2.2 The outlines of what was to become the internal market policy were thus defined, a policy quite rightly considered by some to be the "jewel in the crown" of European policy. It was to be "progressively established" over a "transitional period of twelve years" (Article 8), subject to a maximum of 15 years from the entry into force of the Treaty.

⁽¹⁾ See the joint conclusions of the EFTA Consultative Committee and the SMO: <http://www.eesc.europa.eu/?i=portal.en.smo-observatory-smo-spotlight.21343>.

2.3 Notwithstanding the instruments set up for its implementation, political, social and economic realities prevailed over the ideals of 1957 and there was no escaping the conclusion that 15 years on, the objectives that were supposed to herald the effective establishment of a "common market" were very far from being achieved.

2.4 The 1985 White Paper on the completion of the internal market laid down clear targets for achieving this aim by 1992. At the same time, it was felt that the Treaty of Rome required some amendment in order to facilitate implementation of the policy objectives set out in the White Paper. This was the origin of the Single European Act ⁽²⁾ which ushered in major changes where the internal market was concerned, notably:

- a) **the qualified majority rule** instead of unanimity for adopting measures concerning the approximation of legislation with a view to completing the internal market (Articles 8a and 100a);
- b) the first reference to **a high level of protection** with regard to measures on health, safety and consumer protection (Article 100a(3));
- c) the general adoption of the **principle of mutual recognition**, based on the well-known Court of Justice case-law in the *Cassis de Dijon* case (Article 100b);
- d) a clear call for **economic and social cohesion** as a key objective to be taken into consideration when completing the internal market (Articles 130a and 130b).

2.5 However, it was not until 1992, with the establishment of the European Union under the Maastricht Treaty ⁽³⁾, that the new provisions regarding the achievement of the internal market took on real substance – by which time it was abundantly clear that the 1992 deadline for completing the internal market would be missed by a wide mark ⁽⁴⁾.

2.6 What was in fact evident was a return to legislative and non-legislative obstacles in most of the Member States, combined with a liberal, permissive policy on the part of the Commission, bringing the process of achieving the internal market to a virtual standstill in a number of particularly important areas, notably with regard to services.

2.7 Indeed, many of the initiatives taken in the area of internal market completion merely led to an **accumulation of**

isolated, uncoordinated legislative harmonisation measures, separated from any overarching policy; these initiatives were often blocked by the Member States by introducing national policies that restricted free competition, granting illegal state aid, imposing new quota restrictions or their equivalent, and systematically rebuffing any forward movement in such key areas as industrial integration, taxation or economic governance.

2.8 Even apparently successful initiatives such as the adoption of the Schengen rules, the introduction of the single currency, the more recent placing of an area of justice and freedom on an EU footing, and the incorporation of the Charter of Fundamental Rights into the final version of the Lisbon Treaty, all of which were welcomed, have been of limited impact owing to the non-adherence or reservations of certain Member States. Moreover, their scope and application have been restricted – when they have not been openly flouted – and deprived of other crucial flanking measures, such as an effective European financial policy. All of this goes to explain **Europe's inability to cope with the present crisis**, which has taken it to the brink of the abyss as Jacques Delors was to say in an interview with the *Le Soir* and *Le Temps* newspapers on 18 August 2011.

2.9 The EESC has long been drawing attention to the need for a clear paradigm shift that puts quality to the fore in completing the internal market, makes the practical interests and fundamental rights of citizens in general, and of consumers and workers in particular, a central concern, and puts social aspects on an equal footing with economic aspects. This forms part of a people-oriented vision in contrast to the purely economic approach followed until now, which is responsible for the prevailing limitations, hesitation, reluctance and lack of confidence ⁽⁵⁾.

2.10 At the beginning of his second term of office, the current President of the European Commission set out his new vision of a single internal market for the 21st century ⁽⁶⁾, which came in the wake of an earlier Communication on *A Citizens' Agenda – Delivering results for Europe* ⁽⁷⁾. The impression given by the Commission, that it advocated a fundamental shift in its policy approach to the single market for the ultimate benefit of citizens and consumers, naturally raised expectations. No longer considering it as a stand-alone policy, but rather as part of an overall strategy prefiguring the subsequent 2020 Strategy, the Commission declared the main objectives of the internal market to be to increase consumer confidence, promote economic integration and social cohesion, and develop a knowledge-based society in a sustainable Europe, within a globalised world. A key instrument in this new approach was ever-better regulation in a rationalised, simplified legislative environment ⁽⁸⁾.

⁽²⁾ OJ L 169, 29.6.1987.

⁽³⁾ OJ C 191, 29.7.1992, in what would be considered an echo of the Spinelli project, attempting to secure agreement between federalists and their opponents.

⁽⁴⁾ Communication from the Commission on *The operation of the Community's internal market after 1992 – Follow-up to the Sutherland Report* (SEC(92) 2277 of 2.12.1992 and EESC opinion OJ C 201, 26.7.1993, p.59, the conclusions of which remain relevant today and merit careful consideration.

⁽⁵⁾ Cf. *inter alia*, the following key EESC opinions: OJ C 39, 12.2.1996, p.70; OJ C 255, 14.10.2005, p.22; OJ C 204, 9.8.2008, p.1; OJ C 347, 18.12.2010, p.8; OJ C 44, 11.2.2011, p.68; and information report on the *Impact of the new Treaty on the functioning of the internal market*.

⁽⁶⁾ Communication on *A Single Market for Citizens* (COM(2007) 60 final, 21 February 2007).

⁽⁷⁾ COM(2006) 211 final, 10 May 2006.

⁽⁸⁾ OJ C 77, 31.3.2009, p.15.

2.11 In order to consolidate this new approach, the Commission asked former Commissioner Mario Monti to draw up a major report that was presented in May 2010⁽⁹⁾. At about the same time, the Council had asked a Reflection Group made up of prominent figures, including Mario Monti and headed by former Spanish Prime Minister Felipe González, to prepare a report on the outlook for Europe up to 2030⁽¹⁰⁾. For its part, also in May 2010, the European Parliament adopted the Grech Report, the basis for its Resolution of 20 May 2010 on *Delivering a single market to consumers and citizens*⁽¹¹⁾.

2.12 At root, all these important documents draw attention to the need for a radical paradigm shift in defining and implementing policy on completing the internal market, deeming the current model to have run out of steam. They point out that while significant results have been achieved in some areas, in general results are poorly known, inadequate and disappointing from several points of view, at a time when Europe is facing unexpected challenges and a menacing outlook.

2.13 These comments and conclusions are moreover widely borne out by regular and successive internal market scoreboards⁽¹²⁾, by the detailed regular Eurobarometer analyses of public and business opinion and experience regarding the internal market in the Member States, by identical scoreboards for consumers on the internal market⁽¹³⁾, as well as by the Commission's annual reports on the application of Community law in general⁽¹⁴⁾ and consumer law *acquis* in particular⁽¹⁵⁾. When properly interpreted, analysed according to proper criteria and critically assessed, they fully confirm the concerns and doubts expressed in the documents mentioned above.

2.14 It was hoped that the Commission would make real changes in its political approach to the single market in order to reflect all these conclusions and, in the current context of financial crisis, take a genuinely new, different view of a single market for the 21st century, thereby meeting the expectations raised by a series of declarations from leading political figures. The document on the priorities for a highly competitive social market economy was thus greeted with some disappointment: in spite of its many acknowledged merits, it simply lists 50 isolated measures with no clear strategic approach⁽¹⁶⁾, and its weaknesses and shortcomings were clearly pinpointed in the European Parliament's Resolution of 6 April 2011⁽¹⁷⁾.

⁽⁹⁾ *A New Strategy for the Single Market – At the service of Europe's economy and society*.

⁽¹⁰⁾ *Project Europe 2030 – Challenges and Opportunities*, also published in May 2010.

⁽¹¹⁾ EP Resolution A7-0132/2010.

⁽¹²⁾ SEC(2011) 372 final, 21 March 2011.

⁽¹³⁾ SEC(2011) 299 final, 4 March 2011, largely confirmed by the July 2011 Eurobarometer *E-Communication Household Survey*.

⁽¹⁴⁾ COM(2010) 538 final, 1 October 2010.

⁽¹⁵⁾ OJ C 18, 19.1.2011, p.100.

⁽¹⁶⁾ OJ C 132, 3.5.2011, p.47.

⁽¹⁷⁾ EP Resolution A7-0072/2011, based on the report by the IMCO Committee on a *Single Market for Europeans* (2010/2278 (INI), PE 456.691v02-00, 24 March 2011), rapporteur: Mr Correia de Campos.

2.15 This gap was not filled by the most recent Communication from the Commission on choosing twelve "levers": there is no clear common thread running through the underlying political approach for achieving the internal market that might explain why these twelve levers are preferable to others, for example those listed by the EESC in its opinion⁽¹⁸⁾.

2.16 However, recent public statements by the Commission president and Commissioner Barnier, and the programme since presented by the Commission⁽¹⁹⁾, seem to confirm the intention of a paradigm shift in the future implementation of the internal market. This is also borne out by the Krakow declaration⁽²⁰⁾ and the declaration of the European steering committee of the *Notre Europe* think-tank.

3. A new paradigm for completing the internal market

3.1 It is important to restate that, with regard to Community policies, and in keeping with the fundamental principles now enshrined in the Lisbon Treaty, **completing the internal market is not an end in itself, but a means or an instrument** for achieving a whole range of policy objectives across different fields⁽²¹⁾.

3.2 It is also important to reiterate that these objectives are **simultaneously economic, social and environmental, with each on an equal footing**, and that the ultimate aim of all of them is people's wellbeing and the promotion of values of human dignity, equality, freedom, solidarity, democracy, the rule of law and respect for human rights (Articles 2 and 3, TEU)⁽²²⁾.

3.3 Consequently, measures to complete the internal market, the aims of which are now, under law, far broader than in 1957, are to be approached in the light of these principles, values and objectives.

3.4 The internal market, which was clearly designed from the outset as the economic mainstay of a Europe of federal hue, must now be looked at again in the light of developments over the last 30 years and present-day reality. It is true that current circumstances are increasingly tending to turn the single market into a mere free trade area, like its EFTA forerunner, envisaging its future not as the natural outcome of a supra-national political project but as the **lowest common denominator of European countries' national interests**.

3.5 It is thus necessary to vigorously reaffirm the idea that the internal market must **bind these national interests together in a fully integrated institutional system of**

⁽¹⁸⁾ OJ C 24, 28.1.2012, p.99.

⁽¹⁹⁾ COM(2011) 777 final of 15 November 2011.

⁽²⁰⁾ After the staging (which we welcome) of the Single Market Forum on 3 and 4 October 2011.

⁽²¹⁾ OJ C 93, 27.4.2007, p.25.

⁽²²⁾ OJ C 182, 4.8.2009, p.1.

economic and financial governance, the model for which needs to be redefined and given concrete form within the short term.

3.6 The first step in this direction is to be realistic about the **limits of the internal market itself**, and not to seek to make it into what it cannot and should not be, forcibly imposing frequently unnecessary and unjustified measures that serve only to make it harder for businesses, especially SMEs⁽²³⁾, which also include the professions, to operate. Sometimes full harmonisation measures are not justified because other values, such as quality assurance, should prevail, as in the case of certain areas of consumer rights and consumer protection. In addition to harmonisation, the key maxim and tenet of "strength in diversity" should again take centre stage in European internal market policy

3.7 It will be crucial to press ahead in a determined and uncompromising manner, making no concessions, with the **Better Lawmaking programme**. The EESC has always been actively involved⁽²⁴⁾ with this programme, with the aim not only of producing technically sound texts and cutting through pointless and damaging red tape, but more fundamentally of taking a **proactive approach to lawmaking and administrative practices**, and effectively involving civil society and industry stakeholders at all stages in framing and defining legislation. In particular, it feels that greater importance should be attached to **ex-ante impact assessments**, using **regulations instead of directives** more systematically as a tool for achieving legislative uniformity where appropriate, and daring to try out new and better-suited instruments than the current complex legislative mix, such as the choice of **optional regimes** when properly justified⁽²⁵⁾. It is also essential to muster the same courage to forgo Community initiatives completely if they are ineffective or bring little advantage.

3.8 It is similarly important to **review, simplify and codify the Community acquis and administrative formalities**⁽²⁶⁾ and to prune out anything that is useless, unnecessary, counter-productive or even harmful⁽²⁷⁾. This must however be done with due care, as lack of coordination could lead to the discarding of key aspects of legislation that are essential to important areas.

3.9 **The motto should be regulate, but don't suffocate.** Innovation and creativity will thus be needed, and a fresh look

⁽²³⁾ OJ C 376, 22.12.2011, p.51.

⁽²⁴⁾ OJ C 24, 31.1.2006, p.39; OJ C 175, 27.7.2007, p.21; OJ C 48, 15.2.2011, p.107.

⁽²⁵⁾ OJ C 24, 31.1.2006, p.52; OJ C 175, 28.7.2009, p.26; OJ C 21, 21.1.2011, p.26.

⁽²⁶⁾ Returning to the approach defined by the Commission itself in its Communication on *Updating and simplifying the Community acquis* (COM(2003) 71 final, 11 February 2003), which was clearly backed by the EESC (OJ C 112, 30.4.2004, p.4) and which since appears to have been forgotten.

⁽²⁷⁾ Cf. opinions: OJ C 14, 16.1.2001, p.1; OJ C 125, 27.5.2002, p.105; OJ C 133, 6.6.2003, p.5; OJ C 309, 16.12.2006, p.18; OJ C 10, 15.1.2008, p.8.

should be taken at the proposals contained in the first Report of the Group of Independent Experts on legislative and administrative simplification, most of which have not been implemented but remain relevant and require proper implementation⁽²⁸⁾.

3.10 **Standardisation** has a major role to play in keeping with the "new approach" model applied not only to products, but also to services⁽²⁹⁾. In that regard, too, however, careful consideration should be given to the need, effectiveness and impact of the measures taken so as to distinguish between different services for the single market when standardising them.

3.11 Similarly, it will be necessary to give new impetus and greater breadth to the **Internal Market Information System (IMI)** expanding its scope and enhancing administrative cooperation in line with the suggestions and recommendations made by the EESC on a number of occasions⁽³⁰⁾, and, by the same token, to overhaul the SOLVIT network, giving it a new framework and appropriate means.

3.12 The **main principles guiding the construction of the internal market** will also have to be rethought, especially the principles of mutual recognition⁽³¹⁾, subsidiarity⁽³²⁾, proportionality⁽³³⁾ and the precautionary principle, thus far restricted to specific areas such as food safety, but which should be given the status of a general principle, reshaping them and laying down new ways of defining them that are closer to people's real interests.

3.13 There is a need to **establish priorities with care**. This does not mean picking – more or less at random – a few flagship measures, but acting in accordance with well-defined criteria that reflect the clear policy approach that Europe still lacks, and that should give **absolute priority to people**.

⁽²⁸⁾ COM(95) 288 final, 21 June 1995.

⁽²⁹⁾ Cf. opinions: OJ C 120, 16.5.2008, p.1; OJ C 376, 22.12.2011, p.69; and OJ C 68, 6.3.2012, p.35.

⁽³⁰⁾ Cf. OJ C 43, 15.2.2012, p. 14, and the other earlier opinions quoted in it.

⁽³¹⁾ Returning in particular to the Commission reports on the application of the principle of mutual recognition, which started with the Communication from the Commission of 16 June 1999 (COM(99) 299 final) but were later abandoned. Cf. opinion OJ C 116, 20.4.2001, p. 14.

⁽³²⁾ Looking back to the Molitor Report, in order to rebut the unfair accusation levelled against it of "taking one step forward and two steps back" (cf. Alexis Feral, *Le principe de subsidiarité, progrès ou status quo après le Traité d'Amsterdam?*, in *Revue du Marché unique européen*, I, 1998, p. 95), on account of the clumsy way the Commission had applied it, turning it into the real "challenge of change" as conceived by Jacques Delors.

⁽³³⁾ Account should be taken here of the various EESC opinions on the successive annual reports from the Commission, in keeping with Article 9 of the Protocol on the application of the principles of subsidiarity and proportionality.

3.14 **The services sector in general** ⁽³⁴⁾, and **retail financial services in particular** ⁽³⁵⁾, should figure prominently among these priorities, as this is where the shortfall in completing the internal market is most acute, but is also exactly where innovation is most needed, with regard not only to the measures but also to the instruments to be applied. In particular, the EESC is calling on the European Commission to monitor and report in a regular and open manner the implementation of the Services Directive, which is the only legislation so far providing for opening of cross-border trade in services.

3.15 An area that warrants particular attention is the practical implementation of an **internal market for cross-border e-commerce** on account of the socio-economic benefits for European consumers in general, and people living in less accessible areas or affected by some form of disability in particular. It would also benefit EU businesses, especially SMEs, since it would settle a whole host of problems and issues which have long been identified. So far, however, the tools and mechanisms that are vital to securing consumer confidence and guaranteeing their protection, and creating a business-friendly environment, have not been developed ⁽³⁶⁾.

3.16 This applies in particular to issues of market fragmentation, disparities between applicable rules, uncertainty about privacy and data confidentiality, security of transactions, legal protection in the event of disputes, the existence of illegal online services, piracy and cybercrime. These need to be addressed jointly by the various Commission DGs with a view to establishing a **coherent legal framework for a genuine digital internal market**.

3.17 The **effective application of Community law** is an area where greater effort is required, and where the EU has regrettably not achieved convincing results. This is the only way of guaranteeing that the law will be respected and that regulation will be effective ⁽³⁷⁾, and it extends beyond the narrow bounds of "administrative cooperation" ⁽³⁸⁾. In this regard, the **right to collective action at European level** is of crucial importance to European citizens, and must be enshrined unambiguously and without further delay as an

⁽³⁴⁾ Cf. opinions: OJ C 221, 8.9.2005, p.113; OJ C 175, 27.7.2007, p.14; OJ C 318, 29.10.2011, p.109.

⁽³⁵⁾ Cf. opinions: OJ C 56, 24.2.1997, p.76; OJ C 95, 30.3.1998, p.72; OJ C 209, 22.7.1999, p.35; OJ C 157, 28.6.2005, p.1; OJ C 302, 7.12.2004, p.12; OJ C 221, 8.9.2005, p.126; OJ C 65, 17.3.2006, p.113; OJ C 65, 17.3.2006, p.134; OJ C 309, 16.12.2006, p.26; OJ C 318, 23.12.2006, p.51; OJ C 115, 16.5.2006, p.61; OJ C 100, 30.4.2009, p.84; OJ C 27, 3.2.2009, p.18; OJ C 100, 30.4.2009, p.22; OJ C 228, 22.9.2009, p.62; OJ C 228, 22.9.2009, p.66; OJ C 218, 11.9.2009, p.30; OJ C 318, 29.10.2011, p.133.

⁽³⁶⁾ Notwithstanding the Commission Communication of 22 October 2009 on *Cross-Border Business to Consumer e-Commerce in the EU* (COM(2009) 557 final).

⁽³⁷⁾ Cf. opinions: OJ C 317, 23.12.2009, p.67; OJ C 18, 19.1.2011, p.95.

⁽³⁸⁾ OJ C 128, 18.5.2010, p.103.

ultimate means of satisfactorily establishing responsibilities for infringements of Community law, and thereby encouraging voluntary compliance ⁽³⁹⁾.

3.18 Most important of all, however, will be to define the **parameters of an internal market that puts people, as individuals and as citizens, at its core**. This task must not be left to any group of more or less enlightened sages, but be based on the direct contributions of individual citizens and civil society, taking heed of their concerns and claims, as well as their frustrations and disappointments.

3.19 Whilst action is urgently needed, it is important to ensure that this action is coordinated and properly thought out. The EESC therefore proposes a **period of reflection**, coinciding with the 20th anniversary of 1992. As its contribution to this, the EESC would point to a number of parameters that it sees as key to a debate of this kind.

3.19.1 First of all, there must be a debate on how internal market policy must be visibly governed by the fundamental principles and key objectives set out in the **Charter of Fundamental Rights of the European Union**, especially those contained in Titles IV and V, with particular emphasis on strengthening the social dimension and consumers' rights ⁽⁴⁰⁾.

3.19.2 A debate is also needed on how to **link sectoral policies within a common strategic objective** encompassing economic, industrial, trade, transport, energy, environmental, consumer and competition policies **within an overall legal framework that fosters integration and boosts the confidence of the social and societal partners** (consumers, households, workers, businesses, NGOs, etc). This would entail reassessing and boosting the 2020 Strategy.

3.19.3 Similarly, a debate is needed on how to strengthen and guarantee **people's freedom of movement and mobility** in general, and for workers in particular (whether employees or self-employed), for teachers and for students, ensuring that their social rights – social security, legal protection, accident and health insurance, retirement pensions, etc. – are respected in all circumstances without discrimination, at the same time reviewing the system for the recognition of vocational and educational qualifications. It is essential here to ensure high standards of consumer safety and health.

⁽³⁹⁾ The EESC has quite justifiably been seen as the champion of collective actions, having devoted a number of opinions to this question, including in particular OJ C 309, 16.12.2006, p.1; OJ C 324, 30.12.2006, p.1; OJ C 162, 25.6.2008, p.1; OJ C 228, 22.9.2009, p.40; OJ C 128, 18.5.2010, p.97.

⁽⁴⁰⁾ On this point, due consideration must be given and the eventual consequences drawn from the findings set out in the *Report from the Commission on progress towards effective EU Citizenship 2007-2010* (COM(2010) 602 final, 27 October 2010), and the report published simultaneously entitled *EU Citizenship Report 2010 – Dismantling the obstacles to EU citizens' rights* (COM(2010) 602 final, 27 October 2010).

3.19.4 With a view to promoting social inclusion and employment, a debate is also needed on **effectively opening up labour markets** to all European citizens, abolishing, after careful examination, unjustified discrimination and restrictions.

3.19.5 An aspect meriting particular attention is the long overdue definition of an **appropriate legal framework for social economy enterprises in general** and European foundations, mutual societies and associations in particular.

3.19.6 There is an equally urgent need for a discussion on defining a **clear legal framework for services of general interest and social services in particular** defining quality

criteria for essential public services and clarifying the applicable rules governing public procurement, competition and state aid ⁽⁴¹⁾.

3.20 Lastly, resources and efforts must be jointly harnessed in favour of an **effective single market communication policy** within the broader setting of a coherent, integrated communication policy on Europe that involves people and takes proper account of public opinion and European social media in order to disseminate reliable information to European citizens, especially consumers, through the innovative use of the digital media ⁽⁴²⁾.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽⁴¹⁾ Cf. EESC opinion, OJ C 161, 13.7.2007, p. 80.

⁽⁴²⁾ Cf. EESC exploratory opinion, OJ C 27, 3.2.2009, p. 152; and own-initiative opinion OJ C 44, 11.2.2011, p. 62.

Opinion of the European Economic and Social Committee on the 'Social impact of the new economic governance legislation' (own-initiative opinion)

(2012/C 143/05)

Rapporteur: **Ms BISCHOFF**

On 14 July 2011, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on the:

Social impact of the new economic governance legislation (own-initiative opinion).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 25 January 2012.

At its 478th plenary session, held on 22-23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 232 votes to 8 with 9 abstentions.

1. Conclusions and recommendations

1.1 Europe needs to speak with one voice, be quicker and less hesitant to act, and follow the right recipes if it is to find a convincing response to the most serious financial and economic crisis, and crisis of confidence, since the EU was established.

1.2 The EESC welcomes governments' efforts to rectify some of the design shortcomings of the euro area and to lay down elements of a new structure for European economic governance. This is necessary because the instruments and procedures used to date have not led to the desired reduction in debt or macro-economic imbalances. The new structure for European economic governance (EEG) must, however, safeguard the democratic rights of the Member States and their freely elected parliaments, as well as the autonomy of the social partners and their freedom to conduct collective bargaining.

1.3 EEG focuses on economic policy, but will mainly affect social structures by forcing Member States to make specific reforms, using the threat of (semi-)automatic sanctions. The EESC recommends smart, sustainable budgetary consolidation that safeguards vital social investment, in order to avoid social asymmetries.

1.4 Some of the austerity measures already implemented or planned will have a negative impact, for example on people and businesses, by cutting back on social services or labour market measures for vulnerable groups and on key social infrastructure such as childcare or education. This will have negative repercussions for access to and quality of services, thereby seriously impairing quality of life for vulnerable groups.

1.5 The EESC notes that there is an inherent conflict of goals between the Europe 2020 strategy and European economic governance. Implementation of the European Semester and the "six-pack" must not undermine, for example, the poverty reduction target set out in the Europe 2020 strategy, and all measures must be assessed to determine whether they will increase poverty.

1.6 The EESC stresses that, as a matter of urgency, it is crucial to assess the social impact of the new economic governance rules, and calls in particular for:

- 1) a "social investment pact" to be developed;
- 2) representative civil society organisations, especially the social partners due to their specific duties and competences, to be fully involved at an early stage in all actions;
- 3) a convention to be set up to work out a strategy for securing social progress in upcoming treaty amendments;
- 4) a "social safety net" to be provided by means of equivalent "social governance";
- 5) the freedom of the social partners to undertake collective bargaining to be safeguarded and promoted;
- 6) new sources of revenue to be opened up to consolidate public finances; and
- 7) public spending to be made more efficient, spending to be better targeted and action against tax evasion to be stepped up.

2. A new structure for crisis management

2.1 The Lisbon treaty reinforced the social dimension of Europe, established the social market economy as a goal, laid down the fundamental social rights in law and mandated social impact assessments for all EU projects and initiatives. The EESC has long maintained that a social market economy in Europe needs to combine competitiveness with social justice. There is no conflict between a dynamic economy and social progress; rather, they are mutually conducive ⁽¹⁾.

⁽¹⁾ EESC opinion on the social agenda, OJ C 182, 4.8.2009, p. 65.

2.2 The EESC has welcomed the fact that, in the new Europe 2020 strategy, the EU has agreed to create smart, sustainable and inclusive growth.

2.3 The European Union is currently undergoing the most serious crisis it has experienced since it was established, as the financial crisis has developed into a profound economic, debt and social crisis in many countries. On top of that, there is a crisis of confidence in the European institutions and uncertainty as to what to do. Europe needs to speak with one voice, be quicker and less hesitant to act, and follow the right recipes.

2.3.1 Austerity programmes and financial safety nets are at the centre of attention, while the measures needed to improve economic governance and increase growth remain fragmentary and opaque and there is no sign of a debate on the pros and cons of closer integration.

2.3.2 There is increasing concern that this crisis of confidence is developing into a crisis of democracy, especially because of fears of sanctions. The EESC stresses that directly elected national parliaments must be free to adopt budgets and form governments in line with their powers and responsibilities.

2.3.3 The EESC has already pointed out in a number of opinions that the crisis has become a real stress test for Europe. Austerity policy is generating social unrest in a number of countries, and is promoting anti-European and nationalist feeling.

2.4 EU policy and national governments have responded to the "debt crisis" that has arisen over the last few years in the wake of the financial crisis – in part due to massive deregulation of the financial markets – by imposing austerity programmes in an attempt to calm the financial markets. The EESC has already repeatedly welcomed the fact that, despite resistance from many quarters, the European Commission has presented proposals for a financial transaction tax and stability bonds ⁽²⁾.

2.5 At the same time, attempts have been made to rectify some of the design shortcomings of the euro area and to lay down elements of a new structure for European economic governance. This should, in future, help to strengthen economic policy coordination, tighten up budgetary policy and control, and improve competitiveness ⁽³⁾. In the autumn of 2011, the European Parliament adopted five regulations and a directive reforming European economic governance (known as the "six-pack").

⁽²⁾ EESC opinions on Financial transaction tax, OJ C 44, 11.2.2011, p. 81, and on the Annual Growth Survey, OJ C 132, 3.5.2011, p. 26.

⁽³⁾ See the opinions listed in the EESC opinion on the Annual Growth Survey, OJ C 132, 3.5.2011, p. 26.

2.5.1 This economic governance "six-pack" is based on three pillars:

— Beefing up the existing Stability and Growth Pact: The Excessive Deficit Procedure (EDP) provides additional, much stricter rules on cutting public deficits and public debts, requiring Member States to bring current levels of debt to the Maastricht ceiling of 60 % within the next 20 years, regardless of the economic climate. This is pro-cyclical and potentially damaging to growth and employment.

— Setting up the "Excessive Imbalance Procedure" (EIP): This is an entirely new policy process, to be conducted at European level. Its aim is to detect and correct macro-economic imbalances that could threaten the stability of the single currency.

— Enforcing the Stability Pact as well as the "Excessive Imbalance Procedure" with sanctions that effectively "bite": European recommendations to "streamline" national policy decisions have already existed since the Maastricht Treaty was signed. What is entirely new, however, is the fact that these recommendations would now be accompanied by almost "automatic" sanctions on those countries that are members of the euro area. This is being done by introducing "reverse majority voting", which is at the very least questionable for it constitutes a completely new procedure that is so far not covered by the Treaty. Put simply, the Commission proposal to levy annual sanctions of 0.1 or 0.2 % of GDP on Member States that do not follow up on its recommendations will be adopted unless the Council of Finance Ministers finds a qualified majority to vote it down within a period of ten days. This introduces a high degree of "automaticity" into the process of sanctions, thereby forcing Member States to actually take serious account of the policy recommendations produced at European level.

2.5.2 On 23 November 2011, the Commission added two new regulations to the six-pack: the first one is on enhanced surveillance of Member States experiencing serious difficulties with financial stability, the second on monitoring and correcting draft budget plans of Member States. The first will broaden, strengthen and deepen country-specific policy recommendations for countries under a macro-economic adjustment programme, non-compliance with which will result in a suspension of payments from the European Structural and Social Funds. The second enhances the power of the Commission in supervising national budgetary procedures, requiring Member States to put in place binding rules on the size of deficits. Both regulations would add to peer pressure and strengthen in-built pro-cyclicality with well known consequences.

2.5.3 The yearly six-month review period dubbed "European Semester" has been designed to avoid contradictory demands for fiscal policies coming from the Member States, and to keep

track of the enforcement of Europe 2020's goals. This aims at ensuring that the EU's headline targets will in fact be incorporated into national budget planning in time and ahead of the vote in national parliaments for the ensuing fiscal year. EEG focuses on economic policy, but will mainly affect social structures by forcing Member States to reform them, using the threat of (semi-)automatic sanctions.

3. Social impact of the new rules

3.1 In the fourth year of the financial and economic crisis, the economic and employment outlook in Europe continues to deteriorate. 23 million people are unemployed; the latest unemployment figures⁽⁴⁾ show that in September 2011 unemployment rates in the EU27 and the euro area stood at 9.7 % and 10.2 % respectively, an increase over the same period in 2010. The youth unemployment rate rose from 15.5 % to 21.4 % between 2008 and 2011, while the inactivity rate rose from 55.6 % to 56.9 %. In Greece and Spain, almost every second young person is without a job⁽⁵⁾. This means that over 5 million young people are not in employment, training or education. The employment gains of 1.5 million recorded up to mid-2011 did not offset massive job losses during the crisis, when 6 million jobs were shed. The rise in employment has mainly come from an increase in temporary contracts and part-time jobs.

3.2 Compounding this, economic forecasts have drastically revised growth rates downwards, with the European Commission acknowledging in its recently published autumn forecast 2011-2013, that "the recovery of the EU economy has stopped" and that there will be no foreseeable improvement in these high levels of unemployment⁽⁶⁾.

3.3 The global banking crisis from 2007-2009 seamlessly led to the current sovereign debt crisis, for governments have put considerable resources into bailing out banks and state guarantees to keep the monetary system afloat. Subsequently, average debt levels have increased from 60 to 80 per cent of GDP, reducing considerably the room for manoeuvre for automatic stabilisers and other counter-cyclical policies to work. This means that labour market and social policies will bear the brunt of the adjustment burden. Throughout the different European policy initiatives runs one single thread: wages are to be turned into a key instrument for adjustment by means of wage cuts and wage deflation.

3.4 The EESC believes that the consequences of these developments are potentially dangerous for both the fundamental economic health and the social fabric of Europe. As the Social Protection Committee highlighted in its report on the

Social Impact of the Economic Crisis, implemented or planned austerity measures will have an impact on social inclusion by cutting back benefits and services for vulnerable groups such as people with disabilities, with negative repercussions for access to and the quality of public services and thus for people and businesses⁽⁷⁾. High interest rates make it nearly impossible for Member States to effectively achieve a reduction of their budget deficits and the level of debt. Greece for example has been running a primary surplus in its state budget since spring 2011, but deficits are still rising because of an unsustainable interest rate burden.

3.5 Austerity measures, which put vital social investment at particular risk, will further reinforce the downward spiral. In the absence of any new sources of growth, cuts in expenditure at the same time bring about negative developments on the revenue side of budgets, such as declining tax revenues and rising social expenditure on unemployment benefits. Budget deficits risk expanding further, engendering potentially disastrous effects from financial markets that closely monitor trends in all Member States.

3.5.1 Furthermore, austerity measures that dampen final demand in one Member State can have significant knock-on effects in other countries, leading to a downward spiral. This can occur either along the value-added chain throughout the single market or through the trade channel. Embarking on a path of simultaneous austerity programmes in a number of countries will add to the bleak outlook for growth and could unleash a vicious circle of uncertainty for investment, including investment in education and training, research and innovation, employment and consumption.

3.6 In the EESC's view, the preparation and implementation of EU governance measures should include a close examination of whether, and to what extent, negative economic developments in Member States and regions are connected with market imbalances, market concentration processes and market abuse by large business groups. The Committee feels that effective measures to counter this – e.g. coordinated tax policy measures – should be taken at all levels and included in the consolidation measures. This should improve the competitiveness of SMEs, and likewise that of export-oriented industrial production. Structural measures to safeguard growth and job creation should be carried out in tandem.

3.7 The Committee regrets that all related policy processes are based on asymmetry and introduce a structural bias: In a letter written by Commissioner Olli Rehn, the Commission's view on euro area imbalances identifies the problem which huge external deficits may cause, whereas large, persistent current account surpluses are not seen as a problem for the

⁽⁴⁾ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-31102011-BP/EN/3-31102011-BP-EN.PDF.

⁽⁵⁾ Joint Employment Report 2011, COM(2011) 815 final, pp. 2 and 4.

⁽⁶⁾ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1331&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁽⁷⁾ Joint Assessment by the SPC and the European Commission of the Social Impact of the Economic Crisis and of Policy Responses 2010, pp. 9-10.

cohesion of the single currency⁽⁸⁾. Redefining the terms of competitive positions implies that the problem lies with those who are running up debt to finance external deficits, whereas countries running surpluses are encouraged to do so.

3.8 In preparing the scoreboard for "macro-economic imbalances", the Commission is defining the indicators in such a way that dynamic wage developments in the various economic sectors are immediately being signalled and scrutinized, whereas a Member State embarking on a strategy of wage stagnation will simply get overlooked. The idea is also to start up with "relative" comparisons where unit wage cost developments are compared with the main competitors. This type of comparison can help to detect divergences in competitiveness, but it must not lead to wage increases automatically being seen as negative and low wages and wage agreements automatically being seen as positive. Instead, increases in productivity and inflation must be recognised as a guideline for increases in wages and salaries.

3.9 The Committee in particular expresses its concern at the fact that governments have committed themselves to measures and behaviour that are beyond their scope and sphere of influence. The European Parliament and Council Regulation on the prevention and correction of macroeconomic imbalances contains an advance-warning mechanism at the heart of which is the indicator scoreboard (art. 3). The indicators describe both the lower and upper thresholds on internal and external macro-economic imbalances that are designed to trigger the Excessive Imbalances Procedure (EIP). These indicators include unit labour costs, despite the fact that they are primarily the result of autonomous collective bargaining among the social partners and do not fall within the remit of government economic policy.

3.10 The Committee therefore believes that the social partners should become part and parcel of the implementation of the Regulation, both in the euro area and at national level. The Committee underlines that whatever form the institutionalisation of social partner involvement in the implementation may take, social partner autonomy must not be questioned and ILO Conventions 87 and 98 must be fully respected. Furthermore, observation of the general objectives of the European Union, in particular social progress and an upwards harmonisation of EU social policy, should be an essential part of it, as well as fundamental social rights that result from the EU Fundamental Rights Charter (art. 51(1) must be taken into account).

3.11 In times of economic and social difficulty and change, it is important for social organisations to be included in such processes and in the implementation of governance and consolidation measures. They have a valuable contribution to

make in terms of education and prevention, employment and social harmony based on respect for human dignity and social solidarity.

4. Social impact of actions in the Member States

4.1 The EESC is deeply concerned about the social consequences of the crisis, now clearly visible in most Member States, and recommends that the structural reforms be designed to promote growth and employment. Safeguarding and promoting employees' rights and basic social rights will have a positive impact on overall economic productivity. It must, as a matter of principle, be ensured that governments have the tax revenue necessary to operate properly and that tax evasion is firmly clamped down on.

4.1.1 The EESC notes with concern that national and regional disparities are increasing. Such disparities are a serious threat to European integration, because for the first time they are significantly reducing economic and social cohesion within the existing Union. In the past, increases in social and economic disparities have always been temporary, and linked to the accession of new Member States.

4.2 In its report on "The social impact of the crisis", the Social Protection Committee concluded that "the financial and economic crisis led to a significant deterioration of the social situation for large groups of people, in particular young people, people working on temporary contracts and migrants. In all countries the unemployed are among the groups most at risk of poverty"⁽⁹⁾. This situation has triggered protests and social unrest in Greece, Spain and many other Member States.

4.3 The most recent Eurostat survey from 2011 also shows that people in the EU are concerned about this, and have noticed that poverty is on the increase:

A large and growing majority of Europeans think that poverty is on the increase. When asked whether poverty has increased or decreased over the last three years, 87 % of all Europeans say that it has increased. The belief that poverty levels have risen in the last three years is much more strongly held than in autumn 2010. Only 22 % of Europeans think that enough is being done to address the issue of poverty⁽¹⁰⁾.

4.4 The EESC is deeply concerned that the social consequences of efforts to deal with the crisis will split Europe even further apart, resulting in a loss of public support. The EU must, however, regain the public's trust.

⁽⁸⁾ Letter of 4 November 2011, addressed to Jan Vincent-Rostowski, Re.: Treatment of current account deficits and surpluses in the EIP.

⁽⁹⁾ See the "2010 Update of the Joint Assessment by the (SPC) and the European Commission of the social impact of the economic crisis and of policy responses", 26 November 2010 (16905/10, SOC 793, ECOFIN 786), p. 2.

⁽¹⁰⁾ Special Eurobarometer 377.

4.5 In its view, every effort must be made to ensure that austerity measures do not increase the risk of poverty. An effective social impact assessment must be carried out, looking into how the goal of helping at least 20 million people out of poverty and social exclusion within the next ten years can still be achieved, given the new circumstances, and what action this would require. The flipside to growing poverty is that assets and profits are also growing; this is exacerbated by inadequate fiscal and budgetary strategies in some Member States. The structure of European economic governance and implementation of the European Semester must not result in missing the poverty reduction target set out in the overarching Europe 2020 strategy.

5. Need for comprehensive social impact assessments

5.1 The EESC noted in 2011 that the horizontal social clause (HSC, Article 9 TFEU) was a fundamental innovation and that it was binding on the EU when implementing its policies ⁽¹¹⁾.

5.2 In this connection, the EESC has already noted that the HSC must be applied to the broad fields and overall architecture of the new Europe 2020 EU socio-economic governance agreed upon by the European Council in 2010 ⁽¹²⁾. This includes the European Semester, the "six-pack", and also the Euro Plus Pact and the safety nets.

5.3 The EESC emphasises that the crisis measures absolutely must not lead to breaches of the rights guaranteed in the Charter of Fundamental Rights, and also that, conversely, it is necessary to determine what measures need to be taken over the next year to safeguard those fundamental rights ⁽¹³⁾.

5.4 The Social Protection Committee and the European Commission have jointly criticised the fact that to date "few [Member States] have conducted social impact assessments of fiscal consolidation measures" ⁽¹⁴⁾.

5.5 The EESC stresses that, as a matter of urgency, it is crucial to assess the social impact of the new economic governance rules. The EU has undertaken to promote social inclusion, and has not only linked this with quantitative targets but also enshrined it in the Treaty in qualitative terms with fundamental social rights. This directly affects people's quality of life, and needs to be considered and presented in qualitative and quantitative terms in the impact assessments. The proposed legislation has undergone only isolated impact assess-

ments, which in many cases paid only limited attention to the social impact; moreover, the results of these assessments have frequently been ignored ⁽¹⁵⁾.

6. Europe needs a social investment pact

6.1 Given that the nature and extent of the direct and indirect acts of interference in social rights and structures and the social acquis are as yet unknown, we need to develop an overarching concept – on the basis of comprehensive, independent impact assessments – that combines and reinforces the following elements:

6.1.1 Timely, comprehensive involvement of the social partners in all measures

6.1.1.1 All measures – those already taken and those planned for the future – should only be implemented after close consultation with the social partners, not least on the basis of Article 152 TFEU. This also applies to the austerity requirements in particular, which have been presented as being purely economic or budgetary but in fact result in a deterioration in the social situation. One example of an area where the social partners need to be involved is the deployment of the EU task force for Greece. In addition, social organisations and non-governmental organisations are to be fully involved at an early stage in all actions.

6.1.2 A "social investment pact"

6.1.2.1 The EESC believes that it is essentially impossible to save one's way out of a crisis such as that affecting Greece and other Member States, but rather that one can only grow one's way out of it. In the context of economic governance, the EESC suggests making sustainable investments in skills, infrastructure and products and promoting investment in the social economy, social enterprise ⁽¹⁶⁾ and social services.

6.1.2.2 This should be implemented in the form of a social investment pact. The EESC therefore seconds the call for such a pact made by Frank Vandenbroucke, Anton Hemerijck and Bruno Palier. They state that "The key challenge is to make long-term social investment and short-term fiscal consolidation mutually supportive at both the EU level and in the Member States. We believe that the objectives formulated in the Europe 2020 Strategy can provide a framework to achieve this, on condition that an 'EU social investment pact' is anchored in pro-growth budgetary policy and financial regulation." This means, in their view, that the new macroeconomic and budgetary surveillance must be accompanied by a social investment pact ⁽¹⁷⁾.

⁽¹⁵⁾ According to the EAPN's 2011 assessment.

⁽¹⁶⁾ Social Enterprise is a key element of the European Social model. The EESC supports the Commission's launch of a political framework and action plan to promote social enterprise in Europe and the importance of their full implementation at both EU and national level. EESC opinion on Social entrepreneurship and social enterprise, OJ C 24, 28.1.2012, p. 1.

⁽¹⁷⁾ Vandenbroucke, Frank, et al. The EU needs a social investment pact, OSE No 5, 2011, p. 5.

⁽¹¹⁾ EESC opinion on Strengthening EU cohesion and EU social policy coordination OJ C 24, 28.1.2012, p. 29.

⁽¹²⁾ Ibid.

⁽¹³⁾ EESC opinion on the Strategy for the Charter of Fundamental Rights, OJ C 376, 22.12.2011, p.74.

⁽¹⁴⁾ See footnote 9.

The EESC is very concerned by the social impact of, in particular, small pensions being cut as part of crisis measures. It once again urges the Commission to take the first steps towards developing an EU-wide definition of an adequate pension⁽¹⁸⁾.

6.1.3 Opening up new sources of revenue for public budgets

6.1.3.1 Government money cannot be used for everything – bailing out banks, making benefits more generous, investing in innovation and supporting business. It is essential for government to tap new sources of revenue. At the same time, public spending must be made more efficient and better targeted. The EESC believes that Member States' tax base will have to be broadened, not least by imposing financial transaction taxes, closing tax havens, ending tax competition and taking measures to tackle tax evasion. At the same time, there needs to be much more focus on the quality of investments, if all Member States are committed to social investment and consolidate their budgets through growth and reforms. In addition, a general re-think of tax systems is needed, with due regard for questions of contributions from different kinds of income and assets⁽¹⁹⁾.

6.1.4 "Social safety net" by means of equivalent "social governance"

6.1.4.1 Without a "social safety net" (Jean-Claude Juncker), the EU's architecture will remain incomplete, and Europe will take a step backwards towards a purely economic and budgetary union, a long way away from its commitment to a social market economy. The EESC would quite emphatically caution against such a development.

6.1.4.2 The EESC advocates developing a system for responsible economic and social governance. Short-term

consolidation must be tied in much more closely with the Europe 2020 strategy's goals of boosting smart growth, social cohesion and social inclusion.

6.1.4.3 The EU also needs to ensure that all economic and budgetary policy measures are fully compliant with the social objectives laid down in primary law and with fundamental social rights – including, in particular, the right to collective bargaining and strike action – and that the social acquis is not impaired.

6.1.5 A convention to establish a strategy based on social progress for pending treaty amendments

6.1.5.1 The EESC specifically calls for a convention on this subject to be organised. Given the extent of the treaty amendments currently on the agenda, we need both wide-ranging debate and democratic legitimacy. As was the case for the previous convention, national parliaments, the European Parliament, the social partners and the EESC should all take part. In the interim report and road map, it must be ensured that these treaty amendments are flanked by equivalent social provisions and that the outcome is included in the report scheduled to be published in March on the implementation of agreed actions.

6.1.6 Safeguarding and promoting the social partners' freedom to undertake collective bargaining

6.1.6.1 The EESC reiterates its position that the obligations under the Charter of Fundamental Rights apply to all EU institutions and bodies, and therefore that restrictions on free collective bargaining are absolutely unacceptable and that the European Commission should take immediate action to counter this. It certainly should not itself be making recommendations to the Member States that contravene the Charter of Fundamental Rights. On the contrary, it should be making every effort not only to safeguard fundamental rights, but also to promote them. The crisis is a test case of how well established Europe's culture of fundamental rights really is⁽²⁰⁾.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽¹⁸⁾ EESC opinion on the Green Paper on pensions, OJ C 84, 17.3.2011, p. 38.

⁽¹⁹⁾ EESC opinion on the Results of the Employment Summit, OJ C 306, 16.12.2009, p. 70 – point 3.4.2.

⁽²⁰⁾ See footnote 13.

Opinion of the European Economic and Social Committee on the 'Social Economy in Latin America'

(2012/C 143/06)

Rapporteur: **Mr CABRA DE LUNA**

On 18 January 2011 the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on the

Social Economy in Latin America.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 24 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 141 votes to 3 with 4 abstentions.

1. Conclusions and recommendations

1.1 The present opinion sets out to examine the Social Economy (SE) of Latin America (LA), an organised sector of civil society which has generally been excluded from the EU's cooperation activities. In doing so, it will take account of the diversity in Latin America and acknowledge the differences between our two regions. Therefore, whilst other terms are possible, for the purposes of this opinion it is considered most appropriate to use the term Social and Solidarity Economy (SSE).

1.2 In its Resolution 47/90, the UN declared the first Saturday of July of each year International Day of Cooperatives and in its Resolution 64/136 declared 2012 International Year of Cooperatives. The ILO has on various occasions (in particular in its Resolution 193) recognised the positive aspects of cooperatives and the SSE. The IMF and the World Bank have also expressed their interest in this sector. Furthermore, the EU has repeatedly recognised the importance of cooperatives and the SE, as have Mercosur and other Latin American institutions, and the EIB participates in projects with Latin American SSE companies. This opinion takes the same view.

1.3 The opinion also aims to serve as the basis for the work of the EESC in preparing its 7th Meeting of EU-Latin America civil society organisations, to be held in Santiago de Chile in 2012. It is proposed that representatives of the SSE in LA and the EU be invited to take part in both the preparatory work and the meeting, in order to study the content of this opinion by means of a constructive dialogue. It is also proposed that the 7th Meeting express an opinion on the results of this dialogue. The EESC notes that the SSE in LA provides solutions for serious situations of social and economic inequality and violations of fundamental rights. It is a key instrument in the fight for decent work and for overcoming socioeconomic informality, and is vital to local development and social cohesion processes. The SSE encourages economic democracy and plurality. It is therefore considered a priority to promote all of these capacities and effects, thus helping to bring about a necessary change within the production model.

1.4 Co-existence and cooperation between the different tendencies of the SSE in LA is considered very useful. On the one hand, we must ensure that the SSE of a more entrepreneurial nature pursues objectives based on the principles of solidarity, without prioritising increased profits, and taking a greater part in achieving general well-being. On the other hand, the section of the SSE most focussed on social-political transformation must understand that companies need to be efficient and to obtain profits, creating networks enabling them to survive on the market. The SSE must not therefore place itself within the economy of poverty, but rather in a context of changing behaviour, bringing together development, economic efficiency and social justice in order to eradicate asymmetries of all kinds.

1.5 The SSE in LA suffers from fundamental problems which hinder its development: a lack of social and institutional visibility is one of the most serious. One of the reasons for this is the lack of rigorous measurement and quantification processes, preventing its dimensions and significant social effects from being assessed. Greater action is urgently required concerning the production of internationally approved statistics in the countries of Latin America, involving the cooperation of international bodies such as CEPAL, ACI-Américas, Fundibes, Cicopa and Ciriéc. The lack of an institutional presence for its representative organisations is also a serious problem which must be resolved by means of its recognition by the public administration and other social actors as a partner in the consultative institutions for social and economic policies. Economic and social councils and other bodies for social participation are another useful instrument for the involvement of SSE organisations.

1.6 With some notable exceptions, the lack of integrated and participatory public policies in relation to the SSE is a major obstacle to its consolidation and development. It is crucial to move beyond proposals based simply on direct economic aid without conditions, by fostering actions aimed at resolving the problem of its funding sources. Structural policies of general interest should be implemented, which include decisions in relation to legislation, together with the development of

education for innovation and of occupational skills, including in universities. The SSE's involvement in the development of social protection through health systems managed together with users must be enhanced. True State policies must be strengthened, with the aim of ensuring that continuity is not lost each time governments change.

1.7 If they cooperate, trade unions and other social players, including the SSE, can play a key role in developing institutional systems to combat legal irregularities and fraud resulting from the informal economy and the appearance of bogus self-employed workers. This would also help to guarantee decent work and universal, high quality public services and boost capacity-building initiatives.

1.8 The considerations and proposals contained in this opinion should be incorporated into an EU international cooperation policy towards LA in relation to the SSE. Cooperation projects must be established with the aim of setting up viable SSE enterprises to act as agents for social cohesion, local development, plurality, economic democracy and the widespread formalisation of the economy and of work. The SSE must be treated as a priority in EU cooperation with a view to promoting the consolidation of networks to act as agents in the implementation of economic cooperation and co-development policies. Cooperation projects in the field of the SSE should encourage coordination between players and networks, avoiding fragmentation and overlaps: it is essential to achieve initiatives that are more internationally-oriented and strategic in nature.

1.9 Moreover, during these times of global crisis, business and trade relations must be strengthened between the SSE in the EU and LA. Good SSE practices in LA could serve as examples to follow. It is particularly important for trade agreements signed with Latin American countries to promote the development of small and medium-sized enterprises and micro-enterprises and, specifically, of the SSE.

2. Social Economy in Latin America

2.1 A two-fold approach

2.1.1 This opinion's approach to the SE in LA is based on two inescapable factors: firstly, the real social differences between the EU and LA, and secondly, the fact that LA is not a homogenous area. This analysis therefore takes full account of this diversity. It also seeks to identify common areas which make cooperation possible on an equal footing and takes account of the transformations under way in both regions⁽¹⁾.

⁽¹⁾ Document COM(2009) 647 on the EU 2020 strategy. OJ C 347, 18.12.2010, p. 48–54 on *Promotion of socio-economic aspects in EU-Latin America relations*.

2.1.2 The two terms most frequently used in Latin America are "Social Economy" and "Solidarity Economy". The latter is used in a more generalised way, with conflicting views regarding its meaning (the concept of "Popular Economy", for example). The term SE has become established in Europe and refers to a concept with clear entrepreneurial undertones which plays a role within the system as an alternative and different way of doing things and does not see "profit-making" as a problem in itself. The crucial question here is how to distribute the surplus obtained, since the business activities of the SE must be competitive and generate profits. There is broad consensus in the EU regarding the term SE and its meaning⁽²⁾. In Latin America there are differing interpretations.

2.1.3 Over recent years, particularly as a result of political and economic changes in Latin America, the term Social and Solidarity Economy (SSE) has commonly been used to refer to this sector⁽³⁾. We propose that this term be used in relation to Latin America.

2.1.4 We can point out firstly that the SSE is entirely made up of bodies of a private nature, created to meet personal and social needs and not to serve the interests of capital investors. In Latin America, the situation in terms of the SSE differs from one country to another, although certain models clearly exist in all of them. On the basis of these common aspects, we can perhaps reach an inclusive interpretation of the concept of the SSE in Latin America. The SSE in Latin America is essentially made up of cooperatives, mutual associations, foundations, associations, worker cooperatives, social solidarity organisations, civic groupings and micro-enterprises of different types. These companies and bodies are founded upon solidarity and corporate social responsibility. The majority of them operate on the market, but sometimes they create special markets (e.g. fair trade) in which principles other than competition apply.

2.1.5 SSE organisations and companies differ from public and private companies, but they also produce goods and services. SSE companies need not therefore be exclusively or essentially charitable bodies, and nor need they be entirely non-profit-making. Making profits is necessary. The crucial issue is how to distribute the benefits of the activity, which are not measured solely in terms of financial profitability and the benefits they generate for their members and the community as a whole, but also in terms of the added social value they provide.

⁽²⁾ EESC opinion INT/447, OJ C 318, 23.12.2009, p. 22–28, on *Variety of forms of companies*. "The Toia report" INI/2008/2250/. EESC opinion on the promotion of cooperative societies in Europe (OJ C 234, 22.9.2005). EESC opinion on the Social Economy and the Single Market (OJ C 117, 26.4.2000). The recent Spanish Law on the Social Economy of 2011.

⁽³⁾ For example, the ILO uses this term in the recent 2010 reader drawn up by the International Training Centre (ITC-ILO) on *Social and solidarity economy: building a common understanding*.

2.2 Dimensions and measurement

2.2.1 One of the great problems hindering the development of the Latin American SSE is the difficulty of systematising information on this sector, a problem which exacerbates its social invisibility. The true impact of the SSE must be identified, not just guessed at. In the absence of measurements, it is very difficult to identify its true social importance and how it differs from other kinds of enterprise in terms of the impact of its economic, social and solidarity activities. The same is urged for the sector in Europe: statistical recognition; the creation of reliable public registers; satellite accounts for each institutional sector and area of activity, all with a view to achieving greater visibility ⁽⁴⁾.

2.3 SSE organisations

2.3.1 As in many EU countries, the priority in LA is also to resolve the SSE's lack of sufficiently consolidated, integrated and effective representation. Although much progress has been made, the representative structures of the different categories of the SSE must be organised in a pyramid fashion, in a bottom-up, sectoral and territorial manner, while preventing fragmentation, competition between them and corporatism. Given the proximity of these organisations to local and regional authorities, they can readily be seen as a focus for social provision and for innovation with the capacity to respond to the most serious socio-economic problems.

2.3.2 When SSE organisations ⁽⁵⁾ acquire the recognition they need to give them a genuine capacity for discussion and negotiation, they consolidate areas of influence to create synergies in relation to capacity-building, business efficiency, corporate social responsibility, new management models, combating bad practices and ultimately greater effectiveness within the economic system.

⁽⁴⁾ There are no accurate statistics in Latin America, but studies carried out by FUNDIBES in 2009 provisionally suggest that there are more than 700 000 SSE organisations, around 14 million members. Moreover, the scale of the informal economic sector's presence throughout the region makes it extremely difficult to quantify precisely or even approximately. According to the ICA, Latin America is the fastest growing region in terms of new cooperatives and members (2009). Inacoop (Uruguay) gives some figures for 2008: 1 164 cooperatives, 907 698 active partners, with an annual production worth 1,708 billion dollars (3.2% of total production), 27 449 workers. Again in relation to 2008: Argentina: 12 760 cooperatives and 9 392 713 members; 4 166 mutual societies with 4 997 067 members; 289 460 workers (source: INAES). Chile: 1 152 cooperatives and 1 178 688 members; 536 mutual societies (source: Fundibes). Colombia: 8 533 cooperatives and 139 703 members; 273 mutual societies and 4 758 members (source: Confecoop). Guatemala: 841 cooperatives and 1 225 359 members (various sources). Paraguay: 453 cooperatives and 1 110 000 members (source: Fundibes). For Brazil, see footnote 9. There are also studies indicating that the SSE is strong in the face of the crisis. However, all of these data and assessments are intuitive and approximate rather than verifiable.

⁽⁵⁾ Examples of representative bodies: CONFECOOP (Colombia), CONACOOOP (Costa Rica), CONFECOOP (Guatemala), CONPACOOOP (Paraguay), Honduran Confederation of Cooperatives, OCB (Brazil), CONACOOOP (Dominican Republic), CUDECOOP (Uruguay), Mexican Council of Solidarity Economy Companies and COSUCOOOP (Mexico). At international level, bodies include ACI-Américas and Cicopa.

2.4 Public policies

2.4.1 One of the tasks yet to be resolved by the SSE is how to create agreements and alliances with public authorities on the basis of mutual respect and independence. Public policies are therefore one of the priority concerns and objectives of the SSE in Latin America. Policies based essentially on direct economic aid without conditions are sources which are not controlled and which are unpredictable, and they may become a tool for pressure and manipulation. Policies which are purely palliative or merely provide assistance promote bad practices.

2.4.2 Integrated and participatory policies must be promoted which are in line with the essential aims of the SSE and of governments with an interest in the SSE's capacity to mobilise community resources in the market in order to achieve general benefits with innovative solutions to complex problems. Public administrations and SSE organisations undoubtedly share social objectives in terms of meeting people's urgent needs ⁽⁶⁾.

2.4.3 Access to funding is an endemic problem for the SSE, seriously hindering its development. The SSE is primarily financed by the contributions of its members and promoters, and not by capital from third-party speculators. Meanwhile, it makes broad use of practices which benefit the general interest. Public action is generally scarce and is not sufficient to create regular funding channels by means of legal reforms and macro-economic measures which are appropriate for the SSE. There must be State policies which include the SSE in the general planning of the economy, policies on the funding of the industry to provide new capital, with the enhancement of risk capital, funding for economic participation by workers and members, support for the creation of business groups, and promotion of SSE involvement in public procurement. Measures which constitute unjustified obstacles to the development of the financial bodies of the SSE, such as ethical banking and microfinancing, must be reformulated as a matter of urgency.

2.4.4 The majority of States lack clear policy action lines which produce programmes that are coordinated in terms of their various levels, competences and administrative structures, in order to institutionalise the SSE and treat it in an inter-sectoral manner. Administrative procedures are not sufficiently flexible and there is no effective harmonisation at State and supranational level in relation to the promotion and support of the SSE. There is an absence of public policies to prevent the destruction of small social enterprises and the local solidarity-based production fabric, as well as of employment training and

⁽⁶⁾ Public institutions for the SSE: Infocoop (Costa Rica), Dansocial (Colombia), Incoop (Paraguay), INAES (Argentina), SENAES (Brazil), Inacoop (Uruguay) and Insafocoop (El Salvador).

business management policies, particularly at municipal level⁽⁷⁾ and of policies to update the legislative frameworks for the various configurations of the SSE. We would place particular emphasis on the need to implement public policies on education (ILO Recommendation 193, 2002) geared towards the SSE. Public administrations, including universities, and the SSE have not made sufficient efforts to work together.

2.5 Economic development in Latin America and the role of the SSE

2.5.1 Equitable economic growth and development

2.5.1.1 Latin America is developing favourably in terms of conventional growth, though there are variations between countries. Unfortunately, however, this growth is taking place in a context of enormous social inequality, with mass and stagnated unemployment in certain social sectors, generalised employment precariousness and pockets of social exclusion and poverty. Nevertheless, the restoration of a "proactive State", aware of this unsustainable social duality⁽⁸⁾ appears to encourage more equitable growth and respect for the environment.

2.5.1.2 The contribution of a consolidated SSE in LA to managing development focuses on resolving serious situations of poverty, inequality, exclusion, the informal economy, human exploitation, lack of social cohesion, business relocation and ultimately creating a fairer distribution of income and wealth, thus helping to bring about a necessary change within the production model. This is where the SSE comes in, providing social welfare services and, in relation to other sectors, offering comparative advantages in terms of efficiency in the allocation and production of preferential social goods and services. Its capacity to reach broad sectors of the population, in areas normally distant from economic centres and centres of power, makes it ideal for achieving fairer development.

2.5.2 The informal economy and social rights

2.5.2.1 The informal economy is an immense issue in Latin America, as it is in certain parts of the EU, in which work and economic activities take place in the total or partial absence of

social protection or respect for the legislation in force. Unemployment, underemployment and poor quality working conditions, violate the ILO's declarations on decent work⁽⁹⁾. This is a serious problem. A direct link has been found between informal employment or underemployment and poverty rates, and this is endemic amongst women, young people, indigenous people, people of African origin and people with disabilities, both in terms of employment informality and in terms of unequal pay and conditions. In contrast, alongside other players, the SSE is an effective tool for combating informality, as it legalises the situation of people and enterprises and providing them with social protection. It also helps to prevent the emergence of practices promoting the self-interested outsourcing of low-quality public services lacking performance guarantees and of low quality, thereby undermining the social protection of beneficiaries. If they cooperate, trade unions and other social players, including the SSE, can play a key role in developing institutional systems to combat legal irregularities and fraud resulting from the informal economy and the appearance of bogus self-employed workers. This would also help to guarantee decent work and universal, high quality public services and boost capacity-building initiatives.

2.5.2.2 The ILO acknowledges the role played by the SSE, since the values and principles on which its enterprises are based include respect for fundamental principles and rights at work⁽¹⁰⁾. It has shown that it can extend social protection services to people and consumers who are not covered by fiscal social security systems, and that it can help to correct imbalances in the labour market and ensure equal treatment.

2.5.2.3 There are many informal groups of self-employed people in the SSE who are unable to obtain employment training, funding or official recognition. Links based on reciprocity and trust between small-scale producers or craftspeople could create formalisation processes via SSE enterprises since, for example, non-member producers have practically no means for accessing the formal market. The SSE's involvement in the development of social protection through health systems managed together with users must be enhanced. It is crucial to eradicate any possible informality within the SSE itself.

⁽⁷⁾ As indicated for SMEs in EESC Opinion REX/180 (15.2.2006), OJ C 88, 11.4.2006, p. 85–93 on *Relations with Mexico*.

⁽⁸⁾ According to data from CEPAL more than half the population (350 million people) are beneath the poverty line and 22 million children have to work in order to survive. It is worth highlighting the measures adopted in the last decade by the Brazilian governments enabling millions to escape situations of extreme poverty. The SSE in Brazil has contributed to these achievements via the national department for the social economy (SENAES) and the strategy of its head, Prof. Paul Singer, who recently stated that the SSE needs to have more money and market share and to be better known.

⁽⁹⁾ According to the Solidarity Economy Map of Brazil, there are 22 000 enterprises in that country, a third of which are informal (www.fbes.org.br). See also EESC Opinion REX/232, OJ C 256, 27.10.2007, p. 138–143, on *EU-Central America relations*. EESC Opinion SOC/250, OJ C 93, 27.4.2007, p. 38–41, on *Promoting decent work for all* and the Working Document of 12.10.2009 on *Strategies for maintaining and creating jobs, particularly for women and young people* of the Euro-Latin American Parliamentary Assembly.

⁽¹⁰⁾ The Reader 2011 "Social and Solidarity Economy: Our common road towards Decent Work", at <http://socialeconomy.itcilo.org/en/2011-readers>. Also in connection with point 3.2 of the present opinion.

2.5.3 Local development and social cohesion

2.5.3.1 The aim of establishing minimum levels of social cohesion is considered essential to any approach to development⁽¹¹⁾. Local governments are coming to realise the importance of supporting SSE entrepreneurs in order to revitalise rural and urban communities. These enterprises create local jobs and their profits circulate locally and accumulate for the purposes of local reinvestment. This ensures primary processes of social cohesion with local control of investments, products and services, and circulation of profits for mobilisation within the local and regional economy, helping to stabilise the economy.

2.5.3.2 The SSE shows a capacity to create and extend entrepreneurial culture and fabric and to link economic activity to local production needs. The SSE stimulates locally-generated development processes in rural areas, the revitalisation of industrial areas in decline and the regeneration of run-down urban spaces, thereby resolving serious regional imbalances without keeping to a single local development model, but rather enabling different methods to function in parallel according to regions' social and economic needs.

2.5.3.3 The SSE facilitates regional autonomy by attaching particular importance to civil society when determining the development model for the area and controlling the development of growth and structural change processes. Agricultural cooperatives are an essential element in these processes. Social cohesion policies must focus on the local (rural and urban) in order to guarantee basic social services, infrastructures and education. The SSE is essential to this task.

2.5.4 Economic democracy and plurality

2.5.4.1 The SSE is not a marginal sector, but rather an institutional element of the economic system, coexisting with the public and private sectors. It therefore creates economic plurality, providing a counterbalance for the other two. The SSE contributes to sustainable development, promotes the voluntary sector and seeks to enhance equal opportunities through its educational promotion systems. It is essential to achieving social stability, the sustainability of economic growth, the redistribution of income and the implementation of economic alternatives.

⁽¹¹⁾ For example, the many relevant documents include: EESC: 6th meeting of EU-Latin America organised civil society, 2010. ECLAC working documents for the Ibero-American Summit of Heads of State and Government in Santiago de Chile, 2007. EESC REX/257, OJ C 100, 30.4.2009, p. 93–99, on *EU/Brazil relations*. EESC REX/232, OJ C 256, 27.10.2007, p. 138–143, on *EU/Central America relations*. EESC: EU/Central America Association Agreement. EU/LA Guadalajara Summit. EESC: 4th meeting of EU/LA and Caribbean organised civil society, 2006. EESC REX/210, OJ C 309, 16.12.2006, p. 81–90, on *EU/Andean Community relations*. EESC REX/180, OJ C 88, 11.4.2006, p. 85–93, on *EU/Mexico relations*. EESC REX/135, OJ C 110, 30.4.2004 p. 40–54 on the *Americas Free Trade Agreement*. CESE REX/13 (OJ C 169, 16.6.1999). Of particular relevance is CESE REX /152, OJ C 110, 30.4.2004, p. 55–71, on *Social cohesion in Latin America and the Caribbean*.

2.5.4.2 The SSE provides an ongoing education in democracy and citizenship, by operating on the basis of the principle of democracy and people's participation in decision-making regarding their economic processes. It builds social fabric and its capacity to contribute successfully to conflict resolution and in favour of peace and social justice make it a crucial element of the economic and social system in Latin America. These capacities must be promoted.

3. International SSE cooperation

3.1 The need for cooperation

3.1.1 The SSEs of the EU and of Latin America are based on similar principles and practices, and their points in common could therefore help encourage cooperation between the two regions both in terms of sustainable development and trade and business exchanges.

3.1.2 To reiterate a point that the EESC has made on other occasions, it would stress the need for trade agreements signed with LA countries to promote the development of small and medium-sized companies and micro-enterprises and, specifically, of the SSE⁽¹²⁾.

3.2 Networks

3.2.1 Networks made up of representative bodies of the SSE, social enterprises and information, quantification, innovation and university training centres can create platforms which work to overcome the major shortcomings identified. The EU can be particularly useful when it comes to achieving these aims, though measures must not be geared exclusively towards the countries or regions with the lowest incomes, but also towards the emerging ones with average incomes, which need to consolidate their social cohesion and equitable growth. Basing an SSE on reliable networks would help to identify the most urgent needs and the most effective projects, making the EU's international cooperation more selective. EU action to create networks between the LA and other developing regions (Africa, Asia, etc.) based on the SSE can be of crucial importance⁽¹³⁾.

3.3 Development Cooperation and Co-development in the SSE

3.3.1 The EU can tackle cooperation through the implementation of **SSE Business Plans for Sustainable Development**⁽¹⁴⁾ with the participation of committed Latin

⁽¹²⁾ CESE REX/277, OJ C 347, 18.12.2010, p. 48–54, on the *Promotion of socio-economic aspects in EU-Latin America relations*. See also the positions adopted by the EESC on the various trade agreements with countries of the region.

⁽¹³⁾ In this context, it is necessary to take into account the role that China is playing at global level and its importance as a strategic partner. There are major networks in LA such as Red del Sur (Mercosur); Unisol (Brazil) and the FIDES fund (Mexico).

⁽¹⁴⁾ The link between the SSE and environmental sustainability is one of its distinguishing features. See Chapter 9 of the document cited in footnote 10 to this opinion, regarding "green jobs". Also OJ C 48, 15.2.2011, p. 14–20 and OJ C 48, 15.2.2011, p. 65–71.

American governments and the cooperation of SSE organisations from both continents, establishing guidance programmes and technical assistance for entrepreneurs within the context of active employment policies. The EU will thus be seen as having more than simply a business interest in Latin America.

4. 2012 as a turning point: UN International Year of Cooperatives; 7th Meeting of EU-Latin America organised civil society

4.1 In its General Assembly Resolution (64/136), the UN declared 2012 to be International Year of Cooperatives. The

important statements in the Resolution, stressing cooperatives' contribution to economic and social development throughout the world, include a call for them to be actively promoted in particular during 2012. This opinion supports the content of that Resolution in all respects and agrees with its proposals.

4.2 Also in 2012, the **7th Meeting of EU-Latin America organised civil society** is to take place. In the context of this meeting and its preparatory meetings, working sessions will be held on the content of this opinion with representatives of the SSE, LA and the EU, aimed at reaching consensus on the recommendations to be contained in the final document.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on ‘Agriculture and crafts — a winning combination for rural areas’ (own-initiative opinion)

(2012/C 143/07)

Rapporteur: **Adalbert KIENLE**

On 22 September 2011, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Agriculture and crafts – a winning combination for rural areas (own-initiative opinion).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 20 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February), the Committee adopted the following opinion by 184 votes and 8 abstentions.

1. Summary and recommendations

1.1 With this own-initiative opinion, the EESC wishes to give the European Commission, the European Parliament and the Council impetus for policy configuration, particularly regarding further development of the second pillar of the CAP and the structural funds for the period 2014-2020. This own-initiative opinion is intended to contribute to the implementation of the EU’s Europe 2020 strategy and make specific proposals regarding future EAFRD funding and structural support, and other EU policies. To civil society organisations representing agriculture and craft industries, this clear commitment to regionalism and/or regional value chains represents a significant boost to their activities. The EESC also hopes that its own-initiative opinion will provide an important impetus for national debates.

1.2 In view of the European Commission’s legislative proposals of 5 and 12 October 2011 on EAFRD and structural funding for the funding period 2014-2020, the EESC recommends the following:

1.2.1 The proposed SME investment support in the EAFRD should be expanded and duly qualified, with a view to regional cooperation between rural businesses and to crafts and agriculture in particular. For this purpose, regional communication networks and mentor networks of entrepreneurs should be initiated and supported on the ground.

1.2.2 EU-led local initiatives in the EAFRD and the structural funds are an important opportunity to support regional crafts, agriculture, tourism and retailing. However, these initiatives should give priority to the interests of economic and social partners.

1.2.3 There should be sustained support for scientific, information and innovation exchange amongst SMEs in order to encourage and secure employment in rural areas as well as to support resource-efficient and climate-friendly economic activity. Traditional skills and experience should not be forgotten, but rather protected and utilised as a valuable resource.

1.2.4 Regional value chains are a significant opportunity for crafts, agriculture, tourism, retailing and the entire rural economy. They should receive attention particularly as far as regional umbrella brands and joint processing and marketing are concerned.

1.2.5 Crafts and agricultural businesses rely on adequate business infrastructure. The structural funds, in particular, must create the prerequisites for this – though flexible regional budgets, for example.

2. Introduction

2.1 As a sector where SMEs predominate, agriculture and crafts shape the economy of the countryside in diverse ways and play a major role in maintaining service structures and community life in EU villages and small towns.

2.2 Looking to the imminent scaling up of EU support for rural areas for the period 2014-2020, this own-initiative opinion is intended as a contribution to harnessing additional value-creation potential from agriculture and crafts in rural areas. The Commission’s legislative proposals for the CAP and cohesion policy post-2013 provide the context. These expand EAFRD funding to include all businesses, including small businesses, in rural areas, which represents a major change. This

own-initiative opinion is intended to stimulate the debate in Europe about smart, sustainable and inclusive growth in the context of knowledge and skills transfer. Another concern is how to improve conditions so that collaborative, cross-sectoral measures can have an enduring impact on quality of life and economic potential in the countryside and safeguard service structures when the population is declining. This own-initiative opinion should also feed into the public debate on dealing with the effects of demographic change and into national debates on preserving the competitiveness and vitality of rural areas.

3. State of play

3.1 The small and medium-sized craft and agricultural businesses established and entrenched in the countryside have considerable potential – in terms of both their economic activities and their social commitment – to strengthen existing economic and social structures and meet future challenges. They also have a direct impact on quality of life, and their products and services help to shape regional identities. They conserve important traditions whilst also delivering innovation. Crafts and agriculture stand for modernity and sustainability, high-quality products, energy security, sustainable protection of the environment and nature, and preservation of cultural heritage. The people active in crafts and agriculture are highly qualified, autonomous and to a large extent capable of learning and adapting. These qualities are a foundation for many economic and social success stories in rural villages and small towns.

3.2 Almost all rural areas in the EU have further potential for shared value creation from crafts and agriculture. This potential lies in cooperating on production, processing and marketing at the regional and interregional level. But it also rests in fair competition between operators and equal participation of women and men.

3.3 Rural areas in the EU are very different structurally. Alongside very prosperous regions with low unemployment and robust growth are regions with mounting economic problems, emigration and an ageing population. In addition, opportunities for vocational education and training are not always available in acceptable proximity. There is a risk that the gap in social and economic development and infrastructure standards will widen further.

3.4 Elderly people in particular are dependent on journeys being short and local services easily accessible; and younger people need a well-functioning basic infrastructure, including internet access, nurseries and primary schools. Demographic change creates a pressing need for adjustment in rural infrastructure and utilities. The expertise of local businesses, especially SMEs, is often insufficiently drawn on in meeting these challenges. Socially responsible and locally active crafts and agricultural businesses make an important contribution to integrating disabled people into the community.

3.5 To be economically successful individually or jointly, craft businesses, farming and other regional business operators are reliant on fast local internet connections. But broadband access is often unsatisfactory, especially in remote rural areas.

3.6 Social debate is increasingly defined by regionalism, which typifies a society of responsibilities and values and is a prerequisite for sustainable economic activity and co-existence. However, regions often lack the right drivers, and incentives for leveraging regional value-creation potential can be too weak. Interaction between entrepreneurs in a region is often absent or inadequately developed.

3.7 Together, crafts and agriculture face the growing challenges of protecting resources and tackling climate change more effectively. Resource-efficiency and climate-friendliness are key concepts in both crafts and agriculture when it comes to forward-looking business strategies. Through the cooperation of both sectors, rural regions can contribute significantly to overcoming challenges affecting society as a whole.

4. Objectives

4.1 The EESC holds that it is essential for European institutions and national governments and administrations to better recognise the potential of crafts and agriculture, take the right policy measures and thereby help secure the prospects of rural regions.

4.2 The EESC strongly supports the harnessing of additional value creation potential from crafts and agriculture.

- Regional value chains should be created or strengthened in agriculture and crafts as well as in other sectors such as retailing, tourism, healthcare and forestry; this also means that fair competition rules should obtain and systems be developed to mobilise regional economic potential with the help of local SMEs.
- There should be support for maintaining, diversifying, setting up and further expanding SMEs in rural areas, and for cross-sectoral business cooperation.
- Support for smaller businesses in the countryside should be improved by developing accessible programmes to promote growth, innovation and skills; in all regions of Europe, there should be adequate access to vocational education and

training as well as exchange of practical knowledge of cutting-edge technologies that will shape the future.

- Schoolchildren should spend time with local artisans and farmers to become acquainted with traditional and modern methods of production, and learn about the values of autonomous and self-sufficient work.
- Production, processing and marketing of regional foods and other regional products should be geared towards specific local requirements and characteristics; in line with this, there should be support for quality control systems as well as brand development and marketing.
- Resource-efficient and climate-friendly economic activity should be supported.
- Public utilities, infrastructure and community life in rural areas should be safeguarded and improved.
- Connections to modern broadband networks should be improved as a basic prerequisite for harnessing value-creation potential in the countryside through SMEs.
- Decentralised energy supply systems and energy efficiency measures should be viewed as a great opportunity to create added value.
- In view of the serious challenges arising from demographic change, it is essential to retain qualified labour in the countryside and win workers for viable activities in the crafts and agriculture sectors.
- Institutions, organisations and businesses in rural areas, particularly those in the agriculture and crafts sectors, must be encouraged to engage in closer civil society dialogue and economic cooperation and to learn from positive examples.

4.3 The EESC would like to highlight three goals that are particularly important with a view to more effectively activating this potential for the regional economy in a spirit of partnership:

4.3.1 Regionalism and value creation

A major strength of agriculture and crafts lies in their local and regional rootedness. Local and regional products become particularly important in a globalised economy. Local trade holds the key to solving many current problems. Expanding regional value chains is therefore becoming increasingly relevant. In many regions there have traditionally been close links and cooperation between farming and craft industries, particularly in the food sector: links that create significant added value for the consumer in these areas. There are plenty of positive examples of this that should be further developed and expanded in other regions. This should also serve as a model for other product and service sectors, such as wood processing and rural tourism. At the same time, such cooperation can help to safeguard local utilities and reduce traffic, thus contributing to climate protection.

An approach based on value chains via increased cooperation between key rural players also makes it possible to gear the production and sale of foods to specific regional requirements and characteristics and create an unmistakable local identity. The development of regional umbrella brands for joint marketing reflects the growing demands of consumers as to the quality and origin of products. Quality and origin labels should be introduced for craft products, as with foods.

4.3.2 Energy and raw materials

Introducing decentralised energy supply systems and energy-efficiency measures in the countryside will become much more important in Europe in the future and is an ideal area for cooperation between the craft industry and the agricultural sector. The environmental benefits of renewable energies and resources can be fully realised only if they are processed in the regions where they are produced. This requires local experts.

Regional cooperation in the field of cultivating, processing and marketing renewable (raw) materials also offers good prospects.

4.3.3 Securing a skilled workforce

Demographic change and the noticeable migration from peripheral rural regions to urban centres are making it increasingly difficult for agricultural and craft businesses to find skilled staff⁽¹⁾. As already stated in another Committee opinion, particular attention should be paid to employment of women⁽²⁾. "Soft" location factors – such as quality of life, housing, education, leisure and cultural facilities, and especially facilities for young families – must be improved so as to guarantee long-term local viability. Efforts of businesses to raise awareness among schoolchildren and young people about jobs with a future in crafts and agriculture should be backed up by policy measures and support from employment

⁽¹⁾ CESE 1704/2007, OJ C 120, 16.5.2008, p. 47.

⁽²⁾ CESE 1175/2011, OJ C 318, 29.10.2011, p. 43.

agencies and schools. Individuals trained in these vocations are highly employable, and particularly adept at making necessary adjustments to new challenges in the labour market ⁽³⁾.

5. Measures

5.1 To achieve the above-listed goals, the Committee considers it necessary to build consistently on the Europe 2020 strategy to promote smart, sustainable and inclusive growth; to take into account funding for rural development through the EAFRD with its six funding priorities and through the structural funds; and to achieve an enduring impact on quality of life and economic potential in rural areas through integrated policy approaches. A cross-sectoral multi-fund strategy would be conducive to the development of shared value chains, to stemming migration and to maintaining service structures in rural areas, and hence to the benefit of all locally established industries and segments of society.

5.2 In the EESC's view, specific elements of future EU structural policy for rural areas include:

- investing in diversification, setting-up, transfers and further expansion of SMEs in rural areas;
- promoting and establishing cross-sectoral cooperation and platforms (for example, through the establishment of regular round table discussions);
- supporting regional (traditional) economic activity with short transport routes;
- promoting regional umbrella brands for joint processing and marketing of regional products and services;
- supporting quality and quality control systems as a key to successfully selling products;

- encouraging resource-efficient and climate-friendly economic activity;
- supporting targeted knowledge and skills transfer to businesses in the craft and agricultural sectors, as well as other rural economic partners;
- promoting innovation partnerships between research and industry, with a particular focus on application and process-oriented innovations for SMEs;
- securing and expanding business infrastructure in rural areas (especially broadband);
- supporting measures by economic and social partners to cover future workforce needs;
- public relations work in the form of site visits for schools and the public;
- extending the current LEADER initiative to include entrepreneurs to a much greater extent and leverage economic potential in rural areas;
- supporting existing mentor networks of SMEs, particularly with a view to guiding cooperation;
- creating and further developing platforms for collecting and disseminating best practice in regional development and cooperation between rural economic and social partners;
- promoting rural regions by providing flexible regional funding.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽³⁾ *ibid.*

Opinion of the European Economic and Social Committee on 'EESC position on the preparation of the United Nations Conference on Sustainable Development (Rio+20)' (additional opinion)

(2012/C 143/08)

Rapporteur-General: **Mr WILMS**

On 17 January 2012 the European Economic and Social Committee, acting under Rule 29(A) of the Implementing Provisions of the Rules of Procedure, decided to draw up an additional opinion on

EESC position on the preparation of the United Nations Conference on Sustainable Development (Rio+20) (additional opinion).

Given the urgent nature of the work, the European Economic and Social Committee appointed **Mr WILMS** as rapporteur-general at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), and adopted the following opinion by 211 votes with three abstentions.

1. Introduction

1.1 The United Nations have convened a Conference on Sustainable Development to take place on 20-22 June 2012 in Rio de Janeiro, Brazil. The second Preparatory Committee Meeting for this Conference invited all member States, relevant United Nations system organisations, and relevant stakeholders to provide inputs and contributions to the Secretariat by 1 November 2011, for inclusion in a compilation text which should serve as basis for the preparation of a zero-draft of the outcome document, to be presented in January 2012.

1.2 The EESC has contributed to the common position of the EU and its Member States for the compilation document with its opinion ⁽¹⁾ "*Rio+20: towards the green economy and better governance - The contribution of European organised civil society*" adopted in September 2011.

1.3 As stated in the action plan of this opinion, the EESC has further engaged in dialogue with civil society inside and outside Europe. At the international level, dialogue is taking place in the framework of the civil society Round Table meetings EU-Brazil, EU-China, the EESC meetings with the Russian Civic Chamber and the AICESIS. Further activities are planned in the framework of the ACP cooperation.

1.4 At the European level, the EESC has organised a broad dialogue process on the topics of the Rio+20 Conference, including first reactions on the zero-draft of the outcome document released on 10 January. This dialogue process aimed at preparing the major civil society conference "*Go sustainable, be responsible! European civil society on the road to Rio+20*" organised by the EESC on 7 and 8 February 2012, and at reaching an agreement on a common message of this conference.

1.5 The present opinion reiterates the recommendations and conclusions presented in the previous EESC opinion on "*Rio+20: towards the green economy and better governance - The contribution of European organised civil society*" ⁽²⁾ and endorses fully the message of the EESC conference "*Go sustainable, be responsible! European civil society on the road to Rio+20*".

2. Conclusions and recommendations

2.1 The EESC is convinced that the current economic, social and environmental crises are closely interlinked and that business as usual is no longer possible.

2.2 The EESC reiterates the following message of the conference *Go sustainable, be responsible! European civil society on the road to Rio+20* organised by the European Economic and Social Committee on 7 and 8 February 2012 in Brussels:

2.3 At the Rio+20 UN Conference, world leaders have to commit to a concrete action plan leading to sustainable development and poverty eradication within the limitations of the planet. Promoting a green economy must be part of an overarching sustainable development strategy, striking a balance between social, ecological and economic aspects while achieving distributional and intergenerational equity.

2.4 Eradicating poverty and secure access to enough food, clean water and sustainable energy for all must be a top priority on the Rio+20 agenda. The promotion of environmentally

⁽¹⁾ OJ C 376, 22.12.2011, p. 102.

⁽²⁾ OJ C 376, 22.12.2011, p. 102.

sound local agriculture in developing countries plays a crucial role in fighting poverty and improving food security, and is a driving force for the development of economically prosperous rural areas. Women's equal political, economic and social rights need to be ensured.

2.5 Political leaders have to deliver on their commitment to meet the Millennium Development Goals and need to adopt additional measures ensuring the necessary effective financing. In particular, developed countries have to effectively implement their commitment to allocate at least 0.7% of their gross national income to development aid.

2.6 European negotiators have to place much greater emphasis on the social dimension of sustainable development than envisaged in the zero draft. Increasing social and wealth inequalities within and between countries requires urgent action, since they are hindering efforts to achieve sustainable development and distributional equity. Moreover, a just transition must guarantee decent work and high-quality jobs for the workforce. Ratification and application of ILO Core Labour Standards is necessary, the ILO Social Protection Floor Initiative must be fully supported.

2.7 Political leaders at Rio have to commit to a green economy roadmap with clear goals and monitoring mechanisms, ensuring an economically efficient, socially just and environmentally sound transition to sustainable societies. The transition process must be based on continuous engagement with civil society, including social dialogue.

2.8 European countries and other developed countries have to commit in Rio to substantially reducing their consumption of the earth's limited natural resources. European leaders have to implement agreed EU targets and prepare themselves for more ambitious action. Emerging countries should use natural resources more efficiently.

2.9 Unsustainable consumption and production patterns must be phased out, using a broad range of policy instruments, including regulatory measures, fiscal policy tools, green and social public procurement, the phasing-out of environmentally harmful subsidies, research on eco-innovation, the internalisation of environmental costs and other market-based incentives, while at the same time promoting sustainable life-styles and the active involvement of consumers in the transition. Adoption of a 10-year work programme on sustainable consumption and production in Rio.

2.10 The zero draft recognises the limitations of GDP as a means of measuring well-being, now civil society must be involved in the urgent development of complementary indicators.

2.11 The initiative to establish by 2015 a set of global Sustainable Development Goals is welcome, taking a balanced approach to all three dimensions of sustainable development. An inclusive process starting in Rio linking MDGs with comprehensive SDGs and establishing a strategy and sustainable development indicators with clear mechanisms for accountability is needed.

2.12 A new global deal in Rio to ensure the necessary investments in the greening of the economy is necessary.

2.13 The key role and the responsibility of the private sector in achieving a transition to sustainable development is acknowledged. Greening the economy is an opportunity for business. Business and industry should take that opportunity. Political leaders have to draw up clear, stable and predictable green economy policy frameworks to give business the confidence, the regulatory framework and the incentives for the investments needed.

2.14 A new Council for Sustainable Development, replacing the Commission for Sustainable Development, should be created, as well as a new UN agency for the environment based on UNEP. Both of these bodies should provide for effective involvement of civil society, as represented by the Major Groups.

2.15 The proposal to establish an ombudsman for future generations is welcome.

2.16 Political leaders have to agree at the Rio+20 conference on additional measures to improve effective civil society involvement and achieve empowerment at global, national and local level in the transition to sustainable societies. Legal and institutional frameworks ensuring public access to information, dialogue, democratic participation and scrutiny have to be established. Multi-stakeholder fora such as Economic and Social Committees and National Sustainability Councils have to be promoted as models to stimulate civil society debate. More awareness-raising campaigns and education programmes on sustainable development are needed.

2.17 Civil society all over the world should continue pushing for a conference outcome capable of meeting the challenges we are facing. Civil society has to take global responsibility!

2.18 The zero draft outcome document issued by the UN Rio+20 Conference Bureau is a good starting point for subsequent negotiations. However, the zero draft still falls far short of the challenges we are facing.

2.19 European heads of government have to take responsibility and engage in the Rio+20 conference. EU negotiators have to work for a more ambitious document as regards targets, timing, financing, legal commitment and follow-up. The overarching EU Sustainable Development Strategy needs to be reviewed and revitalised following the Rio+20 conference.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

478TH PLENARY SESSION HELD ON 22 AND 23 FEBRUARY 2012

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-20)'

COM(2011) 608 final — 2011/0269 (COD)

(2012/C 143/09)

Rapporteur: **Mr SIECKER**
Co-rapporteur: **Mr HABER**

On 24 and 25 October 2011 respectively, the Council and the European Parliament decided to consult the European Economic and Social Committee, under Articles 175(3) and 304 of the Treaty on the Functioning of the European Union (TFEU), on the

Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014 – 2020)

COM(2011) 608 final – 2011/0269(COD).

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 9 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February), the European Economic and Social Committee adopted the following opinion by 158 votes to 10 with 8 abstentions.

1. Conclusions, recommendations

1.1 The EESC welcomes the fact that the Commission has tabled a proposal to continue the Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund. At the same time, the Committee is not convinced that all proposals from the Commission will solve the problems with the fund. The number of applications for the EGF has been – and still is – very low and the EESC does not believe that extending the fund to agriculture is the right way to address this shortcoming. Instead, the Committee suggests some additional measures to improve utilisation of the EGF, for instance by lowering the thresholds and fastening the procedure, since the instrument itself has performed relatively well in the cases in which it has been applied.

1.2 One of the causes of that underutilisation is the slow and bureaucratic procedure of the EGF due to its specific character. The Commission cannot decide without involving both the European Parliament and the Council. Once the budget authority is involved certain very time-consuming procedures

are necessary that have, in any event, resulted in all applications being approved. This administrative approval process is very costly and the expenditure involved could be better used.

1.3 The EESC suggests lowering the threshold for applications to 200 redundancies instead of the proposed 500. It also recommends increasing the co-financing from the EU to 75 % to further improve the utilisation of the EGF. The EESC further welcomes the fact that the notion of "worker" has been extended to people with fixed-term contracts and temporary agency workers. The EESC agrees that the EGF also should be extended to self-employed workers. They are substantial and important players on the labour market and are amongst the first ones that are affected by the consequences of both globalisation and economic crises. The EGF was never meant for assistance of employers and therefore the EESC disagrees to extend the EGF to owners/managers of SMEs. DG Enterprise has a separate section dedicated to SME policies with substantial supporting programmes. EGF should not interfere with these programmes.

1.4 The EESC would like to suggest two more possibilities to improve the performance of the EGF. The first is to inform SMEs about the possibilities of the EGF with a massive information campaign, the second to involve the social partners right from the start of the procedure with applications for the fund. The EESC also wishes to express its astonishment at the decision of the Council of December 2011 to withdraw the possibility of using the EGF to combat unexpected social consequences of the economic crisis during the last 2 years of the current duration of the fund (2012 and 2013). Especially as the overview of the applications show that the fund performed well in that aspect. The EESC therefore urges the Council to reconsider this decision and wants to make it absolutely clear that it wishes to include this dimension in the continuation of the fund from 2014 till 2020.

1.5 The EESC disagrees with the proposal to extend the EGF to agriculture but acknowledges that something has to be done for that sector when future trade agreements like the Mercosur Treaty come into force. Mercosur will be profitable for the EU as a whole, but within the Union the advantages will accrue to industry and services, whereas agriculture will have to pay the bill. The Commission expressed its expectation that future trade agreements may have the same impact. It is fair to compensate agriculture for those kind of disadvantages, but that should be done with a tailor-made solution for the sector, for instance through the Structural Funds linked to the common agricultural policy. The EESC urges that the EGF, which was set up to help workers who have lost their jobs re-enter the labour market, should continue to be reserved for that purpose.

1.6 The EESC urges that the Fund continue to operate during a period of crisis and that provision be made for its use, for example, in relation to the "offshoring"/"reshoring" of industrial activity in the EU.

2. Gist of the Commission proposal

2.1 In March 2006 the Commission submitted a proposal for a European Globalisation Adjustment Fund (EGF). It was aimed at providing specific, one-off support to facilitate the re-integration into employment of workers who lost their jobs in certain areas or sectors because of serious economic disruption such as delocalisation of jobs to third countries, a massive increase of imports or a progressive decline of the EU market share in a given sector. The major criterion for EGF funding was the occurrence of more than 1 000 redundancies in a company or in a group of companies within the same sector in one or two contiguous regions.

2.2 The EGF was established for the duration of the programming period 2007-2013. Measures included were retraining, relocation assistance, assistance for business start-ups and supplementary income benefits. The EGF intervenes at the request of a Member State. The amount paid by the EU was not to exceed 50 % of the total estimated cost of the complete set of measures envisaged by the Member State. In 2009 the criteria for support were adjusted due to the pressure of the economic crisis. The number of redundancies required

was decreased from 1 000 to 500 and the participation of the EU in EGF projects was increased from 50 % to 65 %.

2.3 In October 2011 the Commission tabled a proposal for a regulation of the European Parliament and the Council to continue the EGF for the programming period 2014-2020 to contribute to the objectives of the Europe 2020 strategy, and to extend the provision of support to agriculture. In order to ensure that EGF support is available to workers independently of the nature of their contract of employment or employment relationship, the notion of "workers" is extended to include not only workers with contracts of employment of indefinite duration but also workers with fixed-term contracts, temporary agency workers and owner-managers of micro, small and medium sized enterprises and self-employed workers, including farmers. The participation of the EU in EGF projects will vary from 50 to 65 %.

2.4 The Commission proposed that the EGF remains placed outside the Multiannual Financial Framework (MFF) because of the unforeseeable and urgent character of the circumstances which warrant its deployment. Expenditure at Union level should be results-oriented. For expenditure related to the EGF, the MFF sets the target that at least 50 % of workers assisted through the EGF should find a new and stable job within 12 months. In order to enable the Commission to monitor whether Member States are successfully striving towards this target, they have to submit an interim report after 15 months.

3. General comments

3.1 The EGF was set up as some sort of First Aid, an instrument that made it possible for the EU to give a quick and flexible response to support employees who lost their jobs due to the consequence of globalisation. The available capital for the EGF was EUR 3.5 billion for the entire seven-year period from 2007 till 2013. In the first five years, from 2007 to 2011, slightly more than EUR 364 million was used out of the 2.5 billion that was available for that period. The most important reasons for the modest utilisation of the EGF were the slow and bureaucratic administrative procedure, the high threshold of 1 000 workers and the low 50 % co-financing level. Utilisation improved in 2009 after the threshold for application was lowered from 1 000 employees to 500 employees, the threshold for co-financing by the EU was increased from 50 % to 65 % - under certain conditions - and applications were permitted not only to fight the consequences of globalisation but also to combat the consequences of the economic crisis.

3.2 After those adjustments, utilisation of the EGF went up from eight applications in 2007 and five in 2008 to 29 in 2009 and 2010. In 2011 eight applications have been approved, another 18 are still under assessment. The EGF has been used more to combat the consequences of the crisis than to fight the consequences of globalisation: there have been 53 crisis applications in three years (from the extension of the EGF in 2009 to cover the consequences of the crisis until November 2011) against 26 globalisation applications in five years. The 53 crisis applications targeted 48 607 workers and the 26 globalisation applications targeted 28 135 workers, so that in total 76 742 workers were assisted to keep up their employability.

3.3 The mid-term evaluation of the EGF has analysed how many of the workers involved found another job within one year based on 15 final reports that were available at that time from the period 2007–2009. The average re-employment rate was 41.8 %. The re-employment rates exceed the 50 % benchmark in 6 out of the 15 first EGF co-financed cases, while they fall short of the target in 9 out of 15 cases. The variation of re-employment outcomes achieved is vast: from the high of 78.2 % in a case in Germany to significantly lower rates of 4–6 % in cases in Portugal, Spain and Italy. In the interests of achieving comparable levels of effectiveness, consideration should be given to linking part of the support granted to the outcomes of the assistance. In the medium term (12+ months after the conclusion of EGF assistance) re-employment rates did increase in the majority of cases (where information was available) despite the impact of the global economic crisis unfolding in the local economies. The employment rate of EGF beneficiaries increased over time in 8 cases and decreased in 3 cases. In average the re-employment rate over these cases increased by 7 percentage points. The overall conclusion that apart from the modest use of the Fund the results are good seems justifiable.

3.4 What has not been addressed is the third reason for the modest use of the EGF, the fact that the Fund does not have a budget of its own. The budgetary authority, in this case the European Parliament and the Council, therefore has to decide separately for each and every application whether it deserves support. Despite the fact that the model, an instrument outside the existing EU structures, made a quick and flexible response possible, the administrative procedure that had to be followed for reasons of accuracy is a very long and bureaucratic one. One must bear in mind the high costs of the approval process, such as translation into 22 languages, meeting rooms, meeting documents, participants' time and interpretation, at the various different stages of the approval process. Every application has been approved and the question arises whether the money spent on the approval process should not be redirected for the benefit of the affected workers. The advantage of the current procedure for the EGF is that the procedure is very transparent and that it makes the EU's commitment to fighting social exclusion visible. Though transparency and visibility are of utmost importance something has to be done to speed up the procedure and reduce costs.

3.5 Other possible models are mentioned in the proposal and the accompanying documents⁽¹⁾ are integration of the EGF into the ESF or continuation of the EGF as an independent body with a budget of its own. Both models have advantages and disadvantages. The main disadvantage if the EGF were to be integrated into the ESF would be the necessity for a clear allocation from the EU budget, in spite of the fact that it is impossible to plan or programme mass redundancies. Clear advantages would be consistency and complementarities with the ESF, possible shortening of the decision-making process and simplification and streamlining of EGF applications. Option 3, continuing the EGF as an independent EU body with its own budget has, besides a number of disadvantages, only one advantage: greater visibility of European solidarity.

⁽¹⁾ SEC (2011) 1130, 1131 and 1133 final.

4. Specific comments

4.1 First of all, the EESC wishes to express its astonishment at the decision of the Council of December 2011 to withdraw the possibility of using the EGF to combat unexpected social consequences of the economic crisis where First Aid is required during the last two years of the current duration of the fund (2012 and 2013). The overview of EGF applications up to 17 November 2011 shows very clearly that the fund performed relatively well in that aspect and less well in fulfilling its original aim of fighting the consequences of globalisation. In each of 2009 and 2010, 23 applications to fight the consequences of the crisis were approved, against six applications to combat the consequences of globalisation. The EESC therefore urges the Council to consider that as long as the crisis is not over the EGF also can be used to combat the consequences of the crisis. The EESC wants to make absolutely clear that it wishes to include the extension to combat the consequences of the economical crisis in the continuation of the Fund while further lowering the barriers for applications.

4.2 Although the number of applications increased after 2008, the appeal made to the EGF is still very modest. It therefore seems logical to lower the thresholds for applications more than proposed. In the preliminary findings of the EGF mid-term review is stated in relation to decreasing the threshold for the number of redundancies from 1 000 to 500: "However, in some contexts, this reduced number would still be considered too high, as even a loss of 200–300 jobs could cause a significant shock to the local and regional contexts." The existing threshold (of 500 employees) might still be too high if we look at the ongoing processes of delocalisation and outsourcing. The EESC therefore suggests lowering this threshold to 200 employees.

4.3 The EESC would like to suggest two more possibilities to improve the performance of the EGF. SMEs are in general too small and have too little resources to be fully up to date with the possibilities the EU creates in certain circumstances. Probably a lot of SMEs that are struggling with the problems the EGF offers a solution for don't even know of the existence of this fund and therefore cannot profit from it. The EESC assumes there is a world to win when owners/managers of SMEs would be informed about the possibilities of the EGF with a massive information campaign. Another idea that might have a positive impact of the performance of the EGF might be to involve the social partners right from the start of the procedure with the applications for the fund.

4.4 The assessment so far has given some evidence that the strong reservations of Member States during the first stage of the functioning of the EGF were partly based on the high own contribution that had to be paid. For this reason, the proportions were modified in 2009, and it seems as if this has had a positive effect. As the current crisis still requires firm active labour market instruments, the EESC recommends increasing co-financing from the EU to 75 % to further improve the utilisation of the EGF.

4.5 The Commission proposes to continue with the same model as the current EGF, as a crisis instrument outside the financial framework. The disadvantage of this model is the slow and bureaucratic procedures involved. The bureaucracy lies partly in bottlenecks in Brussels and partly in bottlenecks in the Member States. The EESC urges the Commission to try to find a solution for these bottlenecks so the procedure will become more flexible and faster and will no longer be experienced as a barrier by potential applicants. Applications for instance are made by regions, but they have to go through the national level. That slows down the process considerably, a lot of efficiency can be gained by reconsidering these kind of procedures.

4.6 The EESC welcomes the fact that in the new regulation the notion of "workers" has not been limited to people with employment contracts with indefinite duration but that it has been extended to people with fixed-term contracts and temporary agency workers. The EESC has reservations with the inclusion of self-employed workers. The EGF has been set up as a flexible instrument to support employees who have lost their jobs due to the consequences of globalisation. The status of self employed is very diverse in the Member States. It ranges from highly skilled experts with a strong labour market position to economically dependent self employed who are in fact in the same position as employees to mini undertakings formed by one person. A large proportion of these self employed form an important part of the labour market. Self employed are among the first that will be hit by the consequences of both globalisation and economic crises. Therefore the EESC proposes to include these labour market participants in the EGF to prevent unemployment and to stimulate a better utilisation of the fund.

4.7 As far as owners/managers of SMEs are concerned the EESC keeps its hesitations. When they are owners/managers of an SME that employs people they are employers and they don't qualify as the EGF is set up for employees that have lost their jobs. Assistance of the undertakings involved could easily create a distortion of competition with other SMEs. Applications to the EGF for this group would interfere with the policy of DG Enterprise for SMEs with a broad supply of education, training and innovation programmes and therefore the EESC is of the opinion that owners/managers of SMEs as such are not eligible. The employees of these SMEs however are included when they

lose their job due to unexpected consequences of the globalisation and meet the other conditions of the EGF.

4.8 The EESC disagrees with the extension of the EGF to farmers. The Commission justifies its proposal to allocate as much as 80 % or more of EGF resources to farms with a reference to the negotiations on future trade agreements. The EU has already calculated that treaties like the Mercosur Treaty between the EU and a number of South American countries will be profitable for the Union as a whole, but within the EU it is primarily industry and services that will profit, while the disadvantages will affect agriculture. Many of those future agreements are likely to have the same outcome.

4.9 The proposal states that the EGF is to provide "one-off support to workers made redundant as a result of major structural changes triggered by the increasing globalisation of production and trade patterns." In the next paragraph the Commission adds that "through the EGF the Union will also be able to provide support in the event of large scale redundancies resulting from a serious disruption of the local, regional or national economy caused by an unexpected crisis. The scope of the EGF will furthermore be extended to provide transitory support to farmers to facilitate their adaptation to a new market situation resulting from the conclusion by the Union of trade agreements affecting agricultural products."

4.10 There are a few important reasons why the EGF isn't an appropriate instrument to extend to agriculture. The problems agriculture will face as a consequence of these trade agreements will be structural as future treaties are likely to have the same outcome and the EGF only will be a temporary instrument. On top of that trade agreements like the Mercosur Treaty usually are under negotiation for years and cannot be considered as "serious disruptions of the local, regional or national economy caused by an unexpected crisis." They will be serious disruptions of the local, regional or national economy caused by intentional and carefully prepared actions of the European Union. It goes without saying that agriculture should be compensated for that burden. But that should be done by a tailor-made instrument for agriculture. The EESC urges that the EGF, which was set up to help workers who have lost their jobs re-enter the labour market, should continue to be reserved for that purpose.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (recast)'

COM(2011) 714 final — 2011/0314 (CNS)

(2012/C 143/10)

Rapporteur: **Mr MORGAN**

On 20 December 2011 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Council Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (recast)

COM(2011) 714 final – 2011/0314 (CNS).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February 2012), the European Economic and Social Committee adopted the following opinion by 230 votes to 4 with 10 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the scope of the proposed amending Directive. The Committee is pleased that the amended Directive and the Parent-Subsidiary Directive will now be aligned. The 10 % shareholding threshold to establish that companies are associated is particularly welcome. This requirement had been highlighted by the Committee as long ago as July 1998 ⁽¹⁾.

1.2 The Committee notes that many Member States will have their tax revenues reduced by this proposal. In this period of Member State fiscal crisis it must be assumed that it will take time to get approval from 27 Member States. The previous Directive was not finally adopted by the Council until five years after the proposal was published.

1.3 The EESC supports this proposal and urges Member States to give their approval sooner rather than later so that withholding taxes can be rationalised and another barrier to the smooth operation of the internal market can be removed.

2. Introduction

2.1 In the European Union there have been two parallel streams of legislation relating to the elimination of double taxation between parent companies and cross border subsidiaries. The Parents-Subsidiaries Directives have been

concerned with the double taxation of dividends. The second stream of legislation has been designed to eliminate double taxation of interest and royalty payments. These two streams have not been synchronised.

2.2 The first Parent-Subsidiary Directive (90/435/EEC) was adopted in 1990. The key point was that the parent company had to hold at least 25 % of the shares in the subsidiary company for the exemption to apply. An amending Directive (2003/123/EC) was adopted by the Council at the end of 2003. This reduced by stages the minimum shareholding needed to qualify for the exemption to 10 % by January 2009. The amending Directive also updated the list of companies covered by the Directive.

2.3 There was a proposal to move on Interest and Royalties in the same time-frame as the Parent-Subsidiary Directive. Indeed, it was a priority issue in the 1992 Ruding report ⁽²⁾. However, no consensus could be achieved until the Commission published its proposals in 1998 (COM(1998) 67). This still proved to be contentious – there were winners and losers amongst Member States – and so it was not until June 2003 that the Council adopted the Directive (2003/49/EC). Because of the contention involved, transitional periods were put in place for both interest and royalties for Greece, Spain and Portugal. A further Directive of 2004 extended transitional arrangements to certain of the NMS (Czech Republic, Latvia, Lithuania and Poland with a 2005 protocol to include Bulgaria and Romania).

⁽¹⁾ Opinion of the EESC on the *Proposal for a Council Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States*, OJ C 284, 14.9.1998, p. 50.

⁽²⁾ *Report of the Committee of Independent Experts on Company Taxation*, March 1992.

2.4 The EESC approved the 1998 Interest and Royalty proposal in its opinion adopted at its plenary meeting in July 1998 ⁽³⁾. The opinion contained four specific comments: one was a proposal that the 25 % threshold should be reduced to 10 %, the other three were points of clarification.

2.5 The European Commission in June 2006 published a survey on the implementation of the Directive. Following this survey, on 11 November 2011, the Commission has adopted a new proposal to recast the Directive with a view to expand its scope. This will bring the Interest and Royalty provisions in line with the Parent-Subsidiary Directive.

2.6 An impact assessment was carried out on a number of options before the Commission decided to propose the option which would align the Interest and Royalty Directive with the provisions of the Parent-Subsidiary Directive for interest payments.

2.7 According to the impact assessment:

- Concerning interest payments, the loss should not exceed EUR 200 to EUR 300 million and would affect the 13 EU Member States that still apply withholding taxes to outgoing interest payments – Belgium, Bulgaria, the Czech Republic, Greece, Hungary, Ireland, Italy, Latvia, Poland, Portugal, Romania, Slovenia and United Kingdom.
- Concerning royalty payments, the loss should not exceed EUR 100 to EUR 200 million and would affect the seven countries with the largest negative royalty balances as a share of GDP - Bulgaria, the Czech Republic, Greece, Poland, Portugal, Romania and Slovakia. This is the option preferred by the majority of stakeholders responding to the public consultation.

2.8 According to the impact assessment, the initiatives contained in this recast proposal to eliminate withholding taxes in a larger number of cases would entail compliance cost savings for business estimated at between EUR 38.4 and EUR 58.8 million.

3. Gist of the proposal

3.1 The proposal of 11 November 2011 is adopted by the Commission with a view to:

- changing the scope of the Directive by extending the list of companies to which it applies;

- reducing the shareholding requirements to establish that companies are associated, from a 25 % direct holding to a 10 % holding;

- broadening the definition of "associated company" to include indirect shareholdings;

- making it clear that Member States have to grant the benefits of the Directive to relevant companies of a Member State only when the interest or royalty payment concerned is not exempt from corporate taxation. In particular this addresses the situation of a company which, while subjected to corporate tax, also benefits from a special national tax scheme exempting foreign interest or royalty payments received. The source State would not be obliged to exempt from withholding tax under the Directive in such cases;

- The transitional periods remain unchanged.

3.2 As under the Merger and the Parent-Subsidiary Directives, the benefits of the Interest and Royalty Directive are only granted to companies which are subject to corporate tax in the EU, tax resident in an EU Member State and of a type listed in the annex to the Directive. As the annex to the Directive only includes the types of companies existing in the 15 Member States that were already members of the EU before 1 May 2004, the types of companies in the new Member States have now been added by Council Directive 2004/66/EC of 26 April 2004.

3.3 The new amending proposal adopted by the Commission recasts all these Directives to provide for an update of the list of companies in the annex to the Directive. The proposed new list would also include:

- the European Company (Council Regulation (EC) 2157/2001 and Council Directive 2001/86/EC) which may be created from 2004, and
- the European Cooperative Society (Council Regulation (EC) 1435/2003 and Council Directive 2003/72/EC) which may be created from 2006.

3.4 The revised Directive is to be applicable with effect from 1 January 2013.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽³⁾ OJ C 284, 14.9.1998, p. 50.

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for customs and taxation in the European Union for the period 2014-20 (FISCUS) and repealing Decisions No 1482/2007/EC and No 624/2007/EC'

COM(2011) 706 final — 2011/0341 (COD)

(2012/C 143/11)

Rapporteur: **Mr Bryan CASSIDY**

On 20 and 14 December 2011 respectively, the Council and the European Parliament decided to consult the European Economic and Social Committee, under Articles 33 and 114 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) and repealing Decisions No 1482/2007/EC and No 624/2007/EC

COM(2011) 706 final – 2011/0341 (COD).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2012.

At its 478th plenary session, held on 22 and 23 February (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 231 votes to 3 with 11 abstentions.

1. Conclusions and recommendations

1.1 The EESC supports the FISCUS proposal in general terms. It would, however, stress the following:

- It must be ensured that national customs and tax administrations are sufficiently equipped to answer the challenges of the next decade.
- An up to date and efficient IT system must be provided for the taxation and customs sectors. This would include such elements as the Modernised Customs Code (MCC).
- The Committee would like to see more detailed assessments of the impact on the EU and Member States governments' budgets.
- The budget summary for FISCUS compared with present activities shows an increase in the total budget for both the taxation and the customs area of 9%. The planned budget for the customs sector is EUR 479 622 792 (that for the taxation sector being EUR 23 692 892). This represents an increase of 13% for the customs sector and a decrease of 1% for the taxation sector.

1.2 The Committee is aware of differing views among Member States within the Council working parties. It believes that it is important for the Commission to be able to demonstrate that Member States will make substantial savings in the FISCUS budget compared with the arrangements for present activities. The Committee believes that there could well be difficulties for the Commission in obtaining Parliamentary

approval for increases in spending under the EU budget without information on compensatory savings in Member State budgets.

1.3 The Committee recalls its comment in its opinion "Action programme for customs" ⁽¹⁾ in which it urged more active integration of customs practices in line with the objectives of the Lisbon Strategy, stressing that more active integration of this sort should be achieved without integrating the customs administration themselves.

1.4 An essential part of the new programme is to improve training and the efficacy of training for Member States officials ⁽²⁾.

2. Introduction and background

2.1 EU customs and taxation policy makes a substantial contribution in helping to raise revenues for the EU and Member States' budgets every year. In addition, these policies deliver considerable benefits to EU citizens and business, whether it is through blocking unsafe or illegal imports, facilitating smooth trade and a strong Internal Market, or cutting compliance costs and red tape for cross-border companies.

2.2 The proposal for a Regulation (COM(2011) 706 final) marks an important step forward in the effort, started many years ago, to rationalise and coordinate the action of Member States aimed at protecting their financial interests and those of the Union: in 2010, customs duties and related fees accounted for 12.3% of the EU budget. The next Multiannual Financial

⁽¹⁾ OJ C 324, 30.12.2006, p. 78, point 1.3.

⁽²⁾ This point was made in point 1.2 of EESC opinion "Improving the operation of taxation systems in the internal market (Fiscalis 2013)" OJ C 93, 27.4.2007, p. 1.

Framework 2014-20, adopted by the Commission in June 2011, proposes among other things a **new generation of Customs and Fiscalis programmes**. These two programmes have developed over the years along two separate, although parallel, paths, the last ones being **Customs 2013** and **Fiscalis 2013**. They are now coupled in a **single programme (FISCUS)**: a real innovation in the Commission's strategy.

2.3 FISCUS is not only the result of a "simplification policy", to use the Commission's own words, but it is the recognition of the vital importance of "**cooperation between customs and tax authorities and other parties concerned**". The main positive aspect of such a programme is the **importance given to the human factor**: customs and tax cooperation is "clustered around *human networking and competency building*"⁽³⁾; technical and IT capacity building is of course necessary, but the human factor is of primary importance: a feature well appreciated by the EESC.

2.4 The Commission FISCUS project envisages a programme running for seven years from 1 January 2014. The **financial envelope** covering the costs of the programme for its entire duration (2014-2020) is of EUR 777 600 000 in current prices: it is a substantial amount, whose consistency with the objectives is difficult to appreciate. The programme provides financial support for *nine different types* of **common joint actions**, giving support to either grants, or public procurement contracts, or reimbursement of costs incurred by external experts.

2.5 Most of the costs refer to training of officials and IT common initiatives, but the allocation can also cover "**expenses pertaining to preparatory, monitoring, control, audit and evaluation activities**"⁽⁴⁾; the EESC understands that this implies special care in supervising the implementation of the **common joint actions**, but hopes that equal attention will be devoted to the implementation of **national actions**, to avoid lack of uniformity.

2.6 The **specific objectives** of the action programme are the same as the past and current programmes; the EESC has already made comments and there would be no point in repeating them, were it not for a subject which has been repeatedly evoked, apparently without response so far: a **regular cross-exchange of information between the customs and tax authorities** as a means to *discover* fraud and/or tax evasion⁽⁵⁾.

2.7 The first cluster, the human networking, should allow for the **exchange of good practices and operational knowledge**: this is not new, since the same issue has been evoked – even

using exactly the same words – in most if not all the previous programmes. Past actions have not always been fully successful, for many reasons – main ones being language difficulties and different experiences or background of the participants. The new thrust towards cooperation between different administrations, as provided by FISCUS, should encourage the exchange of experiences and the emergence of high-level professionals: something the EU should support.

2.8 In the words of the Commission, the second cluster "*enables the programme to fund cutting-edge IT infrastructure and systems that allow customs and tax administrations in the Union to evolve to a fully-fledged e-administration*"⁽⁶⁾. Again, such an issue has been evoked, in more or less the same terms, in the past programmes. Here the results have been less than satisfactory, due to the different levels of IT technologies among Member States, but also – and unfortunately quite often – to the unwillingness of some (or many) Member States to change their methods or equipment.

2.9 The unwillingness of MS to cooperate is the main stumbling block in the process of constructing a solid **European fiscal network**: it is certainly not limited to IT technologies, but it is most clearly evident in this field. The EESC has criticised such an attitude in many of its opinions on EU fiscal initiatives⁽⁷⁾; it hopes that the current crisis will have demonstrated that no country can isolate itself from events having a world-wide bearing, and that cooperation is the only answer.

2.10 During 2011 a contractor analysed, after consulting trade representatives, the mid-term results of the two separate programmes, Fiscalis 2013 and Customs 2013. Another contractor carried out a study on the possible framework of the future FISCUS programme. The mid-term results did not show any notable obstacle, nor did they suggest any special action to correct unwanted events.

2.11 FISCUS merges the current two separate programmes for taxation and customs into one, thereby meeting the Commission's simplification and cost-cutting goals without compromising activities in these individual areas.

2.12 The new regulation replaces Decision No 1482/2007/EC which established a Community programme to improve the operations of taxation systems in the Internal Market (Fiscalis 2013). Decision No 624/2007/EC established an action programme for customs in the Community (Customs 2013). Both of these decisions will therefore be repealed.

⁽³⁾ COM(2011) 706 final, p. 2 - point 1 - 3rd paragraph.

⁽⁴⁾ COM(2011) 706 final, p. 21 - Article 10(2).

⁽⁵⁾ EESC opinions "*Combating VAT fraud*"; OJ C 347, 18.12.2010, p. 73 and "*Promoting good governance in tax matters*", OJ C 255, 22.9.2010, p. 61.

⁽⁶⁾ COM(2011) 706 final, p. 2 - point 1 - 3rd paragraph.

⁽⁷⁾ EESC opinions "*Combating VAT fraud*", OJ C 347, 18.12.2010, p. 73; "*Promoting good governance in tax matters*", OJ C 255, 22.9.2010, p. 61; "*Tax evasion linked to import*", OJ C 277, 17.11.2009, p. 112; "*Recovery of tax claims*", OJ C 317, 23.12.2009, p. 120 and "*Administrative cooperation in the field of taxation*", OJ C 317, 23.12.2009, p. 120.

2.13 The Commission has carried out wide consultation exercises in the **Customs sector** and in the **Fiscalis sector**. Both exercises produced a list of problems which are shown in the Commission Staff Working Paper- Impact Assessment, Part I (Customs) and Part II (Fiscalis) ⁽⁸⁾.

2.14 The Commission has carried out an impact assessment in advance of the new programme which makes clear that a high level of uncertainty persists concerning the European Information Systems and the exchange of information linked with future policy evolutions. Some of these are referred to in the EESC opinion "Action programme for customs" ⁽⁹⁾. The improvements required to improve the operation of the Fiscalis programme were described in detail in the EESC opinion "Improving the operation of taxation systems in the internal market (Fiscalis 2013)" ⁽¹⁰⁾.

2.15 The EESC agrees, in principle, with the measures proposed by the Commission; it wants to point out, however, that the issue of cooperation between different agencies, both at national and European level, is a sort of leitmotiv in many EU issues. Progress in this field is normally slow and difficult, for many reasons, the main one being the lack of enthusiasm of national authorities.

2.16 The EESC approves the Commission proposal for an enhanced cooperation between customs and fiscal authorities. However, this should be just the beginning of an action which the EESC has suggested in many occasions before ⁽¹¹⁾, an organised cooperation between all agencies, national or European ones, involved in the fight against financial fraud or crime: money laundering, organized crime, terrorism, smuggling, etc.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽⁸⁾ Commission Staff Working Paper - Impact Assessment, SEC(2011) 1318 final.

⁽⁹⁾ OJ C 324, 30.12.2006, p. 78.

⁽¹⁰⁾ OJ C 93, 27.4.2007 p. 1.

⁽¹¹⁾ EESC opinions "Combating VAT fraud", OJ C 347, 18.12.2010, p. 73; "Promoting good governance in tax matters", OJ C 255, 22.9.2010, p. 61; "Tax evasion linked to import", OJ C 277, 17.11.2009, p. 112; "Recovery of tax claims", OJ C 317, 23.12.2009, p. 120 and "Administrative cooperation in the field of taxation", OJ C 317, 23.12.2009, p. 120.

Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Annual Growth Survey 2012'

COM(2011) 815 final

(2012/C 143/12)

Rapporteur-General: **Mr David CROUGHAN**

On 23 November 2011 the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Annual Growth Survey 2012

COM (2011) 815 final.

On 6 December 2011 the Committee Bureau instructed the Europe 2020 Steering Committee to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr David CROUGHAN as rapporteur-general at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), and adopted the following opinion by 171 votes to 19 with 21 abstentions.

INTRODUCTION

- i The present draft opinion, issued in view of the Spring European Council, comments on the Commission's "Annual growth survey" (AGS) 2012.
- ii The AGS launches the 2012 European semester of economic governance, which is also the first under the agreed enhanced economic governance legal framework ("the six pack").
- iii The AGS sets out what the Commission believes must be the EU's priorities for the coming 12 months in terms of economic and budgetary policies and reforms to boost growth and employment under the Europe 2020 strategy. Once endorsed by the March European Council, these priorities will have to be taken into consideration by the Member States in their national policies and budgets.
- iv In **Part I**, the current draft opinion intends to comment on **general issues related to the AGS** such as: its focus on growth, on fiscal consolidation and on the implementation of reforms agreed in the framework of the European semester as well as the implication of organised civil society and social partners in the AGS process.
- v The **Part II** brings together **specific comments and recommendations on various EU policies**. They answer in detail to the five priorities put forward by the Commission in the AGS: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis; and modernising public administration. These contributions come from various

recent EESC opinions and update the Committee's position on the AGS 2011 ⁽¹⁾ adopted in March 2011.

- vi The present draft opinion is also a follow-up to the opinion on the European semester 2011, adopted by the Committee in December 2011 ⁽²⁾.

PART I

EESC MESSAGES IN VIEW OF THE SPRING EUROPEAN COUNCIL

Unlike all recent Summits, the Union must demonstrate its political capacity to tackle the debt crisis by ambitious and sufficient measures to restore confidence. A much greater emphasis on growth is one of those measures.

A. INTRODUCTION

1. The AGS 2012 is issued by the Commission in a **bleak context**: the Union is experiencing the worst financial, economic, social and confidence crisis in its history. The consequences of the crisis are broad: difficulties for households and companies, escalating youth and long-term unemployment, increased number of people at risk of poverty and exclusion, concern in our societies, risk of increased nationalism and populism.

2. The Committee is **gravely concerned about the lack of implementation at national level** of the commitments agreed upon in the European semester process. More than ever, the EU

⁽¹⁾ Opinion of the European Economic and Social Committee on the Annual Growth Survey: advancing the EU's comprehensive response to the crisis COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

⁽²⁾ Opinion of EESC on Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012, OJ C 43, 15.2.2012, p. 8–12.

needs to demonstrate its capacity to act effectively to restore the confidence of consumers and investors, giving ambitious answers to current challenges. Without **decisive action and effective implementation of reforms by European institutions and by Member States**, Europe is facing a long term growth crisis and increasing divergence, leading to further pressure on the Eurozone.

3. As the 2012 European Semester process begins with substantially **downgraded growth forecasts** and the significant possibility of recession, the Committee regrets that the **December 2011 European Summit** failed to restore the trust and confidence in the governance of the European Union, which has been progressively eroded from one summit outcome to the next over the past eighteen months. The evident unwillingness of the Summit to face the deep rooted problems exposed by the AGS has resulted in continuing policy prescriptions that lack the confidence of governments and investors across the globe and in particular the confidence of European citizens.

4. The Committee believes that the **remedies** proposed to date for the sovereign debt and the financial crisis connected with it are **partial** and may therefore keep some deeply indebted countries away from the markets for a longer time than planned, and run the grave risk of further contagion to some larger Member States. A disorderly default in Greece is still a possibility; such an event could have a serious negative effect on other countries facing sovereign debt problems and could set in train a course of events that could have serious consequences for not just the European economy but the global economy. The European Union has not found a way for its undoubted economic strength to protect Member States in difficulty from financial attacks; this has resulted in global markets seriously weakening the European edifice by attacking its structural fragmentation. The problem is therefore as much political as it is economic.

5. The Committee is alarmed that the high degree of uncertainty thus generated is having a **damaging impact on the real economy** of the Union in terms of lower investment, output and employment as investors seek safer havens and even make plans for the possibility of a euro zone break-up with the horrendous global consequences that that would entail.

6. Experiences of past crises of European integration have demonstrated that Europe has the resources to find solutions. The Committee calls on the European institutions and the Member States to have **political courage and vision** and to support greater integration and a boosting of the economy and investments which is now the only possible resolution of the crisis.

7. The EU needs to move beyond the current emergency piecemeal approach to the crisis, taking **lasting solutions** to the structural challenges that this crisis has exposed, thus ensuring the well-being of Europeans in the long term. This requires building the necessary European firewall against further attacks, giving time for those countries in stress to recover, and the introduction of specific additional measures to boost European economic growth.

8. Side by side with the necessary move to bring the debt crisis under credible European management is a **greater fiscal union**. The Committee welcomes the introduction into the European semester process the much closer surveillance of budgetary policy of Member States and the commitments required by Member States under the fiscal compact, even if it is necessary to stress the need for an analysis of the social impact of such measures. However, the new structure for European economic governance must safeguard the autonomy of the social partners and their freedom to conclude collective agreements.

9. Furthermore, the Committee reiterates its full support to the overarching **Europe 2020 strategy** that offers a positive vision for the future and a coherent framework for carrying out forward-looking reforms for smart, sustainable and inclusive growth. It also recalls the need for a good balance between the economic, employment and social aspects of the strategy.

10. The Committee is deeply concerned that there has been a **worrying diminution of the Community method** in favour of an inter-governmental approach, in the main conducted by very few Member States, which has contributed to the constrained nature of the policy response. In part, because the Community institutions have played a subordinate role to the inter-governmental approach that has been adopted in the last two years, the European Union's acute problems have been tackled not from the perspective of the Union but from the perspective and political exigencies of individual Member States.

11. The Committee notes that, within five years at most following the entry into force of the Treaty on Stability, Coordination and Governance in the EMU agreed by 25 Member States on 30 January, on the basis of an assessment of the experience with its implementation, the necessary steps will be taken with the aim of **incorporating the substance of this treaty** into the legal framework of the European Union. The Committee, therefore, urges that those countries that have opted out ⁽³⁾ of the intergovernmental process giving rise to the Treaty will reconsider their position in this regard.

12. The Committee supports a **strong role for the European Commission**, encouraging it to table bold proposals and a **full involvement of the European Parliament** in the European semester process, for the latter's greater transparency and legitimacy.

13. The Committee thanks the Commission for having published the AGS 2012, at the end of November 2011, earlier than initially foreseen. Although the timeline remains tight, it allowed the EESC to hold discussions on this AGS, to consult its network of national ESCs/similar institutions and to issue the present opinion before annual priorities are decided upon by the Spring European Council.

⁽³⁾ The United Kingdom and the Czech Republic.

B. APPROPRIATE FOCUS ON GROWTH

14. The Committee considers that the AGS 2012 is, in several ways, an improvement on its predecessor.

15. The Committee welcomes the general focus on growth, and notes with satisfaction that the AGS 2012 takes on board many ideas reflected in the past opinion of the EESC on the Annual growth survey 2011 ⁽⁴⁾.

16. The EESC emphasises that **without a sufficient rate of growth the sovereign debt crisis cannot be resolved**, especially in those countries in stress. Low priority to growth would carry with it a high risk of driving many economies in the Union into recession and some even into depression.

17. The AGS recognises that **financial markets** are assessing the sustainability of Member States government debt on the basis of long-term growth prospects, on their ability to take far reaching decisions on structural reform and their commitment to improve competitiveness.

18. The Committee is in agreement with the AGS that growth prospects for all Member States in the EU depend on **dealing decisively with the sovereign debt crisis and implementing sound economic policies** and that too much political time and energy is being spent on emergency measures and not enough time is being devoted to implementing the policy changes that will bring our economies back to higher growth levels.

19. The Committee fully agrees that the focus needs to be simultaneously on reform measures that have a short term growth effect and on the right growth model for the medium term.

20. The Committee reiterates that the 3 aspects of growth - smart, sustainable and inclusive - are interlinked and mutually reinforcing. **Equal attention** has to be given to the economy, social and environment aspect.

21. Restoring growth must be coherent with other objectives enshrined in the Lisbon treaty, including people's well-being. The need for reform should be seen as an **opportunity** to turn our way of living to a more sustainable one.

22. Emphasis on growth-enhancing reforms is needed in **all** Member States.

23. Specific situation of five Member States under EU – IMF financial assistance programmes ⁽⁵⁾

23.1 The Committee considers that the Commission and the Council, via detailed country specific recommendations, should

keep on encouraging Member States to foresee and implement long term growth policies. The Committee regrets that in 2011, the only recommendation given to **the five Member States under EU – IMF financial** assistance was to continue implementing measures laid down in the decisions granting them financial assistance.

23.2 The Committee is now **alarmed** at the Commission's decision that these five countries should not be required to engage in the preparation of the **second round of NRPs** in 2012. The EESC recognises that the NRPs cover much the same ground and that these countries do submit their national targets in relation to the Europe 2020 strategy. Nevertheless, this removes these countries from the new governance process at the heart of Europe 2020, which was designed to achieve necessary economic convergence through reforms and the adoption of best practice. In particular this will inhibit the involvement of the citizens and social partners at national level in participating in the implementation and review of NRPs. This flies in the face of the March 2011 European Council conclusions ensuring full involvement of national parliaments, social partners and other stakeholders with the new framework of the European semester.

24. Investing in growth – a particular challenge in the current context

24.1 The Committee is aware that identifying appropriate growth measures can be particularly **challenging**. The current difficult position of the EU in terms of growth is not due to the crisis alone, but also to additional problems which are impacting on its economic performance, such as loss of competitiveness, globalisation, resource scarcity (energy, skills, etc.), climate change and population ageing.

24.2 Achieving the objectives of Europe 2020 will require **significant investment**: e.g. in ICT, traditional and new infrastructure, R&D and innovation, education and skills and energy efficiency. Investment in the green economy will stimulate innovation and demand for new products that will increase growth while contributing to the sustainability of the global economy.

24.3 This is a particular challenge in times of austerity. Yet, the benefits from such public investment at the national or European level in the direction of smart, sustainable and inclusive growth are significant and can have an important **leverage effect**, encouraging private additional investment.

24.4 The Committee is of the opinion that the Union needs **more investment in projects** that promote structural change and that can help to put Member States' economies on a path of sustainable growth. Suitable projects should be in line with the Europe 2020 objectives, for example, long-term infrastructure projects that are of major public interest and have revenue potential.

⁽⁴⁾ Opinion of the European Economic and Social Committee on the Annual Growth Survey: advancing the EU's comprehensive response to the crisis COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

⁽⁵⁾ Greece, Ireland, Latvia, Portugal and Romania.

24.5 In this context, the Committee fully supports the **Europe 2020 Project Bond Initiative**⁽⁶⁾ to finance large-scale infrastructure projects in energy, transport and ICT. This will be positive for the project bond markets and will help the promoters of individual projects to attract long-term private sector debt financing.

24.6 The Committee considers that more needs to be done at European level to generate investment. The available structural funds have to be channelled to strengthen competitiveness and return to growth. EU funding should be conditional on results and compatibility with the objectives of the EU 2020 strategy.

24.7 The Committee welcomes the fast adoption by the Parliament and the Council of an agreement on **increasing co-financing rates** for structural funds in countries under financial assistance from EU, ECB, and IMF – to enable the rapid mobilisation of EU funds in support of growth and better absorption⁽⁷⁾.

24.8 Given the severe pressure on national and European budgets, Member States and European legislators must make hard choices and set priorities, in order to **"invest in growth-enhancing items"** such as education and skills, R&D – innovation, environment, networks, e.g. high-speed internet, energy and transport interconnections.

24.9 The important role of **entrepreneurship**, social entrepreneurship and business creation - in particular **SMEs**, including social enterprises - in recovery must be underlined. They are key drivers of economic growth, entrepreneurial innovation and skill and an important source of job creation.

24.10 Unemployment is reaching intolerable levels in many EU countries, with huge social and economic costs. For this reason measures for the short and medium term will be essential in order to facilitate the access of young people and women, the reinstatement of workers expelled from the labour market because of the crisis, vocational training and retraining. In the EU, 17,6 million jobs will have to be created before 2020.

⁽⁶⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions A pilot for the Europe 2020 Project Bond Initiative – COM(2011) 0660 final.

⁽⁷⁾ Position of the European Parliament adopted at first reading on 13 December 2011 with a view to the adoption of Regulation (EU) No .../2011 of the European Parliament and of the Council amending Council Regulation (EC) No 1698/2005 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability - P7_TC1-COD(2011)0209.

C. TOO STRONG FOCUS ON FISCAL CONSOLIDATION

25. The Committee fully agrees that budgetary consolidation is necessary to correct severe fiscal imbalances and restore confidence. However, the Committee is concerned about the heavy weight given to **austerity measures** in the fiscal compact. An effective social impact assessment of these measures must be carried out and every effort must be made to ensure that they do not increase the risk of poverty and social exclusion. The Committee considers that the right balance needs to be struck between fiscal consolidation and growth. Fiscal discipline by itself and austerity will not suffice to put the EU on a sustainable path. If to a certain degree austerity is necessary, then measures must be socially balanced, and take account of the way in which measures affect the various social groups. The Committee agrees with the Managing Director of the IMF, Christine Lagarde who warned that "resorting to across-the-board, across-the-continent budgetary cuts will only add to the recessionary pressures".

26. The Committee is concerned that the **Treaty on Stability, Coordination and Governance in the EMU** agreed by 25 Member States on 30 January will not bring a resolution to this current crisis. While it must result in more compliance with the SGP in the future, it is nevertheless deficient in its concentration on fiscal balance, making no reference to the early warning system and the scoreboard that is designed to prevent imbalances building up elsewhere in the economy such as in the private sector, loss of competitiveness or property bubbles, all of which were significant factors in this crisis. Economic growth is part of the solution and requires some rigorous specified measures to stimulate growth, especially in those Member States in danger of falling into a deep recession. Consolidation efforts and reform must go hand in hand with measures to stimulate growth.

27. The Committee is concerned that the AGS calls for increased austerity to meet budgetary consolidation targets **even in the event of a deteriorating macro economic climate**. It advocates Member States benefitting from financial assistance programmes to "continue to meet agreed budgetary targets in spite of possibly changing macro economic conditions"; it advocates Member States with a significant adjustment gap under the excessive deficit procedure to "step up their consolidation efforts and possible downward revisions of the main macro economic scenario should not result in delays in the correction of excessive deficits".

28. Stabilisation through Eurobonds

28.1 Financial institutions invest in government bonds which they expect to be risk free for their own balance sheet purposes; that is why currently institutions prefer to lodge money with the ECB than buy the riskier bonds of some Member States, thus starving the finance system of liquidity.

28.2 To overcome this requires a greater and more credible European bulwark to be built against market pressures by an

even fuller role being played by the European Central Bank either directly or indirectly through the auspices of the EFSF or EMS.

28.3 The Committee recognises that the important implications for moral hazard are real and require solution; this problem, however, is pale by comparison with the possible break-up of the euro zone. Given the unwillingness of Member States to underwrite the debts of other Member States and the difficulties of the ECB fulfilling this role, the Committee calls for urgent consideration **to be given to the introduction of stability bonds**. Following the publication by the Commission of a Green paper on stability bonds, the Committee is considering this issue in a separate opinion.

D. RIGHT FOCUS ON IMPLEMENTATION

29. The Europe 2020 strategy aims to ensure that the European union can compete in ever increasing global competition. The Committee, therefore, strongly supports the Commission for the **great emphasis** it is putting throughout the AGS on the lack of proper implementation of reforms at the national level.

30. The Committee notes with great concern that, in spite of the urgency of the situation, the progress by Member States in **implementing** the guidance of the 2011 AGS is **below expectations**. Decisions taken at EU level take too much time to come through in national policy decisions.

31. The EESC **urges the Member States to fully implement the reforms** that they have committed to in their National Reform Programmes. They have to take ownership of the changes that are needed in terms of future economic governance. This emphasises the need to reinforce the European semester process through greater involvement of national parliaments, social partners and organised civil society in Member States in debating and monitoring the progress of implementation of NRPs.

32. The Committee deplores that commitments set in the National Reform Programmes 2011 are insufficient to meet most of the EU-level **targets**; in light of the growing concern that Europe 2020 targets will not be met, the Committee calls upon the Commission and Member State governments, in particular, to redouble their efforts and rectify this slippage that has been identified so early in the programme and ensure that governments, stakeholders and citizens in every country take ownership of and implement their reform programme.

33. The EESC also calls on the Commission to make sure that all Member States, including the ones under EU-IMF financial assistance, contribute to the headline targets according to their potential.

E. IMPORTANCE OF THE AGS AND IMPLICATION OF ORGANISED CIVIL SOCIETY AND SOCIAL PARTNERS

34. The AGS is the basis for building the necessary **common understanding about the priorities for action at national**

and EU level for 2012, which should then feed into national economic and budgetary decisions and the drafting of National Reform Programmes (NRPs) and Stability and Convergence Programmes (SCPs) by the Member States.

35. Therefore, the AGS has an important **political role** and the Committee considers that it should not be limited to a technocratic process but must take into account the views of the European Parliament and key stakeholders such as organised civil society and the social partners.

36. In the current context of a total lack of confidence in the manner in which the crisis has been dealt with to date and a lack of confidence in the Union itself, Europe needs to bring its people along. **Social and civil dialogue** must be strengthened at all levels in order to build a broad consensus on the need for reforms.

37. Measures aimed at improving European economic governance should be accompanied by steps to improve its legitimacy, accountability and **ownership**.

38. The Committee calls for a **better, effective involvement of organised civil society stakeholders in the European semester**: at the EU level, as regards the AGS and the drafting of country specific recommendations and at the national level throughout the process of drafting, implementing and monitoring future NRPs. Detailed information should be provided in the NRPs on the extent to which stakeholders have been actively involved in the process and on how their input was taken into account.

39. The Europe 2020 growth strategy can only be achieved if the whole society feels committed and each of the actors takes his/her full responsibility. In a time when important decisions impacting the lives of all stakeholders are taken, their **co-ownership** of reforms is more than ever necessary.

40. The Committee intends to remain actively involved in the implementation phase of the EU 2020 strategy and the follow-up of the AGS 2012. It will continue the joint work with its network of national ESCs/similar organisations in order to improve the **consultation, the participation and mobilisation of organised civil society** both at the European and national levels.

PART II

COMMITTEE'S PROPOSALS ON THE PRIORITIES PUT FORWARD BY THE EUROPEAN COMMISSION

i The Committee supports the five priorities that, according to the Commission, should form the basis of policy emphasis in

2012: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis; and modernising public administration.

- ii This part II presents a series of specific contributions in relation to the above-mentioned priorities. These statements are mainly quotations from various EESC opinions that were adopted by the Committee in 2011 and constitute a follow-up of the EESC's position on the AGS 2011 ⁽⁸⁾ adopted in March 2011.

1. Pursuing differentiated growth-friendly fiscal consolidation

1.1 Fiscal consolidation

1.1.1 The EESC reiterates its views expressed in the EESC Opinion on the Annual Growth Survey 2011 under the point 1 "Implementing a rigorous fiscal consolidation" and point 2 "Correcting macro economic imbalances".

1.1.2 As regards fiscal consolidation, as pointed out in point 1.1 and 1.2 of its opinion on the AGS 2011 ⁽⁹⁾, the EESC believes that the issue consists in **rebalancing public finances whilst avoiding reducing demand**, leading to a recession that would generate further deficits pushing the European economy into a downward spiral. Debt reduction programmes should be set up in a way that is compatible with the economic recovery and the social and employment objectives set out in the Europe 2020 strategy.

1.1.3 Europe needs to step up economic governance to guarantee **fiscal discipline** in each Member State, especially in the Euro area. The agreed reform package, the so-called six-pack, together with new regulatory proposals and the accompanying the European semester for better coordination of economic and national budget policies and for closer EU surveillance, must be implemented swiftly and correctly.

1.1.4 However, fiscal discipline in Member States is not enough as a pre-condition for growth and employment and economic and social cohesion. Indeed, the Committee is concerned that the current conditions for issuance of sovereign debt bonds have led to a market situation that risks undermining restored stability and growth.

1.1.5 This is why the Committee welcomes the Green Paper on the feasibility of introducing **Stability Bonds**. The Committee believes that under the condition of strict rules and a corresponding governance at EU-level to exclude moral hazard and promote responsible and predictable governmental behaviour in Member States, the management of sovereign

debts with joint guarantees in the euro area will be an important contribution for overcoming acute problems as well as the austerity-growth deadlock.

1.1.6 Progress in this area will also enable the **European Central Bank (ECB)** to phase-out its government bond-purchase programme currently needed to enable individual Member States to refinance public debts. Instead, the ECB could decide to back the new stability bonds giving additional assurance to market actors, at least in a transitory phase.

1.2 Prioritisation of growth-friendly expenditure

1.2.1 The Committee expresses its full support to the prioritisation of **growth-friendly expenditure**. It must, in particular, be ensured that measures designed to cope with the economic crisis and sovereign debt do not jeopardise public investment in education and training. A particular focus by Member States is needed on public investment in education, research and vocational training when considering medium-term budgetary targets.

1.2.2 Public support measures for **research and innovation**, with specific, dedicated programmes, have proven to be extremely important to the Energy Intensive Industries. The EESC calls on the European Commission, the Council and the Parliament to reinforce these programmes, focused on energy efficiency and diversification and make them a permanent part of development initiatives.

1.2.3 Moreover, given today's difficult economic climate, the EESC recommends investing even more strongly in **research, development, deployment and training, and in the scientific activities** that are applied to energy intensive industries. These investments should be given sufficient backing in the next framework programme and should make it possible to exchange experience and results at European level, at the very least. European and national programmes should focus more on energy efficiency research and innovations.

1.3 Active labour markets policies and employment services

1.3.1 As the Committee already pointed out in its opinion on the AGS 2011 ⁽¹⁰⁾, "activating" people to seek work should be achieved chiefly by providing efficient service through job centres and less by supposed "incentives" via unemployment benefits. (...) With the current record levels of unemployed, the **labour market** problem is not one of insufficient labour supply generally but rather the lack of skilled workers in some Member States and the huge shortage in available employment. More consideration must be given to developing an intelligent supply policy that promotes growth and innovation and helps to create more jobs.

1.3.2 The Committee has stressed that **public employment services** have a duty to play a more active role in training

⁽⁸⁾ Opinion of the European Economic and Social Committee on the *Annual Growth Survey: advancing the EU's comprehensive response to the crisis* COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

⁽⁹⁾ Ibid.

⁽¹⁰⁾ Ibid.

policies for priority target-groups, such as people with fewer skills and qualifications or in precarious jobs, or the most vulnerable groups, such as people with disabilities, older unemployed workers and immigrants. Public employment services should also play a more active role in finding jobs for the long-term unemployed and in developing active employment and vocational training policies. Many countries need to substantially extend the targeted support offered by government agencies, whereby disadvantaged job seekers should receive special attention.

1.4 Reform and modernisation of pensions systems

1.4.1 While seeing the need for reforming and modernising pensions systems, the Committee considers that the pressure on pension schemes is due more to the lack of jobs and investment than to demography. What is needed is initiatives to foster extended working life, flanked by effective growth and employment policies. Only a real "**active ageing**" policy, aimed at increased participation in training and lifelong learning, can sustainably boost employment rates for older people, who give up work early due to health problems, the intensity of work, early dismissals, and lack of opportunities for training or re-entering the labour market. The EESC is also very sceptical about the usefulness of postponing the legal retirement age to respond to demographic challenges. A rise in legal retirement age can increase pressure on other pillars of social security, such as invalidity pensions or minimum income, as happened in some Member States, making the progress towards healthier public finances fake. For the EESC, it seems much more appropriate to bring the actual age of retirement closer to the current legal age.

1.4.2 More specifically, the EESC believes that systematic changes are needed to make working conditions favourable for **older people**, based on a package of measures including in particular: incentives for companies to create jobs that accommodate older workers and to stabilise employment among older workers, a pro-active labour market policy to reintegrate older unemployed people into the labour market providing a full range of advisory and support services for job-seekers, measures to ensure that people are physically and mentally able to remain in work longer, measures to increase the inclusiveness of workplaces for older people with disabilities, measures to increase people's willingness to work for longer which must include a positive attitude to lifelong learning and preventive healthcare, developing health-enhancing working time models that are negotiated between the social partners and apply over the entire career span, measures introduced by companies, through collective agreements or by law to achieve more participation of older people in continuing training, awareness-raising measures in support of older workers, including broad-based social awareness-raising campaigns to combat stereotyping and prejudice against older workers and make "ageing" a positive concept, advice and support for companies, particularly SMEs, in forward-looking human resource management and developing work organisation so as to accommodate older workers, creating appropriate incentives for recruiting older people and keeping them in employment, without distorting competition, creating socially acceptable incentives to stay in work longer, for all those who can find work and are fit to work and, where possible or desirable, developing innovative

and attractive models to facilitate the transition from work to retirement within statutory pension systems.

1.4.3 Furthermore, as concerns the Directive 2003/41/EC on the activities and supervision of **institutions for occupational retirement provision**, the EESC reiterates the point 5.7 of its opinion on the AGS 2011 ⁽¹⁾.

1.5 Growth-friendly tax policies

1.5.1 The EESC reiterates the point 1.4 of its opinion on the AGS 2011 ⁽²⁾ whereas the **tax burden** should be shifted towards new sources of revenue.

1.5.2 The EESC is of the opinion that the **financial sector** should also contribute to the fiscal consolidation efforts in a fair and substantial way.

The introduction of a Financial Transaction Tax (**FTT**) at global level should be preferred over an EU-wide FTT. However, if it emerges that the adoption of a FTT at global level is not feasible, then the EESC would envisage the adoption of an EU FTT.

1.5.3 In the field of Value Added Tax (**VAT**), the Committee unreservedly endorses the Commission's initiative to consider overhauling the VAT system. Operational costs for users and administrative charges should be reduced while cutting back attempted fraud. One particularly sensitive issue is that of dealing with cross-border transactions.

1.5.4 The EESC supports and approves the proposal for a new "Regulation governing administrative cooperation in the field of **excise duty**" ⁽³⁾ as being a necessary and useful to ensure effective tax collection and to fight excise tax fraud.

1.5.5 In order to remove double taxation and enhance administrative simplification in cross-border situations, the EESC recommends the establishment of **one-stop shop services** whereby citizens can acquire information, pay taxes and receive the necessary certificates and documentation to be used across the entire EU, as well as the simplification of administrative procedures applied to cross-border situations.

1.5.6 In this context the EESC calls for the setting-up of a **Cross-Border Taxation Observatory** exercise under the auspices of the European Commission to gain, on an on-going basis, a detailed and practical understanding of existing tax barriers and their evolution.

⁽¹⁾ Ibid.

⁽²⁾ Ibid.

⁽³⁾ See COM(2011) 730.

1.5.7 The EESC supports the proposal for a common consolidated corporate tax base (**CCCTB**) because it creates better conditions for companies that operate across borders.

1.5.8 The EESC expects that a CCCTB will lead to a significant reduction in tax compliance costs and the removal of distortions in intra-EU competition caused by tax rules. In this way, the CCCTB should promote fair, sustainable competition which has a beneficial effect on growth and jobs.

1.5.9 The Committee supports the review of the Energy Taxation Directive (**ETD**) that enables Member States wishing to do so to shift part of the burden of taxation from labour or capital to a form of taxation which encourages environmentally responsible behaviour and is favourable to energy efficiency, in accordance with the Europe 2020 strategy.

1.5.10 The CO₂ tax factor complements the Emission Trading Scheme (EU **ETS**).

1.5.11 However, the EESC regrets that the recast ETD is not more ambitious and coherent. The Commission took the initiative of including exemptions and derogations in the text designed to please certain Member States or not displease others.

1.5.12 The price signal given by taxation is not getting across when it comes to heating fuels and the recast ETD may not change this.

1.5.13 Some sectors (such as agriculture, construction, public transport etc.) remain wholly or partly exempt. It is difficult to see any coherence in all these exemptions, particularly as the need for them may not be understood by those who do not benefit from them.

2. Restoring normal lending to the economy

2.1 A healthy financial system

2.1.1 It is important to address the serious shortcomings in the **regulation and supervision of international finance**. The growing disequilibrium between the privatisation of profits and socialisation of losses in the financial sector must be addressed as a matter of urgency. Regulatory framework conditions must be set so that financial intermediaries assume their primary role of serving the real economy, providing credits for real projects, by investing in assets instead of betting on liabilities. Any public support given to financial institutions must be accompanied by the necessary improvements in corporate governance, as a first step towards fundamentally reforming the industry in support of the growth and jobs agenda.

2.1.2 The EESC shares the Commission's concerns that the support of **failing financial institutions** at the costs of public finances and the level playing field within the internal market is no longer acceptable in the future. The EESC hopes that the Commission will conduct a thorough impact assessment of the costs, human resources and legislative reforms needed. A

realistic proposal should be accompanied by a timeframe of hiring human resources, taking into account that the latter might not be immediately available in the market.

2.1.3 The EESC recognises that the European Commission has responded to growing complexity and lack of transparency in the financial system. The Committee therefore calls on the financial industry to **apply the new legislation properly** and to self-regulate in order to foster appropriate and honest practices and making it easier to access transparent financial products.

2.1.4 The EESC calls for **financial education** to become a compulsory subject on the school curriculum, and this education should be followed up in training and retraining programmes for workers. As a subject, financial education should encourage responsible saving and promote socially responsible financial products. Financial education that is accessible to everyone will benefit society as a whole.

2.1.5 The EESC reiterates the point 3.6 of its opinion on the AGS 2011 ⁽¹⁴⁾ and welcomes the initiatives on **short selling and credit default swaps**. These will eliminate conflicting regimes and bring clarity to this area of the financial markets and will give competent authorities powers to require additional transparency for the instruments covered by the regulation.

2.1.6 The EESC welcomes the provisions for market transparency which it expects to be very beneficial. It welcomes the regulatory role of the European security and markets authority (ESMA) but draws attention to the fact that excessive intervention could destabilize markets.

2.1.7 The EESC judges that in order to establish a workable **bank resolution funds scheme**, Member States should agree beforehand on the adoption of common methods and uniform rules in order to avoid distortions of competition.

2.1.8 A major concern is the macroeconomic scenario. The EESC is concerned that bank resolution funds will impact the lending potential of the banking sector by **diverting resources**.

2.1.9 The EESC believes that before any steps are taken to introduce **bank levies**, the Commission should conduct a thorough assessment of the cumulative effects of levies and bank resolution funds. Making a decision on introducing bank resolution funds requires an estimation of how much the entire scheme would cost, to what extent it would impact the lending potential of the banking sector, and how long it will take before it is made strong enough or it reaches its target size. The EESC recommends tailoring these estimates to a worst case scenario.

2.1.10 The EESC expressly welcomes the fact that the proposed regulation will in future prohibit **multilateral interchange fees for direct debits**. This creates clarity and

⁽¹⁴⁾ Ibid.

transparency in the complex contractual relationships underlying payment transactions. This will be of particular benefit to small and medium-sized enterprises.

2.1.11 The impact study conducted by the Commission found that SMEs would not be especially disadvantaged by the new capital requirements but the Committee remains *meftiant* and requires that the Commission closely monitors the development of **bank lending and bank charges to SMEs**. In addition, the EESC supports the risk rating review for SME lending to be conducted by the Commission.

2.1.12 The counterweight to the new regulation must be the implementation of **recovery and resolution regimes** based on devices such as living wills. While the state will continue to provide guarantees for small deposits, the moral hazard represented by unlimited state support to failed banks must be removed. If the situation is clear enough, investors, creditors and directors will have to take direct responsibility for the future health of each credit institution.

3. Promoting growth and competitiveness for today and tomorrow

3.1 The EESC reiterates its views expressed in the EESC Opinion on the Annual growth survey 2011 under point 8 "Tapping the potential of the single market", point 9 "Attracting private capital to finance growth" and point 10 "Creating cost-effective access to energy".

3.2 Research and innovation

3.2.1 The EESC recommends that the European Commission should develop an integrated strategy for **research and innovation** taking additional structural measures within the Commission and the consultative bodies that support it, as well as to finally raise the future budget for research and innovation.

3.2.2 The EESC welcomes further the essential political task to create reliable, **innovation-friendly Europe-wide boundary conditions and frameworks** with sufficient leeway, thus relieving potential inventors and innovation processes of the burden of the present fragmentation and overloading of regulatory frameworks and bureaucracies diversified across 27 Member States plus the Commission.

3.2.3 The Committee recommends concentrating much more effort on **removing any obstacles** opposing or hindering the swift introduction of innovations and the creation of an **Innovation Union**. In order to support the whole innovation cycle more effectively, the Committee calls for the rules on state aid, budgets, procurement and competition, which could prove an obstacle⁽¹⁵⁾ to this goal, to be thoroughly reviewed in collaboration with the relevant stakeholders. This is because of the balance and/or possible conflict between competition law and promoting innovation. For this reason, competition, state-aid and public procurement law should not be drafted and implemented in such a way that it becomes an obstacle to innovation; there may even be a need

for reforms. Innovations sometimes also need to be protected so that they are not acquired by competitors wishing to block the innovation process.

3.2.4 The Committee welcomes in particular the fact that innovations are understood and defined in terms of their **broader ramifications**.

3.2.5 The Committee recommends adapting support measures, funding, and performance criteria to – on the one hand – the more **incremental** innovations which respond to prevailing market forces and societal needs and – on the other – more **revolutionary** innovations which shape market forces and create new societal needs, but often have to overcome a difficult barren period at the beginning.

3.2.6 The Committee emphasises the important role of **SMEs and micro-enterprises** in the innovation process and recommends tailoring support and measures to their specific demands in particular. It furthermore recommends considering whether and how start-ups could be exempted for an appropriate period from most of the otherwise normal procedures and regulations and whether further special incentives might be introduced. The same applies to social economy enterprises.

3.3 Single market

3.3.1 The EESC welcomes the Commission's ambition to boost growth and to strengthen confidence in the single market. The Committee recalls that the single market is a **centrepiece of European integration**, with the potential to deliver directly-felt benefits to European stakeholders and to generate sustainable growth for Europe's economies. In the current environment, this makes a functioning, future-oriented single market not merely desirable but essential for the political and economic future of the European Union. To deliver these benefits, it is crucial that the Commission's proposals are ambitious and go beyond tackling only low-level, detailed challenges.

3.3.2 The EESC wants to reiterate its call for a holistic approach. While it thinks that promoting growth and business potential is essential, the Committee finds however that the proposals should focus more on **consumers and citizens** as independent players in the creation of the single market.

3.3.3 The EESC calls **for zero tolerance of non-implementation of EU legislation by Member States** and reminds the Council and the Commission that delayed, inconsistent and incomplete implementation remains a major barrier to a functioning single market. It would very much welcome publication of correlation tables by Member States that would contribute to better promotion and understanding of single market.

3.4 EU digital single market

3.4.1 As regards the EU digital single market, the EESC reiterates the point 8.12 of its opinion on the AGS 2011 and

⁽¹⁵⁾ OJ C 218, 11.9.2009, p. 8, point 4.8.

has confirmed in several opinions issued in 2011⁽¹⁶⁾ its strong support to the implementation of the **Digital Agenda in Europe** to deliver sustainable economic and social benefits from a digital single market based on high-quality and high-speed internet connectivity, available at affordable prices to citizens throughout the EU.

3.4.2 In this context, the Committee is pleased to note the Commission's creative approach for co-investment arrangements in promoting fast and ultra-fast broadband deployment, but calls for more ambitious connectivity targets to keep Europe globally competitive. The Committee stresses the critical importance of **Net Neutrality principles** as fundamental political targets at EU level and calls for an urgent and proactive approach to enshrine these principles in EU law, thus ensuring that the internet is kept open across Europe.

3.4.3 On the "e-Government Action Plan and the Interoperability Framework", the EESC endorses the Commission's action plan for a sustainable and innovative form of **e-Government**, reminding that the 2009 Malmö Ministerial Conference's commitments should be kept. The Committee also advocates a **platform for exchanging information**, experiences and codes based on free software as described in the European Interoperability Framework, stressing that most obstacles are currently resulting from the lack of a cross-border legal basis, from differences in national legislation and by Member States adopting solutions that are mutually incompatible.

3.4.4 On "Enhancing Digital Literacy, e-Skills and e-Inclusion", the EESC considers that unequal Information and Communication Technologies (ICT) access is primarily an extension of financial and social inequalities and stressed that ALL citizens are entitled to a critical grasp of the contents of all media tools. The Committee also argues that the EU and the Member States should guarantee digital accessibility through **lifelong e-skills training** for professional and/or personal reasons, as well as for citizenship, while access to infrastructure and tools must be seen as a fundamental right.

3.5 Information society

3.5.1 As regards the "**New Roaming Regulation**", the EESC considers that the proposed cuts in price caps are proportionate and appropriate for guaranteeing availability and access to a service of general economic interest at affordable prices, while constituting a step in the right direction, i.e. the removal in the medium term of any specific form of roaming price. Nevertheless, the Committee regrets that the Commission's proposal was not accompanied by an assessment of the new measures' impact on employment and working conditions in the mobile telecoms sector.

3.6 Energy

3.6.1 The EESC feels that the efficiency of cross-border energy markets bolsters security of supply, optimal crisis management and a lower risk of additional costs, which are

inevitably passed on to the final user. Steady improvements in the internal market in energy generate considerable savings, benefiting both companies and private users.

3.6.2 The EESC notes that the playing field is not levelled and **discrimination** persists in the EU's wholesale energy markets; market integration is completely inadequate partly as a result of structural deficiencies in the network and especially in cross-border interconnection. There are still major obstacles impeding non-discriminatory access to the network and the sale of electricity.

3.6.3 The Committee believes that it is imperative to continue **building a Europe of energy**, in which the general interests of the EU and of consumers are protected, energy supply is guaranteed, social, environmental and economic sustainability is safeguarded by means of well-designed policies which share out the benefits and ensure that the costs are reasonable, and market integrity is defended as a crucial component in the development of the social market economy.

3.6.4 The EESC calls for an **integrated approach** to be adopted between internal and external policies and related policies such as neighbourhood policy or those related to environmental protection. Energy unilateralism must be ended through a robust common policy on energy solidarity, based on diversification, an energy mix adapted to the conditions and features of each individual Member State, and above all on environmental sustainability.

3.6.5 As regards the **energy contribution to growth**, the EESC:

- points out that energy efficiency and saving are predominantly dependent on action by citizens, business and workers, their change of behaviour,
- underlines that energy saving should foster economic development, social wellbeing and quality of life,
- underlines the importance of choosing the right instruments and believes that voluntary agreements are useful while compulsory measures are needed when positive incentives do not work,
- underlines the importance of cogeneration as highly efficient energy production,
- does not support setting a binding overall target for energy efficiency but recommends that efforts are focused on achieving real results, and
- emphasises the need to ensure financial support and investment to realise the big potential in new Member States.

⁽¹⁶⁾ e.g. opinions OJ C 107, 6.4.2011, p. 53; OJ C 376, 22.12.2011, p. 92; OJ C 318, 29.10.2011, p. 9; OJ C 24, 28.1.2012, p. 131; OJ C 24, 28.1.2012, p. 139.

3.6.6 On the **Energy Action Plan**, the EESC recommends to the Commission to:

- make and publish a thorough study of white certificates,
- use targeted measures to deal with individual cases of large untapped energy efficiency potentials, also ensuring that state aid, in specific cases, can be provided,
- require ensured access to the grid for electricity from cogeneration in order to enlarge the share of cogeneration in heat and power production.

3.6.7 On measures to enhance **behavioural change**, the EESC recommends to the Commission to:

- put the energy user in the centre,
- enhance the role of the public sector as an example on energy efficiency to be followed by businesses and households,
- study people's behaviour and segment information and awareness measures to different groups of users,
- ensure that users benefit from action,
- provide, when necessary, carefully designed effective incentives even modest ones can bring results,
- both builders and governments to ensure that additional investments in buildings are reflected in value,
- increase and adapt education and training in the building sector,
- promote training for public administrations in energy efficiency, including green public procurement,
- the Commission to study problems and if needed revise provisions on energy performance certificates for buildings and the new system of eco-labelling of appliances,
- the Commission to evaluate the effects on energy users of the rolling out of smart metering and propose additional measures to achieve real benefits,
- continue and develop well functioning national long term voluntary agreement systems and apply them also to the public sector,

— truly involve all stakeholders – citizens, enterprises, workers.

3.6.8 The EESC calls for stronger measures to combat **energy poverty**, which is in danger of excluding increasingly large groups of people (green options can be costly in terms of higher prices and/or taxes, especially for the more vulnerable population groups), and for European expertise to be pooled to create new "green" jobs - effective, sustainable and competitive - and reduce inequalities⁽¹⁷⁾, giving consumers "access to energy services and jobs created by the low-carbon economy"⁽¹⁸⁾.

3.7 Transport

3.7.1 As regards the transport contribution to growth, the EESC agrees that the 2050 **60 % CO₂ emissions reduction goal** of the Transport White Paper is in line with the EU's overall position on climate protection and that it has struck a balance between the need for quick reductions of greenhouse gases in society and the possibility of rapidly using alternative fuel sources for the important work of the transport sector in the Union's economy. The Committee suggests that this long-term roadmap objective be accompanied by a number of more specific measurable, medium-term objectives for reducing oil dependence, noise and atmospheric pollution.

3.7.2 The Commission considers the need to enhance the competitiveness of **alternative modes to road transport**. The Committee supports this aim, as long as it is done by promoting higher capacity and quality in rail, inland waterways and short sea shipping as well as efficient intermodal services, and not by hindering development of efficient and sustainable road services within the EU.

3.7.3 As regards transport in the internal market, the EESC recognises the vital role of transport as a **factor for competitiveness and prosperity**, the need to create an integrated European transport system, as well as the need to improve sustainability and promote low carbon transport modes, energy and resource efficiency, security and independence of supply and the reduction of traffic congestion. The EESC can approve the emphasis put on optimised multimodal logistic chains and a more efficient use of transport infrastructure. It also supports the Roadmap's strategy to make use of a larger share of market-driven measures compared to previous versions of the White Paper.

3.8 Industry

3.8.1 As regards industry, the EESC strongly endorses the **holistic approach** and an enhanced interlinking of EU policies as well as a deepened coordination towards industry between the EU and the Member States. The goal is a sustainable, competitive European industrial sector in the global economy.

3.8.2 The enhanced interlinkage should, in the view of the EESC, lead to integrated approaches in a **fully developed**

⁽¹⁷⁾ OJ C 48, 15.2.2011, p. 65.

⁽¹⁸⁾ OJ C 48, 15.2.2011, p. 81.

internal market within a social market economy through smart legislation, R&D and innovation, access to finance, energy-efficient and low-carbon economy, policies in the fields of the environment, transport, competition and employment, the improvement of skills and competences, trade and related issues, and access to raw materials.

3.8.3 In spite of clear progress, fragmentation of the internal market and a lack of focus has persisted, partly due to disparities in approaches to business. The relation between the **completion of the internal market and industrial policies** is too often overlooked. The EESC has repeatedly urged to put in place the right conditions, taking into account the need of tailor-made rules for sectors and thematic issues which take into consideration the broadly ramified world wide value networks.

3.8.4 Industrial policy concerns all sorts of interconnected **manufacturing and services**. The boundaries between sectors are blurring. SMEs are becoming increasingly important both in terms of added value and job creation. These factors require smart horizontal and sectoral legislation and/or regulation, and accompanying measures. The complexity of international networks and integrated manufacturing processes should be taken into account.

3.9 Services

3.9.1 The EESC considers the Commission's conclusions on **the impact of the Services Directive** and on the functioning of the services sector to be premature. The directive has been in force for only a few years. Not all the Member States are equally satisfied with the directive and they need to implement it in their own legislation in their own way.

3.9.2 **The Services Directive** was drafted under the old treaty, in which the single market was still the top priority. Under the Lisbon Treaty, other interests are regarded as equivalent, rather than subordinate, to economic interests. It is interesting to look at how legislation and case-law developed under the old treaty relates to the new treaty.

3.10 External growth dimension

3.10.1 As regards the external growth dimension and the **security of raw materials**, the EESC urges a more active foreign policy regarding security of raw materials for EU industry. For this purpose key guidelines of raw material diplomacy should be defined and agreed between Member States. Bilateral trade agreements and diplomacy are of utmost importance to secure the critical raw materials for EU based industry. These represent an immediate and tough challenge for the newly established EU diplomatic service. There needs to be not only a direct focus to secure the vital raw materials but also to create a positive environment for EU interests in target countries. The fact that EU is among the world's most popular and important markets have to be exploited.

3.10.2 As regards access to **third countries' public markets**, the EESC believes that the EU must increase negotiating power to improve access to these markets, in line with its primary and secondary legislation, given that the EU has opened up over 80 % of its public markets while the other major developed economies have only opened up 20 % of theirs.

3.10.3 The EESC strongly urges the European Parliament, the Council and the Commission to ensure more effective, strategic **defence of the EU's interests** in the area of access to public markets both internally and internationally, strengthening its global credibility but also increasing the shelf-life and development of the European economic and social model.

3.10.4 As an external component of the EU 2020 strategy, an **EU trade policy** would aim to ensure that trade would help deliver the sustained growth we currently need to emerge from the crisis whilst guaranteeing the sustainability of the social market economy and supporting the transition to a low-carbon economy. The Committee feels that, on some issues, the existing legislation on trade should be clarified, particularly as regards subsidies and state aids, and that the EU's rules and values should be upheld by applying to the WTO Dispute Settlement Body (DSB) if necessary, in order to feed into case-law that better reflects its concept of fair competition, particularly as regards the emerging countries.

3.10.5 As concerns **trade and investment**, the EESC considers it essential that EU investor security is maintained, both in the interests of EU business and developing countries. The EESC welcomes the new competence of the European Commission in Foreign Direct Investment (FDI), which will enhance bargaining power of the EU and should result in the EU becoming a more important actor, and enable better access to key third country markets whilst protecting investors, thereby enhancing our international competitiveness. At the same time, the EESC insists that the EU's trade and investment policy has to be consistent with economic and other policies of the Union, including protection of the environment, decent work, health and safety at work and development. EU investment agreements should result in combining an open investment environment with effective protection for EU investors and ensuring operational flexibility in the countries in which they are investing. To this end, the Committee urges that the EU should seize this opportunity to improve and update the investment agreements it negotiates, building on its own strengths rather than merely imitate others. The EU needs to take a critical look at recent developments in international investment law, as well as in investment policy and practice (including investor-state arbitration), to ensure that its thinking and approach to future investment treaties and investment chapters in free trade agreements is both state of the art and sustainable.

3.10.6 The EESC believes that the **internationalisation of SMEs** must be stepped up in order to increase their access to new markets and, therefore, their job-creation capacity.

3.10.7 **Bilateral trade agreements** such as the recent free-trade agreements with Colombia, Peru and South Korea, offer many potential benefits that can come from exploiting the new opportunities it offers, and these should be adequately publicised to businesses. The Committee believes that bilateral agreements must be seen as compatible with and indeed eventually strengthening multilateralism. Our prosperity depends on trade, as the EC states. However, the Committee stresses there must be a qualitative change in the approach to this new series of negotiations: the bilateral approach may allow more respect to regional and national differences than is the case with multilateral agreements which per force follow a broader approach. The EESC underlines the importance of these agreements to promote and encourage the acceptance and development of best practice in environmental improvement and the promotion of sustainable development as well as the development of higher social and employment standards. In the bilateral negotiations, Europe must make it clear that it stands by its collective preferences on social matters and in the areas of food safety and the environment. International trade is part of the problem and part of the solution for issues of food security at world level. The rules of world trade should encourage food security, particularly for the less advanced countries, and ensure that they have duty-free access to developed countries' markets but also for emerging countries, in line with the principle of special and differential treatment.

3.10.8 The EESC welcomes the proposal from the vice-president of the European Commission, Antonio Tajani, to introduce a "**competitiveness test**" before a commercial partnership agreement between the EU and other third countries is signed. It also agrees that it would be necessary to assess the effects on industrial competitiveness of all other policy initiatives (such as energy, trade, environmental, social and consumer-protection policies) prior to their implementation.

3.10.9 In order to develop a green economy in a globalised competitive environment and maintain its leading role in this area, Europe should, in its own interests and in the interest of the climate, retain its ambitious goal of reducing greenhouse gas emissions. The Committee suggests carrying out impact assessment studies (on competitiveness, employment and the environment) and public debates to plan for the transitions between 2020 and 2050 and stabilise the projections of economic stakeholders and individuals.

3.11 *Mobilising the EU budget for growth and competitiveness*

3.11.1 The EESC feels that due to the economic and financial crisis and the cascade of growing deficits in most Member States, the European Union today does not have the **budgetary means** to implement either its political strategy or the commitments deriving from the new Lisbon Treaty.

3.11.2 The EESC feels that the European **budget must be strengthened and have a leverage effect**. National and European budgets should complement each other in order to achieve economies of scale meeting the EU's major political objectives.

3.11.3 The EESC demands that the EU budget must be a **model** of governance, effectiveness, transparency and control of administrative expenditure.

3.11.4 The EESC is of the opinion that the "**juste retour**" principle must be abandoned as it is contrary to the values of solidarity and mutual benefit which underpin European integration. Rather, the subsidiarity principle needs to be applied by transferring to European level that which has lost its meaning and effectiveness at national level. The EESC congratulates the European Commission on proposing a return to the principle of own resources which can be newly created or substituted for national taxes.

3.11.5 The EESC insists on an appropriate level of private and public financial resources for **competitiveness and innovation** counterbalancing shrinking budgets. The EESC very much welcomes the announced improvement of cross-border conditions for venture capital as well as the proposals for public and private EU project bonds for investments in energy, transport and ICT. Project bonds for other areas, e.g. research and demonstration projects, should be examined. The structural and cohesion funds have also to focus on industrial policy goals. New innovative ideas are to be developed to attract private capital to the industrial sector.

3.11.6 Maintaining, even extending, the EU's financial resources in **R&D** is paramount. **Large European projects** – such as those in the field of energy- and the realisation of a pan-European infrastructure, co-financed by one or more Member States, should induce leverage effects.

3.11.7 In October 2010, the Commission adopted a communication entitled: *Regional Policy contributing to smart growth in Europe 2020* ⁽¹⁹⁾ which clearly underscores the importance of developing innovation and research and development throughout the Union and highlights the role that regional policy can play in this matter. That communication also highlights the relative slow uptake hitherto of **funding available for Innovation**. It is therefore a missed opportunity that the proposal made by the Commission in 2011 amending Council Regulation (EC) No 1083/2006 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability (COM(2011) 482 final) does not allow for up to 100 % financing by the Union of innovation projects, which would particularly be of benefit to SMEs.

3.11.8 The EESC has always supported the **trans-European transport networks programme** and it reaffirms its support for this programme again. However it notes that the needs of the enlarged Europe in the field of transport infrastructure have grown and some thought has to be given to the matter of how to adapt existing policy and instruments of its implementation to the forthcoming challenges.

⁽¹⁹⁾ See document COM(2010) 553.

3.11.9 A higher market share of the **alternative modes** requires major infrastructure investments, including investment in road transport infrastructure. The general recourse to private investments and infrastructure charging cannot be considered as a panacea. The Committee is, as stated in a number of earlier opinions, in favour of internalisation in the transport sector. The Committee agrees that according to the concept of "**polluter pays**", economic instruments are to reflect the true cost of transport for our societies, so as to influence market behaviour in a sustainable direction. In this respect, the revenues from these additional charges should be earmarked to develop sustainable transport and to optimise the whole transport system in order to achieve a genuine sustainable mobility policy. They should also be kept separate from charges that are established for a financing purpose, that is according to the "user pays" principle.

3.11.10 The EESC believes it is essential to adopt **policy mixes** including:

- energy efficiency measures;
- safe CO₂ capture and storage (CCS) systems;
- competitive development of renewables;
- conversion of power plant, to low carbon energy production;
- measures to expand high-efficiency combined heat and power production (CHP).

3.11.11 With regard to the integrated European energy mix toolbox, the EESC believes it is essential to establish without delay a consensual **programme for investment** in the following fields:

- smart grids and enhancement of energy transmission networks;
- research and development of joint programmes in the areas of energy sustainability, nanoscience and nanotechnologies, IT applications for network macrosystems, and home micro-systems;
- ability to regulate complex systems and provide a stable reference framework for industry and public and private operators;
- reinforcement of structured, interactive dialogue with the social partners, consumers and the public.

3.11.12 The EESC calls for the prioritisation of all **the energy diversification projects** carried out within the European neighbourhood, such as the Caspian Sea-Black Sea-EU energy corridor, and, in particular, the Nabucco pipeline, Liquefied Natural Gas Infrastructure (LNG), the interconnection of electricity grids and the completion of the Euro-Mediterranean electricity (Med-ring) and gas infrastructure rings as

well as the new oil infrastructure projects of European interest such as the Odessa-Gdańsk and Constanța-Trieste projects as well as Nord Stream.

4. Tackling unemployment and the social consequences of the crisis

4.1.1 The EESC believes that the most important **prerequisite for the creation of new jobs** is sustainable, stable economic growth. The EESC welcomes the fact that a number of institutions and organisations have made proposals for emerging from the crisis that take account of the social dimension of recovery.

4.1.2 The Committee believes that it is important to develop initiatives that facilitate the development of **sectors with the highest employment potential**, including in the low-carbon, resource-efficient economy ("green jobs"), health and social sectors ("silver jobs") and in the digital economy.

4.1.3 The EESC identifies the following priority actions: developing the potential of new **entrepreneurship**, especially among women, **youth employment** and support for the "Youth on the Move" flagship objective.

4.1.4 The EESC considers it essential to promote an **entrepreneurial culture** and a spirit of initiative in an environment that supports entrepreneurs, understands market risks and values human capital, while respecting collective agreements and national practices.

4.1.5 In particular, the EESC calls for a roadmap to create – as of now – the necessary conditions for the **development of new innovative enterprises and support for existing SMEs** in order to contribute to creating new jobs, which are needed to emerge from the crisis, and in order to return to sustainable growth. The measures adopted should be programmed at the European, national and regional levels, and should include commercial and non-commercial or social economy enterprises. Alongside this roadmap, provision should be made for the training of unemployed workers and young people to access these new jobs.

4.1.6 Promotion of **green jobs** must involve a combination of stick and carrot measures providing the necessary resources without dipping significantly into the already-empty public coffers. The issue of funding will be crucial and requires all of the parties concerned to play the game, because the EU 2020 strategy and the aid programmes will not be able to work if the Member States' hands are tied in terms of their budget. Businesses which commit to better quality jobs and more sustainable production should be encouraged and supported. They require a clear, stable regulatory framework, ideally with internationally-agreed rules. Rapid, consensual resolution of the European patent issue would, of course, be a step in the right direction.

4.1.7 As the Committee pointed out in its opinion on the AGS 2011 **appropriate wage policies** have a key role to play

in dealing with the crisis. Keeping wage rises in step with productivity growth and targeted in the national economy as a whole will, from a macro-economic viewpoint, make sure a proper balance is struck between sufficient growth in demand and price competitiveness. The social partners must therefore work to avoid wage restraints along the lines of a beggar-thy-neighbour policy and gear wage policy instead towards productivity. To this end, the EESC categorically rejects the suggestion also contained in the Commission communication on the AGS 2012, that it is necessary to intervene in national wage-fixing schemes by requiring, among other things, "reform measures" for the decentralisation of collective bargaining. The autonomy of the social partners and their freedom to conclude collective agreements must under no circumstances continue to be questioned, as has been explained very clearly in the Six-pack Regulation No 1176/2011 (package of six measures).

4.1.8 The EESC notes that businesses have recourse to various types of employment. This results in **new types of work**: precarious jobs where people are employed on temporary contracts for low pay with little social protection and no legal protection. Not all temporary work is precarious – highly skilled freelancers can do very well for themselves on the labour market on the basis of individual orders, but it is, by definition, precarious when it comes to low-skilled and unskilled jobs in manufacturing and services. Flexicurity may be a way of meeting businesses' need for flexible work, but only on condition that the associated security is comparable to that provided by permanent job.

4.2 Structural mismatch between the supply and demand for labour

4.2.1 A key element in solving the problems lies in good and efficient **cooperation between education institutions, business, the social partners and public authorities**, notably with regard to anticipating future skills needs and taking the relevant initiatives in terms of general education and vocational education and training (VET). The Committee has called for an improvement of the quality and efficiency of VET so as to enhance its attractiveness and relevance. To set the number of young people getting into university as the only indicator is misleading when formulating education policy and not relevant to the needs of the labour markets in terms of skills. Education and training systems need to be balanced.

4.2.2 Demographic change – an ageing working population and fewer young people entering the labour market – and rapid technological developments in production processes mean that Europe is facing a serious shortage of **skilled manpower**. It is therefore of the utmost importance that everyone should gain long-term access to the labour market and that nobody should be excluded. The EESC stresses that employees must have the opportunity to keep their skills and professional qualifications up to date and to learn new skills during their working life, as this will enable them to adapt to changes in their working environment and provides a response to the demand for skilled workers on the labour market. Handling this process efficiently and effectively is one of the most important tasks facing the EU if it is to remain able to compete with other regions of the world.

4.2.3 The EESC stresses that employees must have access to **vocational training programmes**, in particular. Research has shown that it is often the employees who are most in need of training who are least likely to make use of it, so different measures will be needed for different categories of employees.

4.2.4 A large proportion of the budget must go to the **lowest skilled workers**, as they are the most in need of additional training. This could be achieved by allocating training budgets to individual employees, with the amount being inversely proportional to their level of training so that the least skilled workers are eligible for the most money.

4.2.5 **Older workers** need a personnel policy that takes greater account of age. At a time when many EU Member States are raising their pension age, many older people lose their place on the labour market before reaching the current pension age, for example because they cannot keep up with changes. Specific, targeted training could help to resolve this issue.

4.2.6 It is very important for education and training to be **effective**. A number of Member States are experimenting with new, more effective training methods and are rediscovering the importance of workplace learning. The EESC highlights the importance of further developing projects of this kind, and urges the Commission to promote this by ensuring that examples of good practice in the field are exchanged.

4.3 Supporting employment, especially of young and long-term unemployed people

4.3.1 The EESC reiterates its demand for **quantifiable European targets for youth employment**: in particular, 1) a target for a significant reduction in youth unemployment, as well as 2) a maximum waiting period of four months for young people looking for work or education. Leaving specific targets for youth employment at the level of Member States has borne little fruit; only a few countries have included corresponding targets in their National Reform Programmes.

4.3.2 The EESC is pleased that its demand that Member States guarantee that all young people have the opportunity for further education or are involved in activation measures within four months of completing compulsory schooling has taken the form of a proposed **"Youth Guarantee"** in the "Youth on the Move" flagship initiative.

4.3.3 Member States with especially fraught labour market conditions as far as youth employment is concerned, and which must currently meet restrictive budget targets, should be given easier access to **EU funding** set aside for measures like the "Youth Guarantee". What are needed are pragmatic and flexible procedures and simplified administration of fund use, up to and including temporary suspension of national co-financing arrangements by tapping funds such as the ESF and other European funds.

4.3.4 The EESC has repeatedly stressed the importance of maintaining, and where necessary boosting, national and **European funding for education, training and employment of young people** – despite the reassessment of budget priorities necessitated in all EU countries by the economic crisis. For this reason the EESC asks that adequate funding be secured for youth-focused initiatives as part of financial planning from 2014.

4.3.5 Some countries have improved access to **unemployment payments** for disadvantaged groups during the crisis, including youth, with corresponding conditionality. However, these measures were of limited duration or are at risk of reversal as part of planned austerity measures. The EESC urges that the requirements for young people's entitlement to unemployment benefits be generally reviewed, and that the prospects of those looking for work, but who so far have enjoyed no entitlement, be improved. It is also recommended that corresponding targets be written into national reform programmes. This would significantly contribute to alleviating the precarious situation faced by many young people in their transition to the job market.

4.3.6 It is not just the unemployment rate that is twice as high for 15-24-year-olds as it is for adults, but also the proportion facing **insecure working conditions** (in some countries, higher than 60%), unregulated traineeships and internships (above all in southern Europe), and work for which they are over-qualified. The EESC warns against impermanent solutions offering few long-term prospects when it comes to integration in the job market: instead of settling for precarious employment and insecure employment contracts, measures should be taken to guarantee that fixed-term employment and poorly-paid positions with little social security do not become the norm for young people. As far as the Commission **initiative on internships** is concerned, the EESC supports a corresponding European quality framework to which companies should also be persuaded to sign up, so that they offer in-work training opportunities with secure contracts for poorly educated youth in particular. The dual system of apprenticeships with general education and training yields positive results in a number of countries, and should be studied with a view to its partial application elsewhere.

4.3.7 The continuing crisis-related stagnation in the demand for labour is leading to an increase in long-term unemployment, resulting in serious difficulties in placement on the job market and consequently a growth in poverty as measured by the proportion of the population of working age or below who live in households which have no contact with the labour market. **The EESC recommends that the Member States pay particular attention to setting up inclusive intermediate labour markets in which public resources would create an appropriate number of suitable jobs** to ensure that the long-term unemployed remain in contact with the world of work and improve their knowledge. This will prevent an increase in poverty, in terms of loss of contact with the labour market, and enable the workers included to make a smooth transition into the open labour market once the crisis is over.

4.4 Social entrepreneurship

4.4.1 Social enterprises are key elements of the **European social model**. They make an important contribution to society

and contribute to the EU2020 targets by creating jobs, developing innovative solutions to meet public needs and by building social cohesion, inclusion and active citizenship.

4.4.2 The Committee believes that the promotion of social entrepreneurship, especially during the current harsh economic climate, will harness both its **growth potential and its added social value**. In order to realise its potential, a comprehensive political framework should be developed and implemented involving a broad range of stakeholders from all sectors of society (civil society, private, public) at all levels, (local, regional, national and European).

4.4.3 Member States and the EU institutions must ensure that social enterprises are included and taken into account in **public policy initiatives and programmes aimed at enterprises** on equal terms with other forms of businesses.

4.4.4 Better **access to capital** and tailored finance instruments are priorities for social enterprises. The Commission should collect and share existing good practice and innovation initiatives in the Member States, such as hybrid capital and forms of interplay between public and private capital and ensure that the current EU regulatory framework does not hinder the development of new instruments.

4.4.5 It is key that the **next structural fund programming** period explicitly includes programmes for starting up and developing social enterprises.

4.4.6 The Commission should launch an EU-wide exercise comparing **approaches to public financing** which are particularly suitable for social enterprise. The Commission should encourage and assess the prevalence of tenders with social considerations and tackle the issue of "gold plating" in procurement. When reviewing the State aid rules, the Commission should consider full exemption of social services of general interest, or provide notification exemption for all small-scale public services and certain social services in order to encourage more start-ups of social enterprises.

4.4.7 Due to their varied legal forms and specific social missions, **tax advantages** that do exist in certain Member States should be reviewed and shared in order to encourage the development of appropriate rules.

4.5 Protecting the vulnerable

4.5.1 As the Committee already pointed out in its opinion on the AGS 2011 and as the Commission also implicitly recognises, **social welfare benefits** must be regarded as a productive investment that benefits everyone. Unemployment benefits associated with dynamic labour market policies can stabilise the economy and promote active adaptation to change thanks to the improvement of skills and effective initiatives on job-seeking and retraining. It is advisable to remain cautious about measures which aim to tighten eligibility criteria. The

risk is that persons who are excluded will be further marginalised, which represents a major obstacle to finding a/another job. Such weeding-out policies may have a perverse effect of displacing people to other welfare sectors, such as social assistance or work incapacity, which is undesirable.

4.5.2 The EESC highlights the fact that employees need **social protection and a secure income** if they are to be able to function optimally, without fear for the future, in a rapidly changing society.

4.5.3 The EESC urges the EU institutions to maintain **European social standards** with more conviction. The lack of decisiveness in this area has led to a growing number of working poor, rising inequality, ever greater fear for the future and, at the same time, a rise in citizens' distrust in one another, social institutions and government – not just national governments, but also the EU institutions, as demonstrated by the rise in euroscepticism in a number of Member States.

4.5.4 In the view of the EESC, **austerity measures** must not be allowed to increase the risk of poverty or exacerbate inequalities that have already grown in recent years. Care should be taken to ensure that the measures taken in response to the crisis do not run counter to the objectives of stimulating demand and employment and cushioning social impacts. The Member States should also make sure that measures taken to tackle the economic crisis and government debt do not jeopardise employment policy investments or undermine general and vocational education. The EESC calls for comprehensive impact assessments in order to establish how the EU goal of showing at least 20 million people a path out of poverty and exclusion by 2020 can be reached.

4.5.5 Austerity measures hit people who depend on social security payments hardest, including those with insecure employment and other disadvantaged groups in the labour market. As a rule, the people who are worst affected by unemployment are those with limited access to income support. Adequate, effective and sustainable social security networks are therefore needed, taking particular account of the worst affected and most socially disadvantaged groups in the labour market.

5. Modernising public administration

5.1.1 Regarding the modernising of the public administration, in the EESC's view good governance implies **multilevel governance and partnerships with representative organised civil society at regional level**.

5.1.2 "**Multilevel governance**" is a flexible structure of relations between Commission, governments, and regional and local authorities, tailor-made according to specific situations and thematic considerations rather than a hierarchical framework of

competences between governmental layers. Good governance is characterised by open-minded relations and a less strict application of the "subsidiarity" principle.

5.1.3 **Partnership** is a key instrument of collective commitment and contributes to better efficiency of public expenditure and public policies. New forms of effective partnership could be instrumental to this end. Such platforms could accompany the innovation strategy, with the participation and assistance of all stakeholders – public and private, including the banks – and with simple, clear and effective rules governing the projects for their duration and establishing timelines, responsibilities, and possible sanctions.

5.1.4 The EESC would urge the EU institutions, as well as the Member States and the regions, to place the Small Business Act (SBA) "**Think Small First**" principle at the heart of EU, national and regional decision-making. It also recommends that the Member States and the regions adopt this as the basis for their policies on SMEs and for their economic and industrial policies. Ultimately, the Committee believes that the SBA should take a more binding form, especially for the EU institutions. In this context, the EESC is against the European Commission's current proposal on exempting SMEs and micro-enterprises from EU legislation.

5.1.5 The EESC believes that the appointment of national **SME envoys** should help the Member States to apply the SBA. The EESC also advocates appointing regional SME envoys.

5.1.6 All that remains is to move on to the "**act small first**" stage. The SBA will not succeed unless a genuine "multi-stakeholder and multilevel governance partnership" is established. The economic and social partners and all representative public and private stakeholders must be involved in political discussions and the legislative process from the very beginning. The EESC therefore calls for organisations representing the different categories of SMEs to be fully involved in the legislative and decision-making process at all levels.

5.1.7 The EESC agrees with the Council and the Commission as to the desirability of effective multilevel governance and better governance in **applying EU-Funds and implementing EU-policies**. The question is not "if", but "how". It is a matter of fine-tuning bottom-up initiatives and top-down framework conditions.

5.1.8 The Committee is particularly satisfied to note the proposal to ensure **greater participation by the public and other stakeholders** in drafting, transposing and implementing Community legislation, specifically by extending public consultation periods and by streamlining infringement proceedings and making them more effective.

5.1.9 The EESC welcomes the modernisation of EU public procurement policy with a higher degree of efficiency in the

context of a better functioning single market that is more innovative, greener, and more social. The EESC underlines the impact and importance of innovative, environmental and social aspects of Europe 2020 also for public procurement.

5.1.10 The EESC emphasises that the principles of openness and transparency as well as efficiency, legal certainty, value for money, competition, accessibility to the market for SMEs and liberal professions, proportionality, increasing cross-border contracts, avoidance of discrimination and corruption, and the need for professionalism remain as valid as before.

5.1.11 Unnecessary bureaucracy has to be reduced for the best results for everybody. Complicated legislation and widespread Gold Plating in Member States must be avoided.

5.1.12 The EESC recommends an analysis of best practices and examples in Member States followed by measures to open up markets.

5.1.13 The EESC welcomes the interest the Commission has shown in strengthening political, legislative and administrative **procedures** to ensure that Community law is devised and applied in a more rational, appropriate manner throughout the policy cycle.

5.1.14 The EESC considers that aspects such as the way in which **ex ante impact assessments** are carried out by all Community institutions responsible for implementing them,

the nature and membership of the body responsible for monitoring impact assessments, the parameters used, and the ways and means of ensuring greater transparency, should be more clearly defined.

5.1.15 The Committee welcomes the initiative to modernise public administrations by setting up "**points of single contact**", and can only applaud the development of administrative cooperation in cross-border matters. This cooperation also needs to be extended to policy areas where compliance with obligations is at stake.

5.1.16 The EESC welcomes the Commission's intention of improving the governance of the single market through greater administrative cooperation, developing the Internal Market Information System (IMI).

5.1.17 The Internal Market Information system is the main technical tool for the cooperation between the national administrations and has additional potential as an interface for single market users.

5.1.18 The EESC believes that the IMI can play a decisive role in overhauling administrative cooperation in the internal market and ensuring it meets the needs and expectations of individuals, businesses and civil society organisations who may have a future part to play in developing and operating the system.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Green Paper on the online distribution of audiovisual works in the European Union: opportunities and challenges towards a digital single market'

COM(2011) 427 final

(2012/C 143/13)

Rapporteur: **Mr LEMERCIER**

On 13 July 2011, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Green Paper on the online distribution of audiovisual works in the European Union: opportunities and challenges towards a single digital market

COM(2011) 427 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 226 votes with 10 abstentions.

1. Conclusions and recommendations

1.1 The Committee draws attention to case law in which the EU Court of Justice calls for a balance to be maintained between a number of fundamental rights in relation to file-sharing on the internet where copyright obtains ⁽¹⁾. Copyright is not an absolute right, and respect for copyright cannot be enforced through general filtering of the internet by service providers (ISPs, see *Scarlet v SABAM*). The levies charged on digital media in several Member States may not be applied to media used for a purpose other than making digital audiovisual copies, such as digital hardware used in management applications (*Padawan* case). Some excessively restrictive national rules should be revised so as not to impede the development of online distribution of audiovisual works, taking account of the evolving case law of the EU Court of Justice.

1.2 Another factor behind the growth of the market in such works is the introduction of attractive and affordable commercial models, where digital audiovisual content can be distributed much more cheaply than CDs and DVDs. This substantial saving in distribution costs should benefit consumers as well as guaranteeing an income to authors that is sufficient to allow them to continue their artistic and literary creative work. Copyright should also be managed in a way that serves the general, or public, interest, e.g. by setting requirements on accessibility for disabled people without punitive costs. Options for extending exceptions and limitations to improve access for very disadvantaged groups, libraries and public cultural institutions should also be considered, as recommended by the Committee in an opinion adopted in 2012 ⁽²⁾.

1.3 The internet has become a universal medium for online content; certain technical and legal requirements should be

introduced through restrictive legal standards to ensure that content distributors respect people's privacy and to guarantee net neutrality: the internet must not be subject to general filtering ⁽³⁾ unless an explicit order has been addressed to a named party by a judge on the basis of sufficient evidence of illicit copying, further to a specific complaint of the holder of the copyright and related rights.

1.4 By the same token, the Committee considers that libraries and bodies responsible for managing audiovisual works should not be encumbered by excessive tightening of legislation to protect copyright. Their role is to preserve and transmit works with the cultural aim of promoting and protecting artists and authors in the long term, and to ensure access for the wider public, in particular schoolchildren and students, to the works in question, for reasons serving the general interest such as the success of the Europe 2020 strategy, the Digital Agenda and the cultural strategy ⁽⁴⁾. The proposal for a Directive on orphan works, which the Committee supports ⁽⁵⁾, should also be integral to the success of the EU and national strategies for promoting culture.

1.5 The cross-border market for online distribution of works does not pose major issues of access for the three main cross-border distributors which control three quarters of the markets and have adequate financial and technological means to make their catalogues available to the general public in Europe and worldwide.

⁽¹⁾ Recent cases: *Padawan* and *SABAM*.

⁽²⁾ OJ C 228, 22.9.2009, p. 52.

⁽³⁾ See *Scarlet v SABAM*.

⁽⁴⁾ COM(2007) 242 final.

⁽⁵⁾ OJ C 376, 22.12.2011, p. 66.

1.5.1 The Committee asks the Commission more specifically to make detailed proposals for the multitude of SMEs and SMIs, which represent Europe's real cultural and artistic resource in all its diversity of languages and literary and film works, so that they can participate actively in the single market for online distribution of audiovisual content.

1.6 The Committee draws attention to certain proposals made in the KEA-Cema study of October 2010, such as pooling of catalogues and one-stop shops for distributing content to the general public in Europe⁽⁶⁾. The study's analysis of market trends is also detailed and pertinent. Distribution strategies and new business models are designed to favour legal distribution of works in a way that maximises revenues for each distribution window and makes best use of the works. Products are typically promoted through social media (to create "buzz") alongside traditional marketing methods.

1.7 The Committee believes that drawing up a comprehensive, unitary European Copyright Code, as proposed by the Commission, could help to consolidate the harmonisation between Member States' legislation in the form of a directive, which is a necessary step. This directive would replace the multiple existing EU directives on copyright and would entail regular reports on the effectiveness of implementation by the Member States. The Europe 2020 strategy⁽⁷⁾ should also be incorporated into the European Copyright Code.

1.7.1 Such a code could put the country of origin issue into perspective in terms of the legislation that should apply with a view to effective harmonisation. Where a Member State provides public funding for cinematographic works, that country should generally be regarded as the country of origin for the purpose of determining which law applies. The Commission should consider the possibility of "European origin" with respect to determining the law that applies⁽⁸⁾.

1.7.2 The possibility should be considered of avoiding unfair terms in contracts where the actual copyright holder (or holders) cedes their rights to producers/distributors. It happens all too often that rights are ceded by the author to producers for all existing and future technologies without a clause giving them a share in future revenues generated by the use of new media and distribution channels (Blue-ray, IPTV⁽⁹⁾, etc.).

⁽⁶⁾ "Multi-Territory Licensing of Audiovisual Works in the European Union": independent study carried out for the European Commission (Society and Media DG) in October 2010. See also the Commission Communication *Creative Content Online in the Single Market*, COM(2007) 836 final.

⁽⁷⁾ OJ C 68, 6.3.2012, p. 28.

⁽⁸⁾ The "28th regime", already proposed by the Committee in relation to European contract law. OJ C 21, 21.1.2011, p. 26.

⁽⁹⁾ Internet protocol television.

1.7.3 Content must not always be regarded as a commodity. It is important to bear this in mind when discussing online distribution, which is a cultural service that disseminates meaning.

1.7.4 The Committee reiterates the need to facilitate access to broadband connections so that internet users can enjoy high-quality, rapid reception of audiovisual works by cable TV, IPTV and VOD⁽¹⁰⁾.

1.8 The relevant Commission departments should look at options for developing data management systems to track the ownership of rights to audiovisual works⁽¹¹⁾, focusing on the particular characteristics and needs of SMEs and SMIs. The same goes for developing multi-territorial licensing with a single title valid for the whole EU market. Small European producers should be encouraged and helped⁽¹²⁾ to "Europeanise" their catalogues in an identification system with a (voluntary) section containing information on holders of copyright and related rights recorded in a multi-territorial document.

1.9 The copyright clearance system should ensure transparent and fair distribution of the portion of revenues due to copyright holders⁽¹³⁾. It is essential that the management of collecting societies should be subject to annual independent inspections whose findings are accessible to authors and the general public, so as to ensure democratic control of their activities and their contributions to cultural development⁽¹⁴⁾.

1.10 The Committee believes that on the basis of reactions to the Green Paper from interested parties the Commission should consider drawing up a White Paper in the second half of 2012, after consulting stakeholders (including public bodies⁽¹⁵⁾, the EESC via the formal procedure, and trade unions and associations representing authors and distributors at EU level) during the first half of the year, with more detailed proposals on possible further steps to establish a single European market in audiovisual works across linguistic barriers. The Committee is aware of the legal and technical difficulties that will have to be overcome in order to make progress on this key dossier, but it does not see these as insurmountable.

⁽¹⁰⁾ Video-on-demand.

⁽¹¹⁾ Producer-led development of an international system for identifying works (International Standard Audiovisual Number, or ISAN). However, the ISAN does not contain rights ownership information and participation is on a voluntary basis. Certain big American studios use a similar system (the Entertainment Identifier Registry, or EIDR) (<http://eidr.org/how-eidr-works/>), which consists of a code that developers receive from APIs but which contains no mention of copyright on works.

⁽¹²⁾ For example through the MEDIA programme, which runs until 2013 and could then be replaced by a new support programme.

⁽¹³⁾ OJ C 68, 6.3.2012, p. 28

⁽¹⁴⁾ Id.

⁽¹⁵⁾ National film financing bodies, libraries and cultural organisations.

2. Gist of the Commission communication

2.1 This communication is directly relevant to the Europe 2020 strategy, complementing the Commission communication *A Single Market for Intellectual Property Rights*, the so-called IPR Strategy ⁽¹⁶⁾.

2.2 The culture industry is a big sector, employing six million people in the EU and with an annual turnover of EUR 500 billion, or 3% of European GDP. Technological developments have driven a radical change in the way audiovisual works are distributed. Traditional distribution networks are being completely transformed through digital technology, high-speed and ultra high-speed internet access, cloud computing, and the possibility of downloading audiovisual works to personal computers and mobile phones.

2.3 The Green Paper describes a number of policy approaches, but advocates a single model for managing copyright based on cross-border and pan-European licences.

2.4 The Commission believes that rights clearance for online transmission of audiovisual works outside the territory of origin must be simplified. The same applies to distribution of programmes on demand, where other rights have to be obtained than those cleared for the initial distribution.

2.5 The Green Paper states that simultaneous transmission of a broadcast requires a separate authorisation from right holders.

2.6 The Satellite and Cable Directive ⁽¹⁷⁾ requires management of rights by a collecting society for simultaneous retransmission from other Member States. The rights are additional to those cleared directly by broadcasters.

2.7 The Commission notes that rights representative organisations are not always entitled by law to grant licences for retransmission by cable.

2.8 Finally, for several years now, DSL (Digital Subscriber Line), IPTV (Internet Protocol Television) and TNT (Digital Terrestrial Television), as well as new digital platforms, have been using retransmission services, making it even more difficult to ensure compliance with current legislation.

2.9 In economic terms, EU production was close to 1 200 films in 2009, which represented barely 25% of cinema admissions in the EU, compared with 68% for American films. However, the EU has only a 7% stake in the US market. To promote a film in the EU, producers and distributors stagger the release of works. Generally, films are released for

cinema, then for video products, then for video-on-demand, then distributed to pay-TV networks and finally to free-to-air TV. Developing video-on-demand services for sale outside the country of production increases the number of partners and hence the number of contracts.

To reduce all these steps, the Commission advocates collective management of works and introduction of a one-stop shop for collective licensing of rights.

2.10 *The other part of the Green Paper concerns authors' remuneration*

In most EU countries, this is managed by producers through lump-sum or "buy-out" payments for the contribution to an audiovisual work. In these countries, authors therefore do not systematically receive an additional remuneration when their work is distributed online. In some Member States, collective management societies representing authors collect remuneration on a per-use basis, while in others it is the final distributor who is responsible for paying for these services.

2.11 *Remuneration of performers*

This is now generally based on a contract and paid in a lump sum, as for authors. The Commission proposes introducing a more equitable system of remuneration, a right that would be collected by collective management societies. However, the Green Paper notes that these new rights would create economic, and therefore legal, uncertainty for producers and would impede online distribution of works.

3. General comments

3.1 The Commission's intention with this Green Paper is to further the completion of the single European market through harmonisation of national rules.

The sector in question relates to culture and its digital distribution channels. This is a very particular and sensitive sphere because it involves the communication of a country's history, language, traditions and aspirations. It cannot be treated in the same way as a traditional economic sector, or even a traditional sector of general economic interest. The Commission's approach in the Green Paper might seem too consumer-oriented. However, its analysis of the various mechanisms involved is detailed, not to say exhaustive.

3.2 The text is very dense and addresses a number of very different issues, but the main objective of the Commission is to build a single market in the sector.

3.3 **The Commission bases its appraisal of audiovisual distribution and related rights on several observations.**

⁽¹⁶⁾ COM(2011) 287 final.

⁽¹⁷⁾ Directive 93/83/EEC (OJ L 248, 6.10.1993, p. 15).

The first is that the current system is not working: it is complex and costly for the end user. The second is that aggregating national production could help to increase the commercial viability of the overall market. It is difficult for a video-on-demand company that is independent of major access providers or *iTunes* to obtain exclusive territorial or European rights, since rights to works are often concentrated with producers, who seek to maximise their revenues by other means (DVD sales, in particular).

3.4 Towards centralised licensing (pooling means and sources of information to develop the sector)

The Green Paper thus proposes online copyright licensing of multi-territorial services and advocates establishing a single licensing model that would allow multi-territorial licensing.

The EESC believes that this could provide a good solution for a given language region.

3.5 The multiplicity of distribution channels and interactive receivers, and mobility of customers, place a lot of pressure on economic models and distribution networks.

3.6 Authorisations and licences are at the moment issued mainly on a national basis, with contracts being negotiated between the producer of the work and the online distributor. The European Economic and Social Committee admits that the system proposed by the Commission has undeniable advantages, for instance in giving rapid and easy access to data provided by producers. It could leverage the distribution of national works that would otherwise remain local.

3.7 It should nevertheless be noted that implementation of the directive on satellite broadcasting 15 years ago has not produced pan-European satellite broadcasting services.

3.8 Setting up a European register of works could entail risks that are difficult to evaluate

The EESC believes that such a database should be for information purposes only.

Above all, access to copyright protection should not be conditional on being on the register.

3.9 This European system would have the advantage of uniting EU production and distribution operators to compete with the Hollywood majors that are mobilising in Europe.

It is also interesting to note that certain big US studios (e.g. Warner Brothers and Disney) are working on devising an international numbering system for identifying audiovisual works (Entertainment Identifier Registry).

3.10 Since 2004, French producers have been developing their own such system, the ISAN (International Standard Audiovisual Number). The above-cited statistics on European and American film production are worrying. It should be noted that under the current system, US production accounts for 75% of cinema admissions in Europe. The way the system is managed is therefore of key importance.

3.11 The EESC points out that it is producers who, during their negotiations with distributors, fix on a contractual and lump-sum basis the amount of rights paid to authors and right holders, and who stand guarantor for the payment. The issue with remuneration of right holders can be addressed partly through centralised licensing. The idea of introducing a remuneration process based on the size of an audience measured over many years may be attractive, but it is problematic.

3.12 There is a real conflict of interest between film producers, distributors and contributors. Producers on the one hand want an initial release for cinema to ensure optimum promotion of their works, while distributors on the other demand that those works be made available sooner so that they can market them for video, pay-TV networks and on-demand media.

3.13 The EESC thinks that negotiation to adjust these deadlines is needed, given the increased influence of IPTV, ADSL and digital platforms. A very interesting idea would be to introduce a system including a database of right holders for identifying and listing older works which are no longer covered by an exclusivity agreement.

3.14 The Commission is thus counting on collective licensing of works (a database) to stimulate the sector. **Will the EU be able to compete against the powerful American multinationals? An abrupt discontinuation of the current national systems poses real risks.**

3.15 The EESC believes that serious assessments should be carried out before taking any decision to abandon or dilute current national systems. As we noted above, the lobby groups defending the interests of US companies are powerful and such groups are obviously pushing for liberalisation in this very profitable sector.

3.16 The purpose of this proposal for the Commission is to increase and regulate the circulation of EU works. The technical and regulatory signals it is sending out are therefore important because they could accelerate a liberalisation process already initiated by others.

3.17 The EESC unreservedly endorses every step taken by the Commission to facilitate access to online works for the general public. Access should be possible across EU territory, and at an affordable cost. This would allow the culture of each Member State to be more effectively disseminated and would facilitate the education of young Europeans. The Committee also believes that certain forms of versioning - such as inserting commercial advertising in works originally designed without commercial breaks - could undermine the cultural objectives of online distribution, even if these lower-quality, cut-up versions could be distributed for free or at very low cost. This could be taken into account in a voluntary quality code for distributors of content via internet, cable or terrestrial transmission who committed themselves to have more consideration for original works.

3.18 In an opinion on the Commission communication *A Single Market for Intellectual Property Rights* ⁽¹⁸⁾, the EESC draws attention to the diversity of national models and contradictory approaches to management of authors' rights in the sphere of culture. **Bearing in mind that the discussion is not fully concluded, the EESC therefore thinks that the first step would be to define the principles of a European copyright code.** For an initial period, this code - based on respect for the specific cultural features of each country - should be limited to laying down simple but necessary principles that each country would observe when clearing licences.

3.19 In the EESC's view, it is not a good idea to extend the country of origin principle, because this otherwise appropriate

criterion can be circumvented through the service provider's choice of country of establishment. The Commission has also launched projects and consultation exercises to encourage data transmission operators to invest in new networks that can handle this traffic efficiently and affordably.

3.20 In this Green Paper, the Commission claims that pooling rights will stimulate the growth of digital networks. It must still be ensured that network operators have the financial means to modernise and increase their distribution capacity. The EESC's opinion on *The open internet and net neutrality in Europe* ⁽¹⁹⁾ thus provides a useful contribution on certain points raised in the Green Paper.

3.21 The Satellite and Cable Directive requires management of rights by a collecting society for simultaneous retransmission from other Member States. The rights are additional to those cleared directly by broadcasters. This double procedure might seem ponderous, but it is necessary in order to avoid black-outs during programming (use of media already occupied by other broadcasts).

3.22 The Commission believes that national funding is essential for development of the sector and supports the MEDIA programme developed to stimulate the distribution of works across several territories. The EESC agrees, but notes that their number has declined while there is massive consolidation among funders to finance a given film.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽¹⁸⁾ OJ C 68, 6.3.2012, p. 28.

⁽¹⁹⁾ OJ C 24, 28.1.2012, p. 139.

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EMIR) on OTC derivatives, central counterparties and trade repositories’

COM(2011) 652 final — 2011/0296 (COD)

(2012/C 143/14)

Rapporteur-general: **Mr IOZIA**

On 15 and 25 November 2011 the European Parliament and the Council respectively decided to consult the European Economic and Social Committee, under Article 114 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending Regulation [EMIR] on OTC derivatives, central counterparties and trade repositories

COM(2011) 652 final - 2011/0296 (COD).

On 25 October 2011, the Bureau of the European Economic and Social Committee instructed the Section for the Single Market, Production and Consumption to prepare the Committee's work on the subject.

Given the urgent nature of the work, at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee appointed Mr IOZIA rapporteur-general and adopted the following opinion by 99 votes in favour, with 5 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the Commission's proposal for a regulation and hopes that it will be adopted swiftly in order to make the protection it offers to savers more effective and to apply the principles it sets out to all financial instruments ⁽¹⁾.

1.2 The EESC notes that the proposal for a regulation aims to:

- improve trade transparency and the provision of transaction data to the competent authorities;
- make trading in derivatives on organised venues mandatory;
- facilitate the removal of barriers to non-discriminatory access to clearing facilities;
- increase supervision of financial instruments and positions in derivatives;
- monitor the provision of financial services by third-country firms without a branch in the EU;
- monitor and reduce the impact of computer-driven and algorithm-based trading methods.

1.3 The draft regulation increases market transparency and contains measures to reduce fragmentation. Ensuring uniform application of the rules avoids the risk – which is very high in the financial markets – of regulatory arbitrage, and is expected to bring final users the advantage of lower transaction costs (at least in theory).

1.4 In its legislative proposals the Commission should highlight the advantages of the rules for the various parties concerned: individual users of financial services, small and medium-sized enterprises, market operators, government.

1.5 One general measure which the Commission should strongly promote is a programme of financial education. The EESC reiterated this recently in an own-initiative opinion ⁽²⁾.

1.6 Although the costs deriving from the new regulation do not appear too significant, the EESC is concerned at the possible macroeconomic costs for the financial system which do not seem to have been appropriately considered in the impact assessment. For some time and on several occasions the EESC has called for "a profound study on the [effects of the] cumulative regulatory initiatives (...) for the necessary measures on the financial system and the capital market. A stable and efficient system should promote financial stability and liquidity for the real economy" ⁽³⁾. The EESC is pleased that the Commission has decided to initiate such a study, which is essential in order to understand the overall effect of all the regulatory measures, and it hopes that the study will be published soon.

⁽¹⁾ OJ C 54, 19.2.2011, p. 44.

⁽²⁾ OJ C 318, 29.10.2011, p. 24.

⁽³⁾ OJ C 107, 6.4.2011, p. 21.

1.7 The EESC points to a problem of compatibility between Article 40 of the regulation (delegated acts) and Article 290 TFEU. The number, content and provisions of the delegated acts are not consistent with the provisions of the Treaty and place too many fundamental aspects of the regulation outside the scope of the normal legislative process. The EESC recommends that serious thought be given to ways of bringing Article 40 fully into line with the provisions of the TFEU.

2. The proposal for a regulation

2.1 In recent years, financial markets have changed enormously. New trading venues and products have come onto the scene and technological developments such as high frequency trading have altered the landscape.

2.2 The proposals aim to make financial markets more efficient, resilient and transparent, and to strengthen the protection of investors. The new framework will also increase the supervisory powers of regulators and provide clear operating rules for all trading activities.

2.3 Key elements of the proposal

2.3.1 More robust and efficient market structures: MiFID already covered Multilateral Trading Facilities and regulated markets, but the revision will now bring a new type of trading venue into its regulatory framework: the Organised Trading Facility (OTF). These are organised platforms which are not regulated but are playing an increasingly important role. For example, standardised derivatives contracts are increasingly traded on these platforms. The new proposal will close this loophole. The revised MiFID will continue to allow for different business models, but will ensure all trading venues have to play by the same transparency rules and that conflicts of interest are mitigated.

2.3.2 Taking account of technological innovations: furthermore, an updated MiFID will introduce new safeguards for algorithmic and high frequency trading activities, which have drastically increased the speed of trading and pose possible systemic risks.

2.3.3 These safeguards include the requirement for all algorithmic traders to become properly regulated and provide appropriate liquidity. There will be rules to prevent them from adding to volatility by moving in and out of markets. Finally, the proposals will improve conditions for competition in essential post-trade services such as clearing, which may otherwise frustrate competition between trading venues.

2.4 Increased transparency: by introducing the OTF category, the proposal will improve the transparency of trading activities in equity markets, including "dark pools" (trading volumes or liquidity that are not available on public platforms). Exemptions would only be allowed under prescribed circumstances. The

proposal will also introduce a new trade transparency regime for non-equities markets (i.e. bonds, structured finance products and derivatives). In addition, thanks to newly-introduced requirements to gather all market data in one place, investors will have an overview of all trading activities in the EU, helping them make a more informed choice.

2.5 Reinforced supervisory powers and a stricter framework for commodity derivatives markets: the proposals will reinforce the role and powers of regulators. In coordination with the European Securities and Markets Authority (ESMA) and under defined circumstances, supervisors will be able to ban specific products, services or practices in case of threats to investor protection, financial stability or the orderly functioning of markets.

2.6 Stronger investor protection: building on a comprehensive set of rules already in place, the revised MiFID sets stricter requirements for portfolio management, investment advice and the offer of complex financial products such as structured products. In order to prevent potential conflict of interest, independent advisers and portfolio managers will be prohibited from making or receiving third-party payments or other monetary gains. Finally, rules on corporate governance and managers' responsibility are introduced for all investment firms.

3. Comments and points for consideration

3.1 According to data provided by the Bank for International Settlements, the notional value of derivatives in circulation rose from USD 601 046 billion in December 2010 to USD 707 569 billion in June 2011 (BIS Quarterly Review, December 2011).

3.2 The new proposal aims to increase the efficiency, integrity and transparency of markets, especially less-regulated markets, and thus increase investor protection.

3.3 The last 20 years have seen an explosion in global transaction volumes which has injected large quantities of liquidity into the financial markets. This unprecedented growth, mainly driven by short-term speculation, has not been matched and supported by corresponding growth in the real economy, the labour market and wages. The EESC thinks that the proposal for a regulation is necessary and a suitable way of helping to mitigate these effects on the markets.

3.4 The original role of the financial markets is to support economic development by reducing information asymmetries and thus promoting the efficient allocation of resources. As already pointed out, the crisis has highlighted a fault in the market mechanism, with market operators acting in accordance with different principles from those of the information economy and using the financial markets purely for short and very short-term speculation.

3.5 Our markets have thus been flooded with very short-term liquidity and have lacked (and continue to lack) incentives to foster real industry rather than the finance industry. This behaviour further exacerbates the unnatural split between industry and the financial markets which are creating instruments that are increasingly unclear, abstract and complex.

3.6 Speculation is part of the way the market operates and is inherent to the market, ensuring liquidity and identifying anomalies, but very short-term speculation, on the other hand, serves no economic or social purpose and contributes significantly to the development of financial bubbles. There is an urgent need to reverse the current trend, shifting investors' focus back onto real growth.

3.7 In this light, the proposal provides undoubtedly sound measures and instruments for addressing the clear shortcomings and imbalances in our system.

3.8 The new set of rules on organised trading systems makes all trading activity subject to more explicit operating rules. Portfolio management services, securities investment advice and the supply of financial products are subjected to rigorous standards. The new legislative provisions, which lay down new requirements regarding the liability of managers and the revision of corporate governance, will require intermediaries to undertake major corporate reorganisation. The EESC thinks that these new rules, although onerous, are appropriate and consistent with the objectives of the regulation.

3.9 The proposal for a regulation introduces *Organised Trading Facilities* (OTF), which the EESC supports, providing they make it possible to integrate the various trading systems used by different counterparties. This system will benefit the market as a whole, by highlighting opportunities for using different, competing instruments, while requiring that the principle of best execution be maintained.

3.10 The regulation assigns special powers to the authorities in connection with sales to clients of products and services which could seriously jeopardise the interests of investors as well as market stability.

3.11 The principle of transparency is applied not only to markets but also to the authorities. The competent authorities may exchange information on transactions, thus avoiding the risk of possible market abuses. The EESC strongly welcomes these aspects of the proposal for a regulation which constitute effective action to strengthen investor protection.

3.12 According to authoritative market operators, "the new rules are fundamentally important – they will change the

structure of European financial markets". For instance, there is an inherent systemic risk that should be borne in mind, which was revealed in the recent financial crisis. If a bank defaults, this can jeopardise delivery on the obligations taken on with OTC trading and the risk can therefore be passed on to its counterparties, to other entities. The new rules reduce the counterparty risk relating to the OTC market. The proposal for a regulation will significantly reduce OTC transactions.

3.13 Another aim of the new regulation, which the EESC regards as extremely positive, is to achieve consolidation of data on all OTC trading, not just that cleared through central counterparties (CCP). The data will be made available to the supervisory authorities, enabling them to monitor the market effectively, which is currently not possible owing to lack of data. However, in these respects the regulation sets out an open structure which is not pre-defined. For example, it will be up to operators or ESMA to identify the eligible classes of derivatives that must be centrally cleared. It is therefore not possible at present to specify which of the current transactions will actually be affected.

3.14 Another key aspect is the fact that the future European regulation gives no recommendation regarding the future CCP market structure. Thus, either the existing structures in the individual Member States, such as for example the Italian Stock Exchange's CCP, the *Cassa di Compensazione e Garanzia*, could be strengthened, or a small number of large, Europe-wide bodies will emerge. These are just possibilities, not mentioned in the regulation. Irrespective of the particular structure chosen, however, the fundamental importance should be stressed of how risk management activities are managed and of efficient oversight mechanisms to prevent further disastrous defaults.

3.15 Moreover, the process of standardising trading and making it subject to central clearing should reduce costs. The consolidation process could undoubtedly have this effect, but we cannot say for sure. If implemented properly, the new regulation will lead to better assessment of risks which have often been underestimated in the recent past by credit intermediaries seeking bigger sales volumes and short-term profits.

4. Some criticisms

4.1 One area of concern is the costs of implementing the regulation, which appear to be understated and which come at a time when financial institutions are already under pressure in terms of regulation, profitability and costs. Financial institutions have to be efficient and support the economy but also maintain an appropriate level of profitability. There are fears that costs could be passed on to investors and clients. The EESC considers that users and companies, particularly SMEs, should be protected from this.

4.2 According to the Commission, the one-off compliance costs will amount to between EUR 512 and 732 million, with ongoing costs of between EUR 312 and 586 million. These figures appear too low. For example, the operating costs of establishing the technological infrastructure needed for the data reporting requirements alone are open to doubt and could on their own exceed the total figure. The Commission has finally launched a study to evaluate the total impact of the cumulative costs arising from the new regulatory initiatives, which the EESC has been calling for for some time. It is to be hoped that the study will be completed and published swiftly to provide a comprehensive picture of the impact of the regulation in terms of time and cost.

4.3 If changes to the overall rules continue to increase costs and complexity for financial institutions, they are likely to consider suspending certain areas of their business or relocating them to a different jurisdiction.

4.4 Although the principle of reducing risk through improved transparency will be welcomed by many, we need a better understanding of the overall impact of the rules on Europe's ability to compete in the global financial services market.

4.5 We also need to ask who are the real, direct beneficiaries of this increased transparency. Investment banks and hedge funds will certainly benefit from more information, but can the same be said of commercial markets?

4.6 The EESC wonders whether the highly prescriptive regulation of "dark pools" could compromise the ability of companies managing people's savings to trade as efficiently as possible for their own clients (essentially retail clients).

4.7 One of the objectives of the proposal for a regulation is to unify, harmonise and integrate financial markets. Retail

investors are often not aware of all the financial instruments available to them on their own local market. Although the EESC supports the principle of consolidating the various trading platforms, at the same time it recommends that the Commission promote financial education programmes as a matter of urgency. The Committee believes that, without appropriate investor preparation and awareness, the current process of harmonisation risks falling short of the hoped-for results.

4.8 One of the most important implications of the new regulation is the enlargement of the range of asset classes to which it applies: in addition to shares, the regulation is simultaneously intended to apply to all other financial instruments. If the thrust of this regulation towards competitive trading based on clearing of quoted derivatives is maintained, it will have very significant implications for the structure of the market. Some fixed interest markets, which are already using electronic platforms, are perhaps the most likely candidates for rapid progress in this direction.

4.9 Article 40 of the proposal for a regulation sets out a long and detailed list of delegated acts which the Commission may adopt. The content of these acts is rather wide (to quote just a few examples: specifications for bid-ask quotes, order types and sizes, the information which regulated markets and investment companies are required to publish in respect of each category of financial instrument etc). The EESC points to a problem of compatibility between the Article 40 and Article 290 TFEU, as amended and included in the Lisbon Treaty. The relevant Treaty article states that "A legislative act may delegate to the Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act". Looking at the elements of the proposal for a regulation which can be delegated, the EESC considers that they are essential rather than marginal. It therefore considers that the list of delegated acts in Article 40 of the regulation is superfluous, excessively long and inconsistent with the TFEU.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC'

COM(2011) 683 final — 2011/0307 (COD)

(2012/C 143/15)

Rapporteur: **Mr BARROS VALE**

On 30 November and 15 November 2011 respectively, the Council and the European Parliament decided to consult the European Economic and Social Committee, under Articles 50 and 114 of the Treaty on the Functioning of the European Union, on the

Proposal for a Directive of the European Parliament and of the Council amending Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC

COM(2011) 683 final – 2011/0307(COD).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 February 2012.

At its 478th plenary session, held on 22 and 23 February (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 232 votes to 3 with 11 abstentions.

1. Summary and conclusions

1.1 The proposal to revise the Transparency Directive is part of a broader package of measures that form a Commission initiative aimed at improving access to capital for small and medium-sized enterprises (SMEs). It also demonstrates a concern to restore investor confidence and to ensure the market is provided with proper-quality information. The proposal under consideration is based on the recommendations made in an independent report drawn up by the Mazars consultancy, on a hearing with the stakeholders and their comments, on the Commission report of May 2010 and on an assessment of the impact of each of the options put forward. The EESC consequently agrees with its aims and content, but feels obliged to state a number of points for consideration.

1.2 The proposed changes, designed to make the market more attractive to small and medium-sized issuers, will apply universally. The most significant impact of the simplification might be felt not so much by the real targets of the changes but rather by the major corporations operating on the market. Few people see the requirements of the Transparency Directive as a barrier to the entry onto the market of small and medium-sized issuers, which means that this simplification will not necessarily be a critical factor in these decisions or that it will have a significant impact on making the market attractive to SMEs. Nevertheless, given that this simplification, according to the stakeholders, does not undermine market credibility or investor protection, it will have an economic impact which, while potentially greater for larger companies, will ultimately also have some effect on SMEs. It will therefore be substantial for the type of company that is most representative of Europe's business fabric.

1.3 Since as long ago as 2004, the publication of quarterly reports has been a hotly-debated issue with a number of opponents, and one that the EESC recommended should be

approached with caution. The disadvantages of making publication mandatory, which were pointed out at the time, have been confirmed (including an increase in the quantity of information but not in its quality, high financial and opportunity costs, the adoption of a short-term approach prompted by a need to deliver results to the market at the expense of a more strategic, long-term vision. The pressure to secure short-term results can even be considered to be one of the factors underlying the current crisis, with the financial sector coming under pressure every quarter to post results that are always better than the preceding ones. Because no threat is posed to the required and desired transparency, since the disclosure of important information is guaranteed through compliance with the Prospectus and Market Abuse directives, the EESC supports the suspension of mandatory publication. This will ensure that it is the market that decides on the amount of information that is needed.

1.4 Some have highlighted the complexity of the reports' narrative content as a major source of opportunity costs and also of other costs arising from the sub-contracting of specialists in the field. While there is no guarantee that a substantial benefit in terms of cost reduction would result from the European Securities and Markets Authority (ESMA) producing these templates, the initiative could lead to some savings for SMEs, which would no longer have to hire external bodies to draw up such content. Lastly, it is worth pointing out that it is difficult for templates to provide for all potential situations, which could result in some of the information provided being simplified and even in other important information not being disclosed because it is not covered by the template.

1.5 Broadening the definition of financial instruments subject to notification demonstrates the concern to update rules on market innovation and thus to follow developments closely. This change brings the Transparency Directive into line with measures already adopted in the United Kingdom and

Portugal and with those currently in the pipeline in other countries in the EU and elsewhere in the world. There was also a legislative initiative in this field in France, but it proved to be inadequate. While there may be some justification for the fear that the market could be "flooded" with unnecessary information, experience in countries whose rules already require this type of notification disproves this fear and many stakeholders suggest learning from the UK's experience in this domain.

1.6 With regard to establishing the European information mechanism, the EESC wishes to draw attention to the fact that integrating existing national databases could be problematic, given the incompatibilities between the technologies they use. Although a number of stakeholders advocate setting up this mechanism, mainly in relation to information for investors and analysts, the cost/benefit ratio of setting it up and maintaining it does need to be assessed. Nevertheless, this is an important measure, which will help further develop the single market.

1.7 As regards the new wording of Article 6 of the Directive, concerning the mandatory requirement to disclose information on payments to governments, the EESC calls for the scope of this provision to be widened. The importance of disclosing payments by issuers active in the extractive or logging industries is undeniable, but the scope of this article could be more ambitious and cover the granting to private entities of concessions which are of public interest, such as the operation of transport, telecommunications, energy and gambling networks, either by simply granting such concessions or by establishing public-private partnerships. Any such transaction with public authorities should be disclosed, on a country- and project-specific basis. Because the aim of this measure is to hold governments accountable for the use of the revenues they collect, the amounts paid out in connection with a country's other infrastructure and resource exploitation activities, over and above those now covered by this directive, must not be dismissed.

1.8 Where sanctions are concerned, the EESC argues that, in addition to setting upper limits for the planned sanctions, minimum thresholds should also be set, to ensure that no wrongdoer goes unpunished and that sanctions are dissuasive and actually penalise illegal behaviour, whilst at the same time harmonising practices among Member States.

1.9 Bearing the current framework in mind, it is unlikely that there will be a sudden rise in demand, but it is worth simply pointing out that the proposal to simplify the rules of the Transparency Directive, in conjunction with others planned to make the market more attractive, could lead to an increase in transactions, whose impact on the operation of the market has not yet been taken into consideration. At the same time, the higher profile given to SMEs and the more attractive market for investors could highlight the shortcomings in current consumer education, preventing them from understanding the information available and thus from taking informed decisions.

2. Background to the proposal

2.1 Pursuant to Article 33 of the Transparency Directive (Directive 2004/109/EC⁽¹⁾), the Commission presented an

information report on the Directive's implementation during the years it was in force. The report concludes by emphasising the importance most stakeholders attach to the Directive's requirements for the proper and efficient operation of the market.

2.2 The current proposal to amend the Directive is presented in a manner that takes account of the Commission's political priority to improve the regulatory framework for small and medium-sized issuers and their access to capital. It also aims to make the obligations applicable to listed SMEs more proportionate, whilst guaranteeing the same level of investor protection. In addition, the review of the Transparency Directive aims to secure the transparency of economic acquisitions in companies, investor confidence and an increased focus on long-term results thereby ensuring financial stability. Moreover, efforts to improve access to regulatory information at Union level seek to increase the functional integration of European securities markets and ensure better cross-border visibility for the small and medium-sized listed companies.

2.3 It is worth pointing out that this proposal for an amendment is based on an independent study carried out by the Mazars consultancy, with the aim of providing quantitative and qualitative evidence to support the report presented by the Commission to the European Parliament and the Council, in accordance with Article 33 of the Directive on its implementation. Account has also been taken of reports published by the European Securities and Markets Authority (ESMA) and by the European Securities Markets Expert Group (ESME).

2.4 Two areas are highlighted as requiring improvement: because its approach is based on minimum harmonisation, the Directive enables the Member States to adopt more restrictive measures that make implementation more difficult and increase costs; furthermore, no softer measures are being put forward for SMEs. In our view, these factors discourage SMEs from joining the market. There is a need for clarification of some of the definitions contained in the Directive, as well as for greater consistency and clarify in the use of certain terms with similar meanings. Lastly, the report highlights that it is necessary to make improvements to the rules on notification.

2.5 The impact of the various options put forward were assessed, leading to the following decisions:

2.5.1 In order to allow for greater flexibility regarding the frequency and timing of publication of periodical financial information, in particular for SMEs, the option is to abolish the obligation to present quarterly financial reports for all listed companies. While the aim is to simplify matters for SMEs, the solution put forward involves making no distinction between companies covered by the measure, in order not to give rise to double standards, which could confuse investors. It is hoped that this measure will lead to lower costs and a greater focus on longer-term results, by removing the pressure of having to submit quarterly results. Investor protection will not suffer, since the provisions of the Prospectus and Market Abuse

⁽¹⁾ OJ L 390, 31.12.2004, p. 38-57; EESC opinion: OJ C 80, 30.3.2004, p. 128.

Directives remain mandatory, ensuring that information on important events and/or facts that could affect the price of securities are disclosed to the market.

2.5.2 In order to simplify the narrative content of SMEs' financial reports, the solution that is adopted would once again involve applying the option to all companies and would require ESMA to draw up non-binding templates for these documents. It is also hoped that, in addition to lowering costs, a degree of comparability in investor information will be introduced and that SMEs' cross-border visibility will be improved.

2.5.3 In order to eliminate the gaps in requirements for notification concerning major holdings of voting rights, it is proposed that the system be broadened to cover all instruments of similar effect to share holdings and entitlements to acquire shares.

2.5.4 In order to eliminate divergences in notification requirements for major share holdings, the option would be to require the aggregation of holdings of shares with those of financial instruments giving access to shares, including cash derivatives.

2.6 The main changes made, with a view either to facilitating SMEs' access to the market or to clarifying the text of the Directive are as follows:

2.6.1 A default home Member State is established for third-country issuers that have not chosen their home Member State within three months.

2.6.2 The requirement to publish interim management statements and/or quarterly reports is abolished.

2.6.3 The definition of financial instruments subject to notification is broadened.

2.6.4 Holdings of shares and holdings of financial instruments are aggregated, for the purpose of notifying major share holdings. Nevertheless, Member States will still be allowed to set lower thresholds for notification of substantial share holdings than provided for in the Directive, taking account of the specific characteristics of each market and when necessary for ensuring transparency in this area.

2.6.5 Power is delegated to the Commission to adopt regulatory technical standards drawn up by ESMA, concerning technical requirements for access to regulatory information at EU level, in order to streamline access to financial information, thus obviating the need to consult 27 different national databases. The aim is to create a European mechanism for regulatory information.

2.6.6 A requirement is established to disclose payments to governments at the individual or consolidated level of a company in every case where the exploitation of natural resources is concerned.

2.6.7 The sanctioning powers of the competent authorities are enhanced, with sanctions or measures imposed for any breach of rules being made subject to publication.

3. Issues raised by the proposal

3.1 One of the aims of this revision of the Transparency Directive is to help make regulated markets more attractive to small and medium-sized issuers, which is of crucial importance if the market is to develop and grow. The proposed changes to the directive therefore represent a positive initiative, making it possible to simplify certain procedures without jeopardising the quality of the information which is essential to investors' decision-making and market analysts' assessments. These simplifications will undoubtedly have a positive impact on the costs of all listed companies, but could have a greater effect on SMEs.

3.2 Despite the simplifications, this is and will remain a sector whose rules and jargon are hard for consumers to understand. Although it is not easy to provide widespread training for the public in this area, consumer protection is extremely important, as it helps prevent consumers from being misled by technical jargon, through education and information provided by both the supervisory authorities and government. This should therefore be one area to consider in future measures.

3.3 To make it easier to interpret information and to make information more easily comparable, the narrative content templates provided for in the proposal could prove useful. While producing templates is a complex matter and there is a danger that content could be over-simplified and not all situations envisaged, using them could lead to lower costs, especially for SMEs. These templates could even make it easier for consumers to interpret data.

3.4 It is worth emphasising the need to abolish the obligation to publish quarterly reports. Combating the short-termist approach that holds sway on the market, for which this measure is largely responsible, is of crucial importance to sustainable market development. Only a long-term view can foster innovation, which is a fundamental factor for sustainable and inclusive growth, both of which are priorities under the Europe 2020 Strategy.

3.5 Broadening the definition of instruments subject to notification requirements is a key point in the changes to the Transparency Directive. Financial innovation has led to the creation of new types of instruments for which a framework needs to be provided where transparency is concerned. It is hoped that these changes will plug the gaps in notification requirements concerning major holdings of voting rights and major share holdings and thus ensure that investors do not set up silent partnerships or announce major share holdings to the market without prior warning, as has already occurred.

3.6 The aim of creating the single European information storage mechanism for regulated information at Union level is

an ambitious one and should be pursued. This would undoubtedly be a valuable tool for deepening the single market. Account would just need to be taken of the cost/benefit ratio of setting up and maintaining this type of instrument.

3.7 The Transparency Directive will now cover payments made by issuers in the extractive industries to governments in the countries where they operate. This Commission proposal is innovative and seeks to demonstrate the financial impact that a company's activity has on the host country, thereby increasing transparency. The EESC firmly believes that the directive could be even more ambitious by extending this mandatory disclosure to sums paid out in connection with other public interest activities for which private entities have been granted a concession. Such sums can be considerable, especially for concessions in the transport, telecommunications, energy and even gambling sectors.

3.8 This proposal also revises the system of sanctions, bolstering the powers of the competent authorities to include a number of instruments such as the right to suspend voting rights and publish sanctions. It should be emphasised that,

although upper limits are set for financial penalties, this is not done for minimum levels. Setting such limits could provide a further substantial deterrent.

3.9 Simplifying the rules and consequently making the market more attractive, as is the intention, could lead to an increase in the number of transactions; it is not known what the impact might be on normal operations, either on stock exchanges or regulatory bodies, which it is hoped will be able to cope with a sudden increase in the number of transactions.

3.10 Whilst this matter is not directly related to the Transparency Directive, the EESC wishes to take the opportunity to highlight one of the major obstacles to expanding the market – the high charges imposed by stock exchanges. In fact, not only the costs incurred when a company becomes listed, but also the annual costs associated with remaining on the market – both of which are considerable – are viewed by companies as a disincentive to becoming listed. Consequently, any action in this field could be extremely useful to companies taking such a decision.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Regulation (EC) No 1081/2006'

COM(2011) 607 final — 2011/0268 (COD)
(2012/C 143/16)

Rapporteur: **Mr VERBOVEN**
Co-rapporteur: **Mr CABRA DE LUNA**

On 27 October 2011 the Council of the European Union, and on 25 October 2011 the European Parliament, decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Regulation (EC) No 1081/2006

COM(2011) 607 final – 2011/0268 (COD).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 25 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 217 votes to 5 with 7 abstentions.

1. Conclusions and recommendations

1.1 The principles of economic, social and territorial cohesion and solidarity are laid down in the Treaties and are two of the main pillars of the policy for integrating the different peoples, citizens and regions in the European Union. As the main European financial instrument for supporting human resources, the ESF will continue to help achieve economic, social and territorial cohesion as set down in Article 162 of the Treaty on the Functioning of the European Union.

1.2 Economic, social and territorial cohesion must remain at the heart of the Europe 2020 strategy. All civil society actors including volunteers are recognised as a key factor in achieving the Europe 2020 strategy objectives, as confirmed by the Council conclusions of 3 October 2011 ⁽¹⁾.

1.3 The EESC considers that, on the basis of Article 10 of the Treaty, the implementation of the priorities funded by the ESF should help to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation and to promote the fulfilment of all the obligations set down in the UN Convention on the Rights of Persons with Disabilities with regard inter alia to education, employment and accessibility.

1.4 The European Social Fund (ESF) should be the preferred instrument for implementing the goals of the Europe 2020 strategy, particularly with regard to employment, education, social inclusion and combating poverty. It must underpin the policies pursued by the Member States under the Integrated Guidelines and National Reform Programmes (NRPs). The EESC believes that the NRPs should include objectives for social inclusion of the most vulnerable population groups, e.g. young people, women, migrants, the long-term unemployed, the elderly, disabled people (with a view to meeting the obligations laid down in the UN Convention on the Rights of Persons with Disabilities) and ethnic minorities, together with targets for the achievement of the headline target set in Europe 2020 to reduce the number of people living in poverty by 20 million by 2020.

1.5 Promoting employment and social inclusion (particularly through employment) – especially among the most vulnerable groups such as young people, women, migrants, the long-term unemployed, old people, people with disabilities and ethnic minorities – is, and should remain, the ESF's priority, in all regions of the EU. In every Member State, at least 40 % of all ESF resources should be earmarked for the thematic objective "promoting employment and supporting labour mobility".

1.6 The EESC endorses the emphasis on social innovation and ways of supporting projects relating to the social economy, social entrepreneurship and social enterprises.

⁽¹⁾ 3114th meeting of the Employment, Social Policy, Health and Consumer Affairs Council, held in Luxembourg on 3 October 2011, point 12.

1.7 Increasing investment in infrastructure, regional competitiveness and business development must be accompanied by measures to create sustainable jobs with measures underpinning sustainable job creation in the areas of labour policy, education and training, social inclusion, and adaptability of workers, enterprises and entrepreneurs, as well as administrative capacity.

1.8 The European Employment Strategy, as well as EU policies on social inclusion, must once again be one of the European Union's key priorities and more funding must be earmarked for creating more and better jobs.

1.9 The EESC considers that the Common Strategic Framework reflects the investment priorities flowing from the objectives of the Europe 2020 strategy, by specifying the opportunities provided by a more open and more accessible labour market, especially for those who have least access to it (e.g. young people, women, migrants, the long-term unemployed, disabled people and ethnic minorities etc.).

1.10 The EESC welcomes the contribution made by the ESF to the other priorities of the Europe 2020 strategy, i.e. research and innovation, accessibility and use of information and communication technologies, enhancing the competitiveness of SMEs, environmental protection, the transition to a low-carbon economy and sustainable use of resources.

1.11 The EESC welcomes thematic concentration and complementarity with existing financial instruments with a view to achieving a satisfactory and visible impact.

1.12 The EESC endorses the proposal that at least 20 % of all ESF resources be earmarked for "promoting social inclusion and combating poverty", with a view to including those citizens that are most isolated from the labour market.

1.13 The partnership principle, which involves the social and economic partners and organisations representing civil society (including environmental partners, non-governmental organisations and bodies responsible for promoting equal opportunities and non-discrimination), provides an essential guarantee that measures linked to the Structural Funds, particularly the European Social Fund, will work properly.

1.14 The *European code of conduct for implementing the partnership principle* must clarify and define the role of each partner at different levels, as well as clarifying the fact that while social dialogue comes under the exclusive responsibility of the social partners, all the partners recognised by Article 5 of the proposal for a regulation⁽²⁾ laying down common provisions on the funds must be guaranteed access to the different implemen-

tation phases of the funds, including framing and implementation of the operational programmes, and receive sufficient financing to enable them to participate.

1.15 The EESC completely rejects the Commission's proposal to apply Structural Fund financial sanctions and incentives on the basis of compliance with the Stability and Growth Pact.

1.16 The Structural Funds on their own are not enough to cope with the crisis. Europe needs a different type of economic governance which is based on responsible management, focuses on growth and competitiveness, facilitates investment in human resources and promotes justice, cohesion and the principles of solidarity and social integration. The EU's budget has to be reformed in line with these principles.

1.17 The budget allocated to the European Social Fund must at least be maintained at the same level as for the last programming period. The ESF must also support involvement of citizens, civil society and a greater awareness of the common values of Europe.

2. Context: proposals for the EU's multi-annual financial framework and the 2014-2020 cohesion policy

2.1 The new policy framework for the coming decade – the Europe 2020 strategy – was ratified by the European Council on 17 June 2010.

2.2 On 29 June 2011, the Commission presented the proposal for the Europe 2020 strategy budget (*A Budget for Europe 2020*), setting out the EU's new financial perspective for 2014-2020.

2.3 On 6 October 2011, the Commission presented its legislative proposals for the Structural Funds, including the European Social Fund.

2.4 These proposals were submitted to civil society and other stakeholders for extensive consultation, which was completed by the end of 2011. In January 2012, the Commission will publish the last series of proposals on the Common Strategic Framework, which will be submitted to the European Parliament, the Council, the Committee of the Regions and the European Economic and Social Committee.

2.5 On the future of the ESF more particularly, the EESC adopted an opinion on 15 March 2011 on *The future of the European Social Fund after 2013*⁽³⁾. The proposal for a future regulation on the ESF should be examined to determine whether it has taken on board the key points made in the EESC opinion.

⁽²⁾ COM(2011) 615 final.

⁽³⁾ OJ C 132, 3.5.2011, p. 8.

2.6 The economic context: for there to be a proper analysis of the new financial perspective, the general backdrop cannot be ignored, namely the challenges of globalisation, future population and migration patterns, and above all the far-reaching economic crisis, which has radically altered the principles underlying the Europe 2020 strategy. Increasing investment in infrastructure, regional competitiveness and business development, especially SMEs and social enterprises, must therefore be accompanied by measures underpinning sustainable job creation in the areas of labour market policy, education and training, social inclusion, and adaptability of workers, enterprises and entrepreneurs.

2.7 The goals and instruments set out in this strategy, essentially positive in nature, have to be more precisely geared to the new circumstances and adjusted accordingly. To do so, there has to be a regulated, inclusive employment market, providing Europeans – especially those who are most isolated from the labour market (such as young people, women, migrants, long-term unemployed, old people, people with disabilities and ethnic minorities etc.) – with opportunities for stable, high-quality jobs making use of the skills they have acquired.

2.8 A number of improvements must be made to the implementation and practical aspects of accessing ESF funding. These consist above all in reducing red tape before and during implementation of the operational programme by making the procedures for accessing funding more flexible, speeding up the payment system in order to minimise the financial burden for those implementing programmes, and simplifying invoicing and accounting procedures; among other things, there should be wider use of the principle of single rates, within the bounds of realism.

2.9 The EESC considers that the Common Strategic Framework reflects the investment priorities flowing from the objectives of the Europe 2020 strategy, by specifying the opportunities provided by a more open and more accessible labour market, especially for those who have least access to it (e.g. young people, women, migrants, the long-term unemployed, disabled people and ethnic minorities etc.). More use should be made of global grants in order to facilitate access to the funds for small NGOs.

2.10 The European Social Fund (ESF) should be the preferred instrument for implementing the goals of the Europe 2020 strategy, particularly with regard to employment, education, social inclusion and combating poverty. It must underpin the policies pursued by the Member States under the Integrated Guidelines and National Reform Programmes. The EESC believes that the NRPs should include objectives for social inclusion of the most vulnerable population groups, e.g. young people, women, migrants, the long-term unemployed, the elderly, disabled people (with a view to meeting the obligations laid down in the UN Convention on the Rights of Persons with Disabilities) and ethnic minorities, together with targets for the achievement of the headline target set in Europe 2020 to reduce the number of people living in poverty by 20 million by 2020.

2.11 The European Social Fund should support involvement of citizens, civil society and a greater awareness of the common values of Europe.

3. General comments on the proposal for a future regulation on the ESF

3.1 The EU budget has to be consolidated, particularly the chapters pertaining to support for economic growth, social cohesion, innovation (including social innovation) and sustainable development at both national and regional level.

3.2 The EESC feels that, given the Commission's proposal, the overall EU budget will in any case be pruned, despite the possible introduction of the Financial Transaction Tax (FTT) and the boost to the European Social Fund.

3.3 As is already the case in the current programming period, regions will benefit from different degrees of support, determined by their economic development level. However, more than just per capita GDP should be used to measure this development level. Other criteria should also be taken into account, such as unemployment, employment and labour force participation rates, skills levels, poverty rates, welfare and social integration levels and early school-leaving rates.

3.4 As regards the introduction of a new category of regions "in transition", with an average per capita GDP of between 75 % and 90 %, the EESC can accept such a measure provided it does not erode the amount of resources earmarked for the category of most disadvantaged regions. It should be possible for measures to boost employment among the population categories that have least access to the labour market (the long-term unemployed, young people, women, migrants, the elderly, disabled people and ethnic minorities) to be funded separately from measures for the regional categories, given the vulnerability of these groups.

3.5 The Structural Funds are the main instruments for closing the gap between different regions' development levels and different social groups and for helping the most disadvantaged regions catch up; this is part of a strategy aimed at achieving priorities relating to "smart, sustainable and inclusive growth" in Member States, regions and other areas.

3.6 It goes without saying that, given the current economic crisis, the European employment strategy must once again be one of the European Union's key priorities and that more funds must be made available for creating more and better jobs.

3.7 The EESC is of the opinion that the European Social Fund is the best instrument for supporting efforts to implement the EU's social policies, particularly those relating to employment, education and social inclusion and combating poverty, and that it should retain this priority role in the Europe 2020 strategy.

3.8 The ESF should not be limited to implementing the guidelines for employment policies as they are defined at present. Its role in implementing the Social Agenda (*) should likewise be strengthened.

3.9 The ESF must serve both to support the policies of the Member States under the National Reform Programmes and to help achieve other key priorities of the Europe 2020 strategy, such as stepping up investment in research and innovation, improving SME competitiveness, moving to a low-carbon economy and sustainable use of resources.

3.10 In the current exceptional circumstances, the ESF must also exceptionally focus on combating the economic crisis and protecting workers and the most disadvantaged members of society from the effects of this crisis, and on prevention measures once the crisis is over, including measures enabling people to build up and maintain a sense of security. In concrete terms, it should provide support – which we hope will only need to be temporary – for the long-term unemployed, those who are most isolated from the labour market, young people, women, migrants, old people, people with disabilities and ethnic minorities etc.

3.11 In order to do so, the EESC considers that the European Globalisation Adjustment Fund (EGF) should complement the ESF and even perhaps be incorporated into it at a later stage, so as to place more emphasis on unemployment and so that the EGF can be used more easily. It is also vital to ensure consistency between the principles underlying the two funds, above all as regards partnership and, in particular, social partner involvement.

3.12 The EESC suggests that the European Globalisation Adjustment Fund could draw on the expertise of the European Social Fund in social affairs to achieve complementarity and consistency. Since the expertise is available for ESF applications to be assessed fairly quickly, approval by the budgetary authorities would be a formality following a positive assessment from the ESF.

3.13 The EESC is not in favour of including farmers in the scope of the European Globalisation Adjustment Fund by allocating the bulk of funding, or even its management, to the farming sector. The CAP and the new reserve for crises in farming must enable the agricultural sector to be supported more effectively. The EESC would also like an assurance that ESF Technical Assistance funds will continue to be available and accessible by Civil Society (we note that TA is not specifically mentioned in the ESF regulation).

3.14 The EESC feels that the partnership principle has a key role to play here, ensuring that EU Structural Fund measures

work properly. Regulations on the Structural Funds must clearly define the partnership principle instead of simply referring to "current national rules and practices", while clearly setting out the role of each partner at regional and local level. The EESC recommends a specific recognition of civil society (as highlighted in Europe 2020) in delivering social inclusion and anti-poverty projects.

4. Specific comments and proposals regarding individual chapters

4.1 General provisions

4.1.1 The EESC supports the approach focusing on four thematic objectives, translated as intervention categories or "investment priorities":

- promoting employment and supporting labour mobility;
- investing in education, skills and lifelong learning;
- promoting social inclusion and combating poverty; and
- enhancing institutional capacity and efficient public administration.

4.1.2 In every Member State, at least 40 % of all ESF resources should be earmarked for the thematic objective "promoting employment and supporting labour mobility". The EESC endorses the proposal that at least 20 % of all ESF resources be earmarked for "promoting social inclusion and combating poverty", so as to promote social inclusion through employment and training, especially of the most vulnerable population groups (young people, women, migrants, the elderly, disabled people and ethnic minorities etc.), particularly with a view to the goal of reducing the number of people in poverty by at least 20 million by 2020.

4.1.3 The promotion of employment, social inclusion and education is – and must remain – the ESF's main priority in the context of the Europe 2020 strategy.

4.1.4 The ESF must support territorial employment pacts and local employment initiatives, social inclusion and education, and market stimulation through the creation of new businesses, especially SMEs and social enterprises, as well as promotion of digital inclusion, culture and creativity as factors that can improve people's employability, as well as civil society involvement in decision-making, support for civil society and a greater awareness of common European values.

4.1.5 The EESC endorses the emphasis on social innovation and ways of supporting projects relating to the social economy, social entrepreneurship and social enterprise.

(*) *Renewed social agenda: Opportunities, access and solidarity in 21st century Europe* (COM(2008) 412 final).

4.1.6 The Committee welcomes the support provided by the ESF for transnational cooperation as a means of promoting mutual learning and thus increasing the effectiveness of policies supported through the fund.

4.2 *Specific provisions for programming and implementation – the partnership principle*

4.2.1 The EESC feels that the partnership principle has a key role to play here, ensuring that EU Structural Fund measures work properly.

4.2.2 Regulations on the Structural Funds must clearly define the partnership principle instead of simply referring to "current national rules and practices", while clearly setting out the role of each partner at regional and local level; the funding necessary to achieve this should be provided.

4.2.3 The European code of conduct for implementing the partnership principle must clarify and define the role of each partner at different levels, as well as clarifying the fact that while social dialogue comes under the exclusive responsibility of the social partners, all the partners recognised by Article 5 of the proposal for a regulation laying down common provisions on the funds ⁽⁵⁾ must be guaranteed access to the different implementation phases of the funds, including framing and implementation of the operational programmes, and receive sufficient financing to enable them to participate.

4.2.4 The partners must have access to Technical Assistance Funds from the outset so that they can be strategically involved in the design, implementation and monitoring of the Structural Funds Programmes. TA is also essential to guarantee representation in the Monitoring Committees which devise and carry out operational programmes at all levels and to guarantee that technical support is available to potential project promoters.

4.2.5 The current way of consulting the social partners together with the Member States, within the ESF Committee, could provide a good example of an approach to extend to all funds. The EESC recommends including, within the same platform, mechanisms for the participation of all the partners recognised by Article 5 of the regulation laying down general provisions on the funds.

4.2.6 Support for the involvement of social partners and other stakeholders (especially NGOs) in ESF-supported measures must not be restricted to the poorest regions and/or those covered by the Cohesion Fund, but – quite the opposite – must be extended to all Member States and regions in the EU.

4.2.7 The EESC is of the opinion that 2 % of all ESF resources must be earmarked for supporting the social partners' involvement in ESF-supported measures, along with 2 % for the involvement of the other partners recognised by Article 5 of the Regulation laying down general provisions on the Funds.

4.3 *Specific provisions on procedures, performance and "conditionalities"*

4.3.1 The EESC agrees with the view that the funds should be better coordinated and that their evaluation, their performance and the results they secure should be improved.

4.3.2 The EESC also supports any measures designed to limit and refocus the Structural Funds' priorities, cut back red tape and administrative costs and speed up the pace of spending and payments.

4.3.3 Performance indicators therefore have to be defined, but it is also important that there be both quantitative and qualitative criteria. This includes evaluating results in terms of the efficiency of measures carried out and the quality of jobs created and by listing positive measures taken to secure social integration.

4.3.4 The EESC would nevertheless express serious misgivings about the approach linking the granting of funds to results, across the board. In employment policy and, more generally, social policy, results are harder to measure and less obvious than in, say, transport policy. This is particularly the case if these are reduced exclusively to hard economic outcomes such as jobs; instead appropriate outcomes for the hardest to help, such as distance travelled, and soft outcomes including volunteering, should be encouraged. Moreover, if the granting of funds is linked to results, those who are furthest away from the employment market, and therefore the least likely to obtain "positive" results in the short term, risk obtaining only limited access to such funds, or none at all. Therefore, and in order to effectively assess the results obtained by the programmes co-financed by the ESF, it is essential that the ESF regulation propose "Common output and result indicators concerning participants" that adequately reflect these performance difficulties and complexities.

4.3.5 The ESF regulation should include – as common output indicators for entities – the number of projects developed in partnership and – as common longer-term result indicators on participants – the participants that have reduced their level of social dependence.

4.3.6 Conditions governing the use of European funds should certainly focus on selected, relevant objectives, but should not penalise the weakest Member State, and they should be geared to supporting economic and employment growth, as well as social cohesion.

4.3.7 The EESC completely rejects the Commission's proposal to apply Structural Fund financial sanctions and incentives on the basis of compliance with the Stability and Growth Pact. Such sanctions would penalise those Member States, regions and districts which are already weak.

⁽⁵⁾ COM(2011) 615 final.

4.3.8 Moreover, European solidarity is not yet sufficiently developed and would be undermined by a lack of compliance with macroeconomic commitments. This would mean that the most vulnerable social groups and people in the European Union would end up poorer, which would run counter to the basic principles of both economic and social policy and territorial cohesion policy, as reiterated in the Treaty of Lisbon.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on a European Union Programme for Social Change and Innovation'

COM(2011) 609 final — 2011/0270 (COD)

(2012/C 143/17)

Rapporteur-general: **Ms BATUT**

On 25 October 2011, the European Parliament, and, on 16 November 2011, the Council decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on a European Union Programme for Social Change and Innovation

COM(2011) 609 final – 2011/0270 (COD).

On 25 October 2011, the Bureau of the European Economic and Social Committee instructed the Section for Employment, Social Affairs and Citizenship to prepare the Committee's work on the subject (rapporteur: Ms BATUT).

Given the urgent nature of the work, the European Economic and Social Committee appointed Ms BATUT as rapporteur-general at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February), and adopted the following opinion by 168 votes to 2 with 7 abstentions.

1. Conclusions and recommendations

1.1 The EESC has already discussed the concept of social innovation; as we have pointed out, this is a vague idea which gives rise to uncertainty⁽¹⁾. At the same time, we acknowledge the value of innovation at the workplace⁽²⁾. At all events, many people are practising "social innovation" every day without knowing about it, simply by doing their job well.

1.2 The EESC would like the Commission to define objectives for "social innovation" and "social change" in its PSCI⁽³⁾. These are experimental concepts. The aim should not be to replace national social systems or employment legislation. Ensuring that people are included in labour markets may be beneficial for competitiveness; however the Committee feels that the crisis should not be used as a pretext for systemic changes which would make a rule out of an exception.

1.3 The EESC would like to have written clauses included in the programme under review guaranteeing that social innovation activities would complement rather than compete with Member State social rights and systems, and would not undermine the legal certainty which these rights and systems provide.

1.4 The Committee recommends that the Commission's draft takes into account the objective of harmonising national social rights while improvement is maintained⁽⁴⁾ in order to resolve disparities, thus facilitating mobility.

1.5 The EESC would like the Commission to explain the expected benefits of the synergies mentioned in the case of the three PROGRESS, EURES and Micro-financing programmes, the links to European funds (in particular the ESF and the ESEF⁽⁵⁾), and to explain how the rules for managing these programmes are compatible - an aspect which is not entirely clear.

1.6 The Committee would like the role of the social partners and NGOs to be clearly reflected in the three axes of the PSCI.

1.7 The EESC would like a flexibility clause to be added to the PSCI enabling it to be adjusted after a mid-term review. In 2017 a provisional review of social changes could be drawn up and submitted to the Parliament, at the same time as being referred for opinion to the consultative committees and the representative organisations which they comprise.

1.8 The EESC feels that if the three axes are to remain within the same programme, its title should be changed to "Programme for supporting social progress, mobility and inclusion".

1.9 With regard to PROGRESS, the EESC feels that the Commission should:

— identify the types of jobs which have been created thanks to PROGRESS;

— publish achievements and make the positive results visible and transferable by publishing an online summary;

⁽¹⁾ EESC opinion, OJ C 100, 30.4.2009, p. 77.

⁽²⁾ EESC opinion, OJ C 132, 3.5.2011, p. 22.

⁽³⁾ PSCI: Programme for Social Change and Innovation, COM(2011) 609 final.

⁽⁴⁾ TFEU, Article 151.

⁽⁵⁾ European Social Fund and European Social Entrepreneurship Fund.

- define "testing", together with its scope, those involved, measures, and potential beneficiaries;
- ensure continued eligibility for projects with a gender and/or non-discrimination dimension;
- shift the focus of PROGRESS away from administrative analytical and statistical tasks, so that it has a greater impact on the ground;
- simplify documents and monitoring procedures;
- explain the role of social enterprises in social services of general interest;
- explain the synergies between the PSCI and ESEF, and the PSCI and ESF, and define the applicable governance rules, depending on the extent to which a social enterprise serves a social purpose.

1.10 With regard to EURES, the EESC recommends:

- preserving the spirit of the early stages of EURES with its regional level competences and involvement of the social partners;
- confirming an approach which gives ensuring decent work priority over micro-loans and micro-jobs;
- confirming the objective of promoting mobility while combating social dumping;
- declaring the change in the legal base with the opening up to private recruitment agencies ⁽⁶⁾, and explaining the implications of this for the ESF and the allocation of funds;
- explaining how EURES will be financed from two sources (the PSCI and ESF), and discussing the implications of overlap between budgets and auditing arrangements;
- defining targeted mobility; identifying the kinds of contracts signed through EURES; explaining the new centralising role of the Commission so that it can be discussed;
- confirming the need for the transferability of all social rights and equivalence schemes for skills;
- adding measures to promote digital inclusion.

1.11 With regard to micro-financing and social entrepreneurship, the EESC recommends:

- taking account of the subsidiarity principle;

- considering the possibility of weighting for different Member States;
- defining the beneficiaries of aid more precisely (size of the eligible social enterprises);
- raising the profile of the project in order to ensure that eligible citizens are protected from unregulated, unscrupulous providers of micro-financing, and ensuring that micro-financing is mentioned on the homepages of relevant websites, in all EU languages;
- being more explicit about the roles of the EIF and the EIB and their leverage effect;
- establishing rules for creditors enabling them to take full responsibility.

2. The background

2.1 The Social Agenda for a 21st-century Europe is part of the Europe 2020 strategy. The proposed Programme for Social Change and Innovation (PSCI) should be seen in this context. The Social Protection Committee has pointed out that one in every five Europeans is threatened by poverty and social exclusion, and this worrying trend is now being exacerbated by the social impact of the crisis. The EU and Member States are taking steps to help at least 20 million Europeans to escape from poverty by 2020; their main instruments for achieving employment and social inclusion include the ESF, PROGRESS, the EAFRD ⁽⁷⁾, the ERDF and micro-financing.

2.2 General objectives of the programme

2.2.1 The Commission is proposing to combine three existing programmes (PROGRESS, the European Micro-Financing Instrument and EURES) in a single package, in order to make more rational decisions and to more effectively monitor the use of funding during this period of national budgetary crises.

2.3 The axes of the new programme

2.3.1 The 2006 **PROGRESS** programme for employment and social solidarity recommends drawing up scoreboards on the European social situation so that the situations in different countries can be compared.

2.3.1.1 **In 2014-2020** PROGRESS aims to promote employment, compile comparable data, and draw on experience to promote a results-oriented approach, thus building the capacity of European civil society networks to contribute to the objectives of the EU's social policy; the programme has a budget of EUR 575 million, amounting to EUR 82,1 million per year, 17 % of which is to be allocated to social experimentation.

⁽⁶⁾ Commission work programme for 2012, COM(2011) 777 final.

⁽⁷⁾ European Agricultural Fund for Rural Development.

2.3.2 **EURES** is the European network linking the Commission and public employment services (PES). The network is based on former activities of the trade unions and the social partners, enabling employee mobility in border regions. Since 2002 it has had three objectives: developing a European mobility portal, establishing cross-border partnerships between PESs and the social partners, and drawing up activity plans for Member States, with a view to matching labour market supply and demand (EUR 20 million). EURES covers the whole of the EU, with Member States using 70 % of the budget for "activity plans".

2.3.2.1 For the **2014-2020 period** the aim is to allocate EUR 143 million (EUR 20,5 million per year) to ensure mobility in all EU regions, particularly for young people. At European level this funding also covers managing statistics and information, drawing up an annual report of exchanges, improving the portal through a multilingual approach, integrating private-sector employment stakeholders in the near future, and delivering a programme of national activities financed from the ESF budget.

2.3.3 The **Microfinance Facility for employment and social inclusion** (2010) is intended to promote access to micro-financing for those facing difficulties in terms of employment and/or credit. The self-employed and social micro-enterprises are eligible for support from this facility. The European Investment Fund manages the programme, enabling financial institutions providing credit to make use of the EIF and EIB as guarantors in the event of possible losses, thus ensuring liquidity. The programme provides access to EUR 200 million of financing over three years (2010-2013) for the 27 Member States.

2.3.3.1 **For 2014-2020**, the Facility will continue with its aim of facilitating access to micro-finance and social entrepreneurship by guaranteeing loans of up to EUR 25 000, with a budget of EUR 191,6 million for seven years (EUR 27 million per year).

2.4 Elements of the proposal

2.4.1 The proposed budget for the PSCI is EUR 958 million, just 10 % more than in 2007. The programme ties in with Europe 2020, and is based on the same principles: partnership, coordination, ex ante conditionality, a sound budgetary context, strengthening territorial cooperation and cohesion, and working toward simplification.

2.4.2 Ultimately, the Commission's overarching objective is to bring about structural changes in the social domain in the EU by promoting modernisation of Member State social policies⁽⁸⁾. It proposes here to:

- develop synergies between the three programmes, and between the programmes and the European Social Fund;
- establish harmonised procedures for information, communication, dissemination, management and evaluation;

⁽⁸⁾ COM(2011) 609 final: pt. 1 of the Explanatory Memorandum, and Article 4.1 c).

- focus more on major projects offering strong European added value, while aiming to cut costs.

2.4.3 The programme has five objectives:

- strengthening ownership of EU objectives in the fields of employment, social matters and exclusion;
- promoting good governance, mutual learning and social innovation;
- modernising European legislation and ensuring its application;
- promoting geographical mobility;
- increasing access to micro-finance.

3. General comments by the EESC

3.1 The Committee feels that the Commission's proposal to rationalise EU support measures in favour of job-seekers is an interesting one, and acknowledges that it is not easy to prepare a seven-year programme while the preceding programme still has two years to run.

3.2 The Committee is disappointed that the objective of harmonising national social rights while improvement is maintained, which aims to remedy disparities between them and thus facilitate mobility, has not been identified as a general objective⁽⁹⁾.

3.3 The Committee points out the EU's competences in the field of social policy and cohesion are shared⁽¹⁰⁾. Whatever the EU does must take this into account, and comply with the generally applicable provisions of Article 9 TFEU⁽¹¹⁾, and of Articles 8 and 10.

3.4 In this connection, the Committee would like the two major issues of equal opportunities and combating discrimination, so far always linked with social policy and then entrusted to DG Justice, to remain eligible for PROGRESS, given that discrimination is often reflected in inequality in terms of salary and social position. Recital 10 and Articles 7 and 8 of the draft ESF Regulation⁽¹²⁾ mention these issues, and equal opportunities are still included in the social chapter of the Treaty.

3.5 The EESC is disappointed that the synergies expected from combining the three PROGRESS, EURES and Micro-financing axes are not better explained in the PSCI. The role of the regions could also have been taken into account. There is no discussion of the specific potential offered by synergy with other European programmes, for example on education, supporting youth employment, and the "Your first EURES job" flagship initiative for young people.

⁽⁹⁾ TFEU Article 151(1).

⁽¹⁰⁾ TFEU, Article 4(2)(b) and (c).

⁽¹¹⁾ EESC opinion, OJ C 24, 28.1.2012, p. 29.

⁽¹²⁾ COM(2011) 607 final.

3.6 In order to explain the new programme, the EESC feels that there should be an evaluation of funds actually distributed, take-up rates, and practical obstacles encountered by projects (for example, in the fields of micro-financing and job creation). In addition, the Commission does not explain how it will identify the strong European added value on which the eligibility of new measures will be based. The Commission thus bases its objectives on uncertain foundations - all the more uncertain given that the preceding programme has not yet been evaluated, and any estimates of the added value offered by the new programme are subjective to say the least.

3.7 Given the links with the draft ESF Regulation, the Committee feels that the role of the social partners should have been mentioned in the three axes of the PSCI; the ESF text acknowledges *"their vital role in the field of employment, education and social inclusion"* ⁽¹³⁾.

3.8 Similarly, the Committee feels that the role of NGOs should be mentioned in the PSCI (which is partly financed by the ESF); indeed, Recital 9 of the draft ESF Regulation ⁽¹⁴⁾ states that *"implementation of actions supported by the ESF depends on good governance and partnership between all relevant territorial and socio-economic actors, in particular the social partners and non-governmental organisations"*.

3.9 The PSCI is addressed to civil society organisations ⁽¹⁵⁾; the EESC therefore feels their role should be defined. They could then play their part in the policy implementation process.

3.10 The EESC feels that the Commission should consider the issue of digital inclusion ⁽¹⁶⁾ in relation to the proposed measures, given that new information and communications technologies are a cross-cutting lever for inclusion and employment.

4. About the method

4.1 The EESC notes that the draft text is entitled "Programme for Social Change and Innovation" (PSCI), and that the text proposes to continue three former EU measures without innovation. The Commission proposes to gear the three axes to social change and innovation through social experimentation; however, neither in the recitals, nor in the text, nor in the ex-ante evaluation does it actually define the objective of "social innovation".

4.2 Academic research carried out in different countries on "social innovation" is based on the idea that the production/consumption model is running out of steam, and concludes that

⁽¹³⁾ COM(2011) 607 final, see pt. 5 of the Explanatory Memorandum.

⁽¹⁴⁾ COM(2011) 607 final, Recital 9.

⁽¹⁵⁾ COM(2011) 609 final, Recital 9.

⁽¹⁶⁾ EESC opinion, OJ C 318, 29.10.2011, p. 9.

it is time to change social structures by redistributing roles between categories of actors and interests. Given that we do not have a stable definition of innovation, this leads to uncertainty in the choice of governance models for companies - regardless whether or not they are social enterprises - as well as in relation to employee representation and the form assumed by social dialogue ⁽¹⁷⁾. Researchers feel that social change will also have an impact on social welfare systems. The idea is to revise the European "social model" without prior assumptions, in an experimental way. The Progress axis ⁽¹⁸⁾ should also promote "evidence-based policy-making and innovation, in partnership with the social partners, civil society organisations and other interested parties".

4.3 The European Commission in its draft text promotes such "social experimentation" without defining the kind of innovation and change it would like to see. This is a sociological approach which could confuse ordinary Europeans, who have no idea of the underlying aim. The EESC feels that we should first see how and why markets, public services and European aid have failed to meet social needs, and why wealth has not been redistributed to ensure the independence of persons in need, in compliance with the principles of the Charter of Fundamental Rights.

4.4 The Committee feels we need to know which kind of social change we would like to see innovation leading to; this however is not something which the "bottom-up" approach or the draft regulation under review enable us to do.

4.5 Social security systems viewed by the public as sustainable have a high degree of legitimacy. In the Committee's view, "testing and scaling up innovative solutions to address social needs" ⁽¹⁹⁾ could result in wide-ranging solidarity being reduced to patronage and in the fragmentation of social action and representative structures.

4.6 The EESC feels that the programme under review should guarantee that social innovation activities would complement rather than compete with Member State social rights ⁽²⁰⁾ and welfare systems. The Committee emphasises that social innovation must not undermine systems based on the law nor the long-term security which they ensure, especially for vulnerable groups.

⁽¹⁷⁾ *Social innovation Review*, Stanford Graduate School of Business, Fall 2008, J.A. Phills, K. Deiglmeier, D.T. Miller; *Social Innovation*, J. Howaldt & M. Schwarz, IMO-Dortmund, May 2010; *Transformations et Innovation sociale en Europe: quelles sorties de crise?*, N. Richez-Battesti & D. Vallade, P.U de Louvain-Cahiers du CIRTES 5, Sept. 2010, p.45; S. Bacq & F. Janssen, *ibid*, p. 207.

⁽¹⁸⁾ Article 3 a) of draft, and EESC opinion, OJ C 255, 14.10.2005, p. 67.

⁽¹⁹⁾ Article 9-1 and Article 3, which are very broad in scope - COM(2011) 609.

⁽²⁰⁾ TFEU Article 151(1).

4.7 For disadvantaged groups, real social change is more about work, housing and transport than systemic social change. Above all, people living in the EU need decent work. The programme should mention the issue of housing because this is something which concerns all those involved in employment and inclusion ⁽²¹⁾.

4.8 The EC points out that in the field of social protection in the strict sense of the term ⁽²²⁾, Article 153(4) TFEU enshrines the right of Member States to define the fundamental principles of their social security systems, and to maintain or introduce more stringent protective measures, provided of course they are compatible with the Treaties.

5. Specific comments

5.1 The Committee feels that the draft regulation should refer to the subsidiarity principle. It should also explain what is meant by the expected "strong added value".

5.2 PROGRESS

5.2.1 Measures, those involved, and potential beneficiaries are not sufficiently well-defined ⁽²³⁾. The text does not explain whether the analysis takes into account the point of view of the social partners ⁽²⁴⁾ and NGOs, particularly in relation to developing a set of indicators ⁽²⁵⁾.

5.2.2 The PROGRESS programme has objectives which are "difficult to measure"; it makes use of "subjective variables"; and yet the accompanying financial statement emphasises result-based management ⁽²⁶⁾. The impact on the employment objective is not measured, which does not make sense. For the EESC, the data which has already been collected should enable us to learn from past achievements. An online summary of positive experiences should be made available. Before continuing with the programme, the EESC recommends finding out what kind of employment aid has generated. This would help the Commission to avoid making recommendations for structural reforms on the basis of an unreliable evaluation.

5.2.3 There is a gap between objectives and resources: the planned funding for 2014-2020 would allow an additional 10 % of funding for the three axes compared to 2007, which does not open up any new scope.

5.2.4 There is too much of a focus in the text on management ⁽²⁷⁾; taxpayers' money should help citizens directly. For

example, it would be useful to know how much funding will be allocated to combating poverty, for example.

5.2.5 Evaluating supported projects in the same way as in the past can lead to additional costs when external auditing companies are used. The EESC feels that documents and procedures should be simplified and standardised.

5.2.6 With regard to social enterprises ⁽²⁸⁾, the EESC would like to:

- emphasise the subsidiarity principle and the competences of Member States;
- see a definition of their role in social services of general interest;
- understand the synergy between the PSCI and the proposal for a regulation of 7.12.2011 on the European Social Entrepreneurship Fund intended to promote the development of social enterprises (award of an ESEF label);
- clarify governance rules depending on the extent to which a social enterprise serves a social purpose, rules applied to investors, and the role of the banks, with - if necessary - possible solvency requirements;
- ensure the eligibility of independent entrepreneurs.

5.3 EURES

5.3.1 EURES will be 15 % financed by the PSCI, and to a large extent by the ESF. This budgetary overlap between programmes does not make things clear for ordinary Europeans; Structural Funds are regionalised on the basis of NUTS2, whereas PSCI funding is not.

5.3.2 National and cross-border activities will be financed by the European Social Fund, whereas European activities ⁽²⁹⁾ will be financed by the PSCI. Rules on the involvement of social partners and NGOs apply to the ESF part, but not to the PSCI part.

5.3.3 The EESC questions whether it is useful to combine such diverse elements in a single PSCI, budgetary monitoring of which will be more difficult than under the previous arrangements; The sharing of financing between the ESF, Commission and Member States should also be made clearer, as this involves different rules for comitology procedures and scrutiny of Commission implementing acts ⁽³⁰⁾.

⁽²¹⁾ Articles 1, 7, 15, 24, 34.3 and 52.3 of the Charter of Fundamental Rights, Article 8 of the European Convention on Human Rights, and Articles 30 and 31 of the revised European Social Charter.

⁽²²⁾ COM(2011) 609, Article 4.1 a) and b).

⁽²³⁾ E.g.: ex-ante evaluation, p. 42.

⁽²⁴⁾ COM(2011) 609, Articles 15 a) and c).

⁽²⁵⁾ COM(2011) 607, Article 6.

⁽²⁶⁾ "Legislative and financial statement for the proposal", pt 1.4.3 (appendix, COM(2011) 609 final, page 32).

⁽²⁷⁾ COM(2011) 609 final, Article 5.3.

⁽²⁸⁾ EESC opinion, OJ C 24, 28.1.2012, p. 1.

⁽²⁹⁾ Portal and "Your first EURES job" youth project.

⁽³⁰⁾ Regulation (EU) No. 182/2011.

5.3.4 The EESC wonders whether it makes sense for the Commission to set up a centralised system and to hold back the regional dynamism of EURES, whereas past experience of this long-standing "social innovation" shows that grassroots operators are best placed here. In 2007, the Parliament was even in favour of increasing its budget ⁽³¹⁾. The Committee would like to point out that mobility is not a goal in itself, but simply a means of supporting those who need to look for a job in another EU country.

5.3.5 The EESC feels the text should mention the following:

- an approach which gives ensuring decent work priority over micro-loans and micro-jobs;
- the objective of promoting mobility while combating social dumping;
- types of employment contract obtained through EURES;
- a definition of targeted mobility;
- the planned changes to the legal basis for EURES ⁽³²⁾;
- the need for mobile Europeans to have transferable social rights, and for new texts on equivalence schemes for skills ⁽³³⁾.

5.3.6 The EESC feels it is important to retain a clear role for the social partners in EURES.

5.4 *Micro-financing and social entrepreneurship*

5.4.1 The EESC would like the programme to be better publicised so that ordinary Europeans can avoid online micro-financing offers from the informal economy at usurious rates (need for digital inclusion). It should be kept in mind that the persons mentioned in Article 22 of the draft text are vulnerable, and they need a different kind of support than micro-loans and competitive activities. Such high-risk activities could be a trap for them, and are no substitute for paid employment.

5.4.2 The EESC would like the possibility of weighting for different Member States to be considered in the programme.

5.4.3 The Committee feels that the expected leverage effect of the EIF and the EIB should be highlighted, and its benefits should be clearly defined. This is important, as the sum of EUR 25 000 would have a very different impact on someone who has just lost their job (Article 22(1)(a)), a social enterprise (Article 22.3) with employees and a budget, or an independent entrepreneur with a micro-enterprise; in view of this, creditors would have a very different view of the relevant guarantees. We therefore need to clarify:

- what "social" means here;
- the beneficiaries, and in particular the size of the eligible social enterprises;
- what a "social micro-enterprise" is;
- arrangements for implementing support, and the exact coverage provided (100 %?);
- criteria for the possible introduction of a sliding scale for support;
- measures to simplify ex-post evaluation in order to facilitate assessments and reduce auditing costs.

5.4.4 With regard to creditors:

- clearer rules should be applied to them so that they can play their role without imposing possible separate and hidden conditions on borrowers;
- evaluation measures could be envisaged to enable rapid assessment.

5.4.5 The EESC hopes that the added value of these measures will be higher than the estimated creation of 1.2 jobs for each microcredit awarded under the preceding programme ⁽³⁴⁾.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽³¹⁾ EP Resolution, 15.9.2007.

⁽³²⁾ Communication COM(2011) 777 final.

⁽³³⁾ Proposal for a directive, 19.12.2011 (COM(2011) 883 final).

⁽³⁴⁾ Legislative financial statement for proposals, pt 2.1.2, performance indicators (appendix, COM(2011) 609 final, page 37).

Opinion of the European Economic and Social Committee on the ‘Proposal for a Council Decision on guidelines for the employment policies of the Member States’

COM(2011) 813 final — 2011/0390 (CNS)

(2012/C 143/18)

Rapporteur: **Mr GREIF**

On 12 December 2011, the European Council decided to consult the European Economic and Social Committee, under Articles 100(2) and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Council Decision on guidelines for the employment policies of the Member States

COM(2011) 813 final – 2011/0390 (CNS).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 25 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February 2012), the European Economic and Social Committee adopted the following opinion by 111 votes to 1 with 3 abstentions:

1. Requests and recommendations

1.1 In the fourth year of financial crisis, the prospects for the labour market look increasingly dim across Europe. The EESC is deeply concerned that the employment goals set out in the inclusive growth priority of the EU 2020 strategy probably cannot be met in view of the principles underlying austerity measures now being forced through by the EU in a bid to tackle the crisis. With the EU countries implementing austerity measures concurrently, there is the danger that the mutually reinforced downturn will gather pace and the prospects for economic growth will deteriorate further, in turn negatively affecting domestic demand as the last source of economic stimulus and undermining stabilisation and job creation.

1.2 In the coming years, Europe will navigate an exceedingly fraught employment situation. Certain groups are hit harder than average: young people, the low-skilled, the long-term unemployed, people with an immigrant background, the Roma and single parents. In order to counteract this, what is needed is speedy and targeted European and national investment with high employment impact, which should be implemented in a coordinated manner in order to amplify its employment policy effects.

1.3 Against a backdrop of worsening youth unemployment and persistently high long-term unemployment, the EESC proposes the following employment-focused policy recommendations in order to implement the employment guidelines:

— The target for EU-wide general employment should in future be supplemented with measurable EU targets for specific groups, such as the long-term unemployed, women, older

workers, and especially young people (tackling unemployment, improving employment prospects). The common approach of leaving formulation of concrete targets in employment policy at Member State level has not proven successful.

- In this context, it is particularly worth considering an indicator aimed at substantially reducing the number of young people who are not in education, employment or training (NEETs).
- The EESC welcomes the Commission’s proposal for a “Youth Guarantee”, whereby Member States guarantee that all young people have the opportunity for further education or are involved in activation and labour market integration measures within four months of completing compulsory schooling. As part of national reform plans, concrete measures should be formulated to this end.
- Countries with especially fraught labour market conditions as far as youth employment is concerned, and which must simultaneously meet restrictive budget targets, should be given easier access to EU funding set aside for measures like the “Youth Guarantee” (simplification of fund use, up to and including temporary suspension of national co-financing arrangements).
- Despite strained government budgets in Member States, provision of national and European funding for education and employment of young people and the long-term unemployed must be maintained and, where necessary,

increased. Sufficient funding from the ESF – but also from other EU funds – for youth-specific initiatives should therefore be guaranteed in the new financial plan from 2014 onwards.

- Eligibility conditions for income support for the young and long-term unemployed looking for a job or education should be reviewed and, where necessary, improved. It is recommended that corresponding targets be written into national reform programmes.
- The EESC warns against too many impermanent solutions offering few long-term prospects when it comes to integration of young people in the job market: instead of settling for precarious employment and insecure contracts, measures should be taken to guarantee that fixed-term employment and poorly-paid positions with little social security do not become the norm.
- The EESC recommends that the Member States pay particular attention to setting up inclusive intermediate labour markets in which public resources would create an appropriate number of suitable jobs to ensure that the long-term unemployed retain their working habits and improve their skills and knowledge. This will prevent in-work poverty increasing and enable them to make a smooth transition into the open labour market once the crisis is over.
- As far as the Commission initiative on internships is concerned, the EESC supports a corresponding European quality framework in order to promote in-work training opportunities with secure contracts. The "dual system" of apprenticeships with general education and training, which has long been practised successfully in some Member States, should be studied with a view to its partial application elsewhere.

2. Introduction

2.1 On 21 October 2010, the European Council decided to leave the new employment policy guidelines unchanged until 2014 in order to keep the focus on implementation. Updates should be kept to a minimum.

2.2 Nevertheless, the EESC is using the annual referral provided for under Article 148(2) of the Treaty on the Functioning of the European Union as an opportunity to review the guidelines' implementation,

- to see whether progress can be made towards the goals in view of current labour market trends and the principles underlying measures now being forced through by the EU in a bid to tackle the crisis;
- the focus will also be on worsening youth and long-term unemployment and the policy recommendations it urgently requires.

2.3 The EESC is satisfied that several of its proposals ⁽¹⁾ were included in the final text on employment guidelines issued by the Council in 2010, but notes that other shortcomings it identified were ignored. It therefore refers to some of the key observations in the opinion issued at the time, which are still of pressing relevance, namely:

- that, in light of the crisis, the guidelines do not adequately reflect the need to make tackling unemployment the highest priority;
- that the new guidelines fall short of an ambitiously European approach, leaving formulation of employment policy entirely to the Member States, besides a few core European objectives;
- that the target for general employment should be supplemented with measurable EU targets for specific groups, such as the long-term unemployed, women, older workers and young people;
- that EU targets are also needed for areas including gender equality, tackling long-term unemployment, dealing with jobs that do not provide adequate social protection, reducing youth unemployment and lifting children and adolescents out of poverty;
- that the guidelines have nothing concrete to say about quality of work.

2.4 This opinion addresses these points in the light of current trends in European labour markets during the ongoing economic crisis.

3. Employment situation increasingly fraught amid crisis

3.1 The financial crisis has developed into a fundamental economic, debt and social crisis ⁽²⁾. Recovery of the EU economy has officially stalled. The prospects for the labour market are also looking increasingly dim ⁽³⁾. The consequences of the crisis are reaching alarming proportions; not just because of the economic slowdown in many EU countries, but above all because the vast majority of governments are responding to the so-called debt crisis – which was triggered in part by the massive deregulation of financial markets in recent years – with uncompromising austerity measures in a bid to calm

⁽¹⁾ EESC opinion on the "Proposal for a Council Decision on guidelines for the employment policies of the Member States – Part II of the Europe 2020 Integrated Guidelines", rapporteur: Mr Greif (OJ C 21, 21.1.2011, p. 66).

⁽²⁾ The EESC has made its views on the consequences of the crisis and the steps needed to overcome them clear in numerous opinions and on various occasions. A prominent example is the statement by its president at the plenary session in December 2011: http://www.eesc.europa.eu/resources/docs/di_ces20-2011_di_en.doc.

⁽³⁾ See for example the European Commission's recently released autumn forecast for 2011-2013.

financial markets. In almost all EU countries, implementation of recently modified rules on economic governance in the euro area and reduction of public deficits by way of sometimes painful cuts in government expenditure – with the focus on restricting spending on welfare and public services – lie at the heart of planned fiscal consolidation⁽⁴⁾. These policies restrict labour market opportunities – not least for members of groups that were already disadvantaged to begin with.

3.2 Against this backdrop, the employment situation in Europe will be exceedingly fraught in the coming years. In the fourth year of financial and economic crisis, employment prospects continue to worsen. Despite an initial round of stimulus spending by governments in response to the crisis, as well as economic recovery in some EU countries, **unemployment** in the EU climbed from 6,9 % to 9,4 % between 2008 and 2011⁽⁵⁾.

3.3 As a result, today more than 22 million people in the EU are unemployed, although there are considerable differences across the Union: in the second quarter of 2011 (Q2 2011), **unemployment rates** varied from less than 5,5 % in Austria, Luxembourg and the Netherlands to more than 14 % in Ireland, Lithuania, Latvia and Greece and 21 % in Spain. Young people are even more severely affected by unemployment. In several countries – not only in southern Europe – the crisis triggered an alarming development: unemployment rates doubled in countries like Spain, Ireland and – albeit from a low level – also Denmark, while in the Baltic countries they even tripled; only Germany and Luxembourg saw unemployment fall by 2010. Despite rising unemployment, an increase in the number of job vacancies can be observed in some countries. As a result of demographic developments as well as ongoing structural change, this paradox can be expected to grow even more pronounced in the coming years.

- **The young and the poorly qualified** were hit especially hard by rising unemployment during the crisis, and both groups were already clearly above average beforehand.
- The unemployment rate for people with a **low level of education** was 16,3 % in Q2 2011. For people with a secondary or higher education, the rate was 8,6 % and 5,3 % respectively.
- **Both men and women of all age groups** have seen their unemployment rates increasing. In Q2 2011 they stood at 9,4 % and 9,5 % respectively. The rate for men rose more

⁽⁴⁾ For a discussion of the social impact of the new economic governance, see the EESC opinion of 22.2.2012, "Social impact of the new economic governance legislation", rapporteur: Ms Bischoff (see page 23 of the current Official Journal).

⁽⁵⁾ Unless specified otherwise, data are taken from the EU Labour Force Survey (LFS) (http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/introduction) and refer to the second quarter of 2011. As a rule, the age group is 15-64-year-olds.

quickly in the first phase of the crisis as male-dominated sectors (e.g. manufacturing and construction) were hit hardest. In the second phase of the crisis, female unemployment rates increased more steeply as female-dominated sectors (e.g. services, the public sector) began to be affected – especially as austerity measures were implemented.

- Immigrant workers, who already suffered higher-than-average unemployment rates before the crisis struck, have been disproportionately affected by the rise in unemployment: their rate stood at 16,3 % in Q2 2011.
- **Long-term unemployment** (>12 months), which saw a statistically temporary but significant drop due to the large number of newly unemployed, had returned to its pre-crisis level of 43 % by Q2 2011. Countries hit hard and early by the crisis (Spain, Ireland and the Baltic countries) saw large increases on 2008. In the near future, this group will grow significantly as a result of stagnating demand.

3.4 Given that **youth unemployment** had reached alarming levels even before the crisis broke out, the EESC has already declared it one of the most threatening problems in the European labour market⁽⁶⁾. It increased dramatically across the board and currently stands at an EU-wide average of almost 21 %. Today, more than five million young people (15-24-year-olds) are neither working nor studying, which has enormous individual and social consequences: current estimates by Eurofound show annual costs of more than EUR 100 billion stemming from the exclusion of young people from the labour market⁽⁷⁾. In Greece and Spain, more than 40 % of young people are unemployed, whereas in Latvia, Lithuania and Slovakia, it is almost one in three.

- Concerns about youth unemployment are confirmed by two indicators: the unemployment rate⁽⁸⁾ and the NEET rate, both of which have increased. The **NEET** indicator is particularly interesting as it is a snapshot of young people aged 15-24 who are **not in employment, education or training**.
- There are significant differences between Member States: the best performers are Denmark, the Netherlands, Slovenia and Austria, with scores below 7 %, whereas Italy and Bulgaria fare much worse, with rates between 19,1 % and 21,8 % respectively. The EU27 average was 12,8 % in 2010. The crisis seems to have worsened NEET rates in Spain, Ireland, Lithuania, Estonia and Latvia especially.

⁽⁶⁾ See Section 7 of the EESC opinion, "Youth on the move", rapporteur: Mr Trantina, co-rapporteur: Mr Mendoza Castro (OJ C 132, 3.5.2011, p. 55).

⁽⁷⁾ According to the latest estimates by Eurofound, the cost of this exclusion of young people from the labour market amounts to almost EUR 100 billion annually in the EU.

⁽⁸⁾ It considers the whole active population of youth so as to reduce a possible distortion due to high inactivity rates among youth still in education.

— **Early school leavers** (ESL) are another category at high risk of unemployment due to low educational performance. Despite the fact that in some countries (e.g. Spain, Portugal, Estonia, Latvia and the United Kingdom) the ESL rate has fallen during the crisis, at 14,1 % the EU-wide average in 2010 remained markedly higher than the Europe 2020 target of less than 10 %⁽⁹⁾. The differences between countries are significant: Portugal and Spain show rates above 28 % and in Malta the ESL rate is almost 37 %, whereas the rates in Slovakia, the Czech Republic and Slovenia are under 5 %⁽¹⁰⁾.

3.5 The trend of unemployment rates is also reflected in the **employment rate**, which has fallen noticeably during the crisis: from an EU average of 70,5 % of 20-64-year-olds in 2008 to 68,9 % in Q2 2011. When the guidelines were adopted in 2010, it was already clear that an entire decade would be needed to win back the good 10 million jobs lost since the crisis broke out. The situation has barely improved since then. Average figures for the EU show only minimal growth in employment between Q2 2010 and Q2 2011; some countries showed marked growth during this period (Estonia, Lithuania, Latvia and Malta), whereas in others the rate continued to fall sharply (Greece, Bulgaria, Slovenia and Romania). Overall, EU countries remain far from achieving the EU 2020 headline target of 75 % general employment (for 20-64-year-olds)⁽¹¹⁾. Young people have not only been more affected by unemployment than other age groups during the economic crisis, but their employment levels have fallen much more steeply.

3.6 In line with developments over the Lisbon period, **part-time employment** continued its gradual increase during the crisis. Bearing in mind marked divergences between countries, EU average part-time employment increased from 17,6 % of total employment in Q2 2008 to 18,8 % in Q2 2011.

— **Women** are considerably over-represented in part-time work, with an average rate of 31,6 % in Q2 2011 in comparison with 8,1 % for men.

— With **part-time employment** rising across the EU, **young workers** are considerably more affected than prime-age and older workers.

— Part-time employment also increased more strongly **among workers with the lowest level of education**.

⁽⁹⁾ http://ec.europa.eu/europe2020/priorities/smart-growth/index_en.htm.

⁽¹⁰⁾ <http://epp.eurostat.ec.europa.eu/portal/page/portal/education/introduction>.

⁽¹¹⁾ See EMCO/28/130911/EN-rev3, p. 27 ff.

— Short-time employment enables people to remain in touch with the labour market during the crisis, and ensures they are well placed to move back into full-time employment after the crisis.

— Nevertheless, during the crisis the share of **involuntary part-time employment**⁽¹²⁾ also increased considerably. Countries hardest hit by the crisis (the Baltic States, Spain, Ireland) saw their rates of involuntary part-time employment increase more drastically between 2008 and 2010 than the average. In many countries, part-time employment rates remain high for women because of childcare or care for adults who are unable to work.

3.7 **Temporary employment** peaked in the EU at 14,6 % in Q2 2007. Data from the EU Labour Force Survey also include temporary agency workers in this category, unless they are subject to a written, permanent employment contract⁽¹³⁾. Because workers on fixed-term contracts and temporary agency workers were strongly affected by rising unemployment in the crisis, their share when taken together fell to a low of 13,5 % in Q2 2009. The recent increase to 14,2 % in Q2 2011 shows that there is a tendency for companies to rehire workers on the basis of fixed-term contracts or through recourse to temporary agency workers. This indicates, not least, that employers lack confidence about the resilience of the upturn and are trying to respond to the situation.

— **Country variations** in the extent of temporary employment are significant – less than 5 % in some central and east-European Member States such as Romania, Bulgaria, Lithuania and Estonia, contrasting with Portugal, Spain and Poland which have rates of 23-27 %.

— Young workers (15-24 years) are by far the most likely to hold a temporary job (42,2 % in 2010). This pattern is replicated in almost all countries. To some extent it is natural in many professions for **young people's** first job to be a **temporary** one. This is often involuntary, however. This is one of the explanations for the particularly severe deterioration of the labour market situation of young people during the crisis.

— Moreover, around 20 % of **low-educated** workers are in temporary employment, a much higher rate than for those with medium or higher educational levels (around 12-13 %).

⁽¹²⁾ Involuntary part-time employment is defined as "unable to find a full-time position".

⁽¹³⁾ It is recommended that, in future, Eurostat issue separate figures for workers on fixed-term contracts and temporary agency workers.

— The share of **involuntary temporary employment** increased by about 2 % between 2008 and 2010, particularly in Lithuania and Ireland, two of the countries most strongly affected by the crisis, as well as in the Czech Republic, Denmark and the United Kingdom.

3.8 **In-work poor:** Eurostat data for 2009 show that both temporary and part-time workers, but also young people and single parents, are much more likely to be in-work poor than are permanent and full-time workers.

— **Younger employees** (aged 18-24) are at significantly greater **risk of in-work poverty** ⁽¹⁴⁾ than the average population of 25-64-year-olds in several EU Member States.

— Similarly, **single parents**, who are often forced to work part-time, and low-skilled workers are disproportionately affected by both temporary and part-time work, and also much over-represented in full-time low wage jobs; this is reflected in higher **in-work poverty** rates.

4. EU-wide austerity measures impact negatively on the labour market and make it harder to reach employment policy goals

4.1 With EU countries implementing austerity measures concurrently, the mutually reinforced downturn may gather pace and the prospects for economic growth may deteriorate further. With some countries not giving sufficient attention to the necessary structural reforms and no new opportunities for economic growth on the horizon, cuts in government spending weaken domestic demand as the last source of economic stimulus, and lead to dwindling tax receipts and climbing welfare costs. There is a threat that budget deficits will grow even deeper, shrinking even further the room for manoeuvre of an increasing number of EU governments. This path – fiscal consolidation through austerity above all else – is thus not only socially questionable; it also undermines the prospect of a sustainable economic recovery. The EESC is deeply concerned that it will not be possible to overcome the crisis with these measures, nor to achieve the targets laid down in the EU's employment strategy.

4.2 Therefore the EESC reiterates its call for a further European stimulus package with decisive labour market impact, amounting to 2 % of GDP ⁽¹⁵⁾. Alongside additional

national investments to boost the impact on employment, which should be implemented in a coordinated fashion, European investment projects must also be identified. One per cent of the planned expenditure should include investments with high employment impact, as well as labour market policy measures that, depending on regional employment conditions in each EU country, may differ in form.

4.3 Government money cannot be used for everything – bailing out banks, social investment, investment in innovation and supporting business. In the view of the EESC, intelligent fiscal consolidation must inevitably entail not only cuts in expenditure, which should be carried out in a socially responsible manner, but also tapping of new sources of revenue. In particular, the Member States' tax base will have to be broadened. In addition, a general re-think of tax systems is needed, with due regard for questions of contributions from different kinds of income and assets. At the same time, public spending must be made more efficient and be better targeted.

4.4 In the view of the EESC, austerity measures must not be allowed to increase the risk of poverty or exacerbate inequalities that have already grown in recent years. Care should be taken to ensure that the measures taken in response to the crisis do not run counter to the objectives of stimulating demand and employment during and after the crisis and cushioning social impacts. The Member States should also make sure that measures taken to tackle the economic crisis and government debt do not jeopardise employment policy investments or undermine general and vocational education. The EESC calls for comprehensive impact assessments in order to establish how the EU goal of showing at least 20 million people a path out of poverty and exclusion by 2020 can be reached.

4.5 Austerity measures hit people who depend on social security payments hardest, including those with insecure employment and other disadvantaged groups in the labour market. As a rule, the people who are worst affected by unemployment are those with limited access to income support. Adequate, effective and sustainable social security networks are therefore needed, paying particular attention to the worst affected and most socially disadvantaged groups in the labour market (e.g. young people, immigrants, Roma, the disabled, single parents and the poorly qualified).

4.6 As far as the labour market challenges around Europe's ageing population are concerned, the EESC recently issued an opinion on the subject, noting that the most effective strategy by far is to make the best possible use of existing employment potential. This will only be possible through targeted policies

⁽¹⁴⁾ Less than 60 % of median equivalent household income.

⁽¹⁵⁾ See point 3.1 of the EESC opinion on "Results of the Employment Summit", rapporteur: Mr Greif (OJ C 306, 16.12.2009, p. 70).

designed to stimulate growth and create opportunities for participation. These should include making working conditions favourable for older people, expanding education and training, creating high-quality and productive jobs, guaranteeing efficient social security systems and adopting extensive measures for reconciling work and family life⁽¹⁶⁾. In addition, the economic potential of the "silver economy" should be fully exploited.

5. Employment of young people and the problem of long-term unemployment: demands and recommendations

5.1 *Setting ambitious EU objectives for youth employment*

5.1.1 The existing guidelines include an indicator aimed at reducing the number of young people who are not in employment, education or training (NEET). While the Member States have diversified their measures according to the specific features of NEET subgroups, paying special attention to disadvantaged groups⁽¹⁷⁾, there is still a lack of concrete targets for tackling youth unemployment and improving the employment situation of young people. **The EESC reiterates its demand that this key point in the guidelines be expressed much more clearly, above all by elaborating quantifiable European targets for youth employment: in particular, (1) a target for a significant reduction in youth unemployment, as well as (2) a maximum of four months seeking work or training after which young people are offered a new start.** Leaving specific targets for youth employment to Member State governments has borne little fruit; only a few countries have included relevant targets in their National Reform Programmes⁽¹⁸⁾.

5.2 "Youth Guarantee" for NEETs should be consistently implemented by Member States

5.2.1 The EESC is pleased that its call for the Member States to guarantee that all young people have the opportunity for further education or are involved in activation and labour market integration measures within four months of completing compulsory schooling has taken the form of a proposed "Youth Guarantee" in the "Youth on the move" flagship initiative⁽¹⁹⁾. **In this context, the EESC unreservedly echoes the Commission's demands that Member States promptly identify relevant barriers. As part of national reform plans, concrete measures should be formulated to dismantle these barriers.** To this end, in many countries it will be necessary to substantially extend the targeted support offered

by government agencies, while disadvantaged job seekers (including those with an immigrant background as well as Roma) must receive special attention.

5.2.2 The Member States are also called upon to effectively realise the priorities generally agreed to in the employment guidelines with regard to young people, as well, and to set corresponding, ambitious requirements and targets, including balanced measures to increase flexibility and security, promote labour mobility, create adequate social security systems to facilitate transition within the labour market, and promote entrepreneurship and adequate frameworks for preserving and creating jobs, especially in SMEs.

5.3 *Increased EU funding and easier access to EU funding as a way of tackling youth and long-term unemployment*

5.3.1 In order to reduce youth and long-term unemployment in the short term, the EESC calls for special measures in the areas of social, education and labour policy – particularly in a time of strained household budgets. In its current Youth Opportunities Initiative⁽²⁰⁾, the Commission effectively calls for quick and unbureaucratic assistance above all in countries worst affected by youth unemployment⁽²¹⁾. **Member States with especially fraught labour market conditions as far as youth employment is concerned and with high long-term unemployment, and which must simultaneously meet restrictive budget targets, should be given easier access to EU funding - especially that set aside for measures like the "Youth Guarantee" and for investment in job creation.** What are needed are **pragmatic and flexible procedures and simplified administration of fund use, up to and including temporary suspension of national co-financing arrangements by tapping funds such as the ESF and other European funds.**

5.4 *Adequate resources for tackling youth and long-term unemployment in the new EU budget*

5.4.1 The EESC has already stressed the importance of maintaining, and where necessary boosting, national and European funding for education, training and employment of young people and the long-term unemployed – despite the reassessment of budget priorities necessitated in all EU countries by the economic crisis⁽²²⁾. **For this reason the EESC asks that adequate funding be secured for initiatives focused on young people and the long-term unemployed as part of**

⁽¹⁶⁾ EESC opinion on "The future of the labour market in Europe - in search of an effective response to demographic trends", rapporteur: Mr Greif (OJ C 318, 29.10.2011, p. 1).

⁽¹⁷⁾ "Young People and NEETs in Europe: First findings" – EUROFOUND – EF/11/72/EN <http://www.eurofound.europa.eu/pubdocs/2011/72/en/1/EF1172EN.pdf>.

⁽¹⁸⁾ Only four countries (Belgium, the Czech Republic, Bulgaria and Estonia) set national targets for tackling youth unemployment in their national reform plans in 2011.

⁽¹⁹⁾ "Youth on the move", COM(2010) 477, Chapter 5.4.

⁽²⁰⁾ See the Commission's proposals in its current Youth Opportunities Initiative, COM(2011) 933.

⁽²¹⁾ In Guideline 7, Council decision 2010/707/EU.

⁽²²⁾ See EESC opinion on "Youth on the move" (OJ C 132, 3.5.2011, p. 55); Section 8 of EESC opinion on "The economic crisis, education and the labour market", rapporteur: Mr Soares (OJ C 318, 29.10.2011, p. 50).

financial planning from 2014 ⁽²³⁾. In addition, the EESC recommends assessing whether other EU funds could be used for measures aimed at tackling youth and long-term unemployment.

5.5 *Improved access to income support for unemployed youth and the long-term unemployed*

5.5.1 The EU Member States differ considerably in terms of eligibility conditions and scope of social security, not least for young people. The guidelines rightly urge Member States to adjust their social security systems so as to avoid any gaps in income support under more flexible labour market conditions. This concerns all age groups in equal measure. In the view of the EESC, however, there has been too little discussion so far of the limited access to income support for unemployed youth that is seen in most Member States ⁽²⁴⁾. Some countries have improved access to unemployment payments for disadvantaged groups during the crisis, including youth, with corresponding conditionality. However, these measures were of limited duration or are at risk of reversal as part of planned austerity measures.

5.5.2 **The EESC calls on all Member States to review and, if necessary, improve eligibility conditions for income support for unemployed young people and the long-term unemployed who are able to work and looking for work or training. It is also recommended that relevant targets be written into the national reform programmes.** This would significantly contribute to alleviating the precarious situation faced by many young people in their transition to the job market.

5.6 *Dealing with insecure and unregulated work in training and internships*

5.6.1 Not only is the unemployment rate twice as high for 15-24-year-olds as it is for adults, but twice as many people in this age group have insecure working conditions (in some countries, higher than 60 %), and unregulated traineeships and internships (above all in southern Europe ⁽²⁵⁾), and work for

⁽²³⁾ The EESC therefore calls for at least 40 % of ESF resources to be earmarked for encouraging employment and professional mobility, whereby youth-focused measures should lie at the heart of a large number of new projects. See EESC opinion on the European Social Fund, (see page 82 of the current Official Journal) rapporteur: Mr Verboven, co-rapporteur: Mr Cabra de Luna, points 1.5 and 4.1.

⁽²⁴⁾ Data from the EU Labour Force Survey (Eurostat) show that, for the EU27, young people (15-24-year-olds) are three times less likely on average than other groups to have access to income support when unemployed – with no sign of a sustained improvement observed during the crisis.

⁽²⁵⁾ This is less of a problem in northern European countries with many years of practical experience of regulated relationships between trainees, training institutions and employers. The same is true of countries with an established and well-maintained "dual system" of apprenticeships (Germany, Austria).

which they are over-qualified. **The EESC warns against too many impermanent solutions offering few long-term prospects when it comes to integration in the job market: instead of settling for precarious employment and insecure employment contracts, measures should be taken to guarantee that fixed-term employment and poorly-paid positions with little social security do not become the norm for young people.**

5.6.2 The EESC has commented in numerous opinions on necessary areas of action in terms of adjusting education and qualifications, not least in order to guarantee that young people receive the training that is actually in demand on the labour market ⁽²⁶⁾. In order to remove existing discrepancies between supply and demand in the labour market created by unsuitable qualifications, limited geographical mobility or inadequate pay ⁽²⁷⁾, educational institutions are called upon to adapt their curricula to the requirements of the labour market, employers to expand their channels for recruiting new employees, and authorities to invest in effective active labour market measures. Responsibility for future employment prospects also lies with the trainees and students themselves.

5.6.3 **As far as the Commission initiative on internships is concerned, the EESC supports a corresponding European quality framework to which companies should also be persuaded to sign up, so that they offer in-work training opportunities with mutually secure contracts, particularly for poorly educated youth.** The dual system of apprenticeships with general education and training yields positive results in a number of countries, and should be studied with a view to its partial application elsewhere.

5.7 *Basic principles for tackling youth unemployment*

5.7.1 The EESC suggests taking measures to tackle youth unemployment in line with the following basic principles: improving young people's employability by reforming the education system to match skills more closely to labour market requirements, including by way of partnerships between schools, business and the social partners; active labour market measures, including greater support and incentives for young people to take jobs; reviewing the impact of employment protection legislation (EPL); and support for youth entrepreneurship.

⁽²⁶⁾ See on this subject the EESC opinion on "Modernisation of higher education" (not yet published in the OJ); the EESC opinion on "Youth employment, technical skills and mobility" (OJ C 68, 6.3.2012, p. 11), rapporteur: Ms Andersen; and the EESC opinion on "Post-secondary vocational education and training" (OJ C 68, 6.3.2012, p. 1), rapporteur: Ms Drbalová.

⁽²⁷⁾ See COM(2011) 933: "Youth Opportunities Initiative".

5.8 *Tackling long-term unemployment and loss of contact with the labour market*

5.8.1 The continuing crisis-related stagnation in the demand for labour is leading to an increase in long-term unemployment, resulting in serious difficulties in labour market integration and consequently a growth in in-work poverty. **The EESC recommends that the Member States pay particular attention to setting up an intermediate labour market in which public resources create an appropriate number of suitable jobs to ensure that the long-term unemployed remain in touch with the world of work and improve their skills and knowledge.** This will prevent in-work poverty from increasing and enable these people to make a smooth transition into the open labour market once the crisis is over.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on establishing a Health for Growth Programme, the third multiannual programme of EU action in the field of health for the period 2014-20'

COM(2011) 709 final — 2011/0339 (COD)

(2012/C 143/19)

Rapporteur-General: **Ms OUIIN**

On 30 November 2011, the European Parliament, and, on 12 December 2011, the Council decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on establishing a Health for Growth Programme, the third multi-annual programme of EU action in the field of health for the period 2014-2020

COM(2011) 709 final - 2011/0339 (COD).

On 6 December 2011 the Committee Bureau instructed the Section for Employment, Social Affairs and Citizenship to prepare the Committee's work on the subject (rapporteur-general: Ms OUIIN).

Given the urgent nature of the work, the European Economic and Social Committee appointed Ms Béatrice OUIIN rapporteur-general at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February 2012) and adopted the following opinion by 169 votes to 1 with 4 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the Commission's initiative: the existence of this third programme, in this period of crisis, is a positive message to the people of Europe. The Committee welcomes a programme specifically dedicated to health with an increased, albeit modest budget.

1.2 The EESC welcomes the focus on a limited number of priorities and the increase in the ceiling for subsidies for Member States whose gross national income per inhabitant is less than 90 % of the Union average⁽¹⁾.

1.3 The EESC shares the view that efforts should be made to improve the use of human and financial resources and warns against the temptation to cut budgets and public health services during this period of crisis.

1.4 The EESC considers that, where health is concerned, European added value consists of encouraging exchanges of best practice and disseminating the principles of mainstreaming health in all policies and combating health inequalities, poverty and social exclusion.

1.5 The EESC stresses the importance of prevention for maintaining a healthy population: health education, improved living, working and housing conditions. Healthy ageing needs to be prepared for throughout life.

1.6 The EESC argues that, as there is a general shortage of labour in this sector, common solutions need to be sought: professional equality, re-evaluation of skills and pay, recognition of the high level of technical skills required, recognition of know-how acquired from informal work in the family, a better gender balance in the sector, improving conditions of work and organisation of working time, lifelong training, end-of-career arrangements taking account of the physical and psychological strain on care staff.

1.7 The EESC considers it preferable to train the unemployed in these vocations rather than bringing in already trained workers from third countries and other EU countries, so as to prevent these countries from being deprived of their skills.

1.8 The EESC stresses the need to give families and the community (friends, neighbours etc) the means to look after the sick and dependent persons, with a better distribution of working time over a person's life.

1.9 The EESC encourages exchanges of experience in the use of online health systems both by professionals and private individuals, and calls for European frameworks to be established:

— to protect confidential data in the event of cross-border exchange of patient files or prescriptions,

⁽¹⁾ e.g. EE, HU, LV etc.

— to ensure that information disseminated on public websites is accurate via a system of accreditation operated by competent health authorities.

1.10 The EESC considers that, in addition to the existing priorities (smoking, alcohol, obesity and HIV), new risks should be added, related to:

- climate change, pollution, the spread of chemical products, nanotechnologies,
- the safety of medicines and prostheses, and the over-consumption of medicines,
- changing ways of life and eating habits and their effect on human reproduction,
- mental health problems, such as stress, depression, Alzheimer's disease.

1.11 The EESC finds that new technologies in healthcare need to be further encouraged to reduce the workload of healthcare staff, to improve quality of care and support to patients, and to improve and sustain mobility of the elderly.

2. Background

2.1 Over the last two years the European Economic and Social Committee has adopted numerous opinions on health issues, ranging from combating health inequalities to the campaign against alcoholism, from Alzheimer's disease to cancer, from action against smoking to patient safety⁽²⁾.

2.2 Although the healthcare sector can make a valuable contribution to economic growth, there is more to health than this. The best way of improving the viability of health schemes, which come into play when someone falls ill, is to maintain the population in good health by preventive and public health measures. It would be useful to have more statistics on the activities of the care systems.

2.3 The economic crisis is leading to worrying cuts in budgets which endanger the quality of public health services

⁽²⁾ See the following EESC opinions:

- OJ C 18, 19.1.2011, p. 74.
- OJ C 339, 14.12.2010, p. 1.
- OJ C 255, 22.9.2010, pp. 72 and 76.
- OJ C 128, 18.5.2010, p. 89.
- OJ C 228, 22.9.2009, p. 113.
- OJ C 318, 23.12.2009, p. 10.
- OJ C 306, 16.12.2009, p. 64.
- OJ C 317, 23.12.2009, p. 105.
- OJ C 218, 11.9.2009, p. 91.
- OJ C 175, 28.7.2009, p. 116.
- OJ C 77, 31.3.2009, p. 115.
- OJ C 224, 30.8.2008, p. 88.
- OJ C 77, 31.3.2009, p. 96.

and universal access to care. Maintaining the health of the population against a background of demographic and climate change requires that sufficient resources be devoted to this aim.

2.4 Remaining in good health requires health education from childhood onwards (provided by the family, educational institutions and the media), a healthy diet at all ages, limiting exposure to dangerous substances, decent living and working conditions etc. Particular emphasis should be placed on healthy ageing, as older people are - apart from new-borns - the largest consumers of care services. Healthy ageing needs to be prepared for early.

2.5 Improving living and working conditions and preventing the onset of illness are the best ways of safeguarding the health of the population and thus of reducing workplace absenteeism and healthcare costs.

2.6 The main scourges needing to be tackled are poverty and social exclusion: cold, hunger, an unbalanced diet, poor hygiene, unhealthy living conditions, often in combination with loneliness, lack of preventive medicine etc. promote the development of diseases, in particular chronic diseases, which impose a very heavy cost on social security schemes, i.e. for all those who contribute to their financing.

2.7 The Committee supports the objective of contributing to innovative and viable health systems, which requires common tools and mechanisms to tackle the lack of human and financial resources. It is essential to boost investment in home care and non-emergency or surgical care by redirecting the money spent on hospital care; it will thus be possible to recognise the key role of the family in maintaining the health of the population and improving the sustainability of the care system.

2.8 Health education begins at the earliest age, in the family, and includes hygiene, a balanced diet and behaviour as well as a stable emotional environment. It is in the family that people first learn the rules for staying healthy and it is also the family which takes care of the sick, partly because many sick people do not require hospitalisation and remain at home, with their families, and also because, when someone is hospitalised, visits from family and friends provide the patient with psychological and material support, complementing the work of hospital staff. This essential function of the family and those close to the patient must be preserved, because when a person is diminished by illness, what he or she needs above all is the presence and support of the family.

2.9 Changes in the structure of the family do affect mental and physical health and the problem needs to be tackled at source by helping the family to remain a secure environment.

2.10 *The decline of informal care in the family environment* is not inevitable. Sick people do not want to be cared for mainly by professionals. Where care requiring specialised technical skills is needed, the family cannot replace the professionals. But sick people and their families must have a choice where all other

home-care tasks are concerned. Hence the need to allow employed people leave of absence from work when a family member requires care.

2.11 The need for an overhaul of pension systems should be seen as an opportunity to rebalance working time throughout an individual's life. Since longer life expectancy makes it possible to work longer, men and women should be entitled throughout their working lives to take extended periods of leave, either full or part-time, financed in the same way as pensions, to take care of sick family members or dependent elderly relatives. Greater freedom of choice is needed for employees to organise the time financed by their work in accordance with their needs, not only when retired. The European social partners, who have already negotiated parental leave, could now focus on these periods of leave and the accounts/time required to respond to the need to reconcile family and professional life more effectively.

2.12 If the family is to remain the primary source of solidarity, it has to have the means. Time spent caring for sick or dependent relatives should already be taken into account when calculating social security and pension benefits.

2.13 Services also need to be developed to help dependent persons cope with the demands of everyday life alone: assistance with hygiene, household tasks, preparation of meals, night-time care. The family assistance employment sector is developing rapidly, with the creation of jobs. In too many countries work in the home is still informal, undeclared, unprotected work without recognised qualifications, often carried out by female migrant workers. This is a key area in the context of gender equality, where stereotypes are commonplace, technical skills are not recognised, contracts are insecure or non-existent and wages very low, although these jobs are essential for the operation of the economy. The convention recently adopted by the ILO on decent work for domestic workers should help to establish the sector on a firm moral and professional basis, providing that methods of financing are developed, as the services cannot be financed by the sick or their families on their own.

3. Objectives of the programme

3.1 The programme proposes innovative solutions to tackle the shortage of workers. During this period of massive unemployment in Europe questions need to be asked about recruitment difficulties in the healthcare sector. This employment sector is very much dominated by women and does not attract enough young people or men, and the causes of this are: insufficient recognition of qualifications and skills, difficult hours and working conditions and low pay. Profes-

sional equality will require improved pay and greater recognition of technical skills, as well as access to lifelong training.

3.2 One major innovation would be to increase the number of men working in the sector. This would require measures. The social partners should promote policies to encourage the participation of under-represented groups. Vigilance is needed to ensure that self-employed status does not cause care workers to neglect rest periods and to work to the point of exhaustion. All technical, organisational and social innovations should be encouraged which help to improve working conditions and make them less difficult.

3.3 In the healthcare sector, where demands are heavy, patients need care 24 hours a day, seven days a week. It requires night-time working and hours which are difficult to reconcile with family life. Making working conditions satisfactory requires close involvement of staff in decisions. The social partners, in the framework of the sectoral social dialogue, must envisage the application of innovative concepts of the workplace, such as individual management of working time (self-rostering), which could benefit from the support of information and communication technology (ICT) instruments.

3.4 The social partners must work together with government in order to support lifelong learning, internal mobility of posts and the acquisition of management and organisational skills. In order to make it easier to combine work and training, they should give consideration to a number of options, including secondment, in-service training and online learning. It is essential to broaden career opportunities in order to retain staff.

3.5 Responding to labour shortages by training the unemployed and offering appropriate pay seems a better solution than attracting already trained workers from third countries: doctors, nurses, physiotherapists etc. from Africa, Asia or Latin America will be missed in the countries which financed their training. The European healthcare sector social partners have drawn up a code of conduct for ethical cross-border recruitment and retention in the hospitals sector. This should be applied and extended. And for professionals from third countries wanting to move to Europe anyway, the Committee, in a 2007 opinion on Health and Migrations, proposed the setting-up of a Special Compensation Fund to finance the training of other professionals in their countries ⁽³⁾.

3.6 The first objective of the programme is to *foster European cooperation on Health Technology Assessment (HTA) and explore the potential of e-Health and ICT for Health*. European frameworks need to be established to protect confidential data in cases of cross-border exchange (e.g. patient files or prescriptions).

⁽³⁾ EESC opinion, OJ C 256, 27.10.2007, p. 123.

3.7 The second objective of the programme is "to increase access to medical expertise and information for specific conditions also beyond national borders and to develop shared solutions and guidelines to improve healthcare quality and patient safety in order to increase access to better and safer healthcare for EU citizens". Heavily used public healthcare websites disseminate medical information and contribute to health education. For minor ailments consulting these sites can make a visit to the doctor unnecessary. By providing information on the benefits of traditional medicine as well as on complementary therapies like herbal remedies, thermal cures, massage etc, these sites help people to remain in good health. Helping people to better understand themselves and their psychological and physiological needs helps to keep the population healthy and limit overconsumption of care and medicines. Exchanges should be organised and European frameworks established to ensure the accuracy of information made available to the general public (accreditation) in order to prevent a proliferation of sites interested only in profit and exploiting the credulity of the sick.

3.8 The exchange of best practice should be encouraged on the mechanisms introduced in specific regions in order to improve access to care and to enable doctors and qualified healthcare professionals to remain in or move to rural or economically deprived areas, and on the planning of health systems and policies and personal services.

3.9 The third objective is "to identify, disseminate and promote the up-take of validated best practices for cost-effective prevention measures by addressing the key risk factors, namely smoking, abuse of alcohol and obesity, as well as HIV/AIDS". A programme which places great emphasis on innovation should also promote exchange of information on new risk factors which are just as important for the future.

3.10 New health problems and chronic illnesses are appearing which will pose major problems in the 21st century as a result of climate change, increased pollution, changing ways of life (sedentary lifestyles, time spent in front of a screen etc.) and the widespread use of chemical agents, the long-term health effects of which are unknown.

3.11 Between the end of the 19th century, when it was first used in industry and construction, and its prohibition at the end of the 20th century, asbestos killed tens of thousands of workers.

3.12 Agriculture uses pesticides and other chemical products, the damaging effects of which on the organism only come to light in the long term. Studies are being carried out into the incidence of cancers among farmers. These substances spread in

the air, in water and in foodstuffs. The agrifood industry also uses additives to make foodstuffs keep longer and to modify their taste.

3.13 In addition to this there are domestic and workplace cleaning products, as well as numerous substances used in industry, and medicines. Over-consumption of medicines is already giving rise to antibiotic resistance. Antibiotics given to farm animals also find their way into the water supply. Other substances, gases, soot etc are spread in the air. Together, these substances form a "chemical soup", present in the environment, one of the consequences of which seems to be a rapid increase in allergies and cancers. Electromagnetic radiation is also a problem.

3.14 Another worrying question concerns the impact of exposure to products, radiation and changed lifestyles on human reproductive capacity. Although the causes of the falling birth rate are above all sociological, the increasing physiological difficulties encountered by many couples wishing to start a family should not be neglected.

3.15 Among the new risks, workplace stress is one of the causes of depression, sometimes even leading to suicide. Stress experienced by the unemployed, and more generally by all those who feel useless to society, also needs to be tackled. Mental health is an essential component of public health.

3.16 Ageing well requires lifelong preparation. Working conditions play a decisive role, and life expectancy is not the same for white-collar office workers, seconded workers or agricultural workers. Improving difficult working conditions, limiting night-time working and reducing stress levels are ways of preparing for a healthy old age.

3.17 In order to enjoy good health in old age, it is essential to continue to feel socially useful, to have a network of friends and intellectual curiosity, to continue working, either professionally or as a volunteer, to practise sport and to look after oneself.

3.18 Another subject, the end of life, ought to be discussed at European level, because it concerns every individual and is connected with the concept of personal dignity. Today the vast majority of people die in hospital, which makes the end of life an important issue.

3.19 It is essential to develop palliative care services to prevent suffering for the terminally ill for whom no treatment is possible. Services of this kind are not available in all hospitals or to all those who need them.

3.20 The fourth objective of the programme is "to develop common approaches and demonstrate their value for better preparedness and coordination in health emergencies in order to protect citizens from cross-border health threats". Epidemics know no frontiers and cooperation in this area is essential. Lessons should be learnt from the measures taken in order to prevent wastage in the future. A distinction should be drawn between preventive measures which involve education and can be made permanent, and those involving the purchase of products with a limited lifespan. Exchange of information on costs and results could make it possible to establish methods appropriate to the objectives.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on safety of offshore oil and gas prospection, exploration and production activities'

COM(2011) 688 final — 2011/0309 (COD)

(2012/C 143/20)

Rapporteur: **Mr George T. LYON**

On 17 November 2011 and on 29 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Article 192(1) of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on safety of offshore oil and gas prospection, exploration and production activities

COM(2011) 688 final – 2011/0309 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 111 votes to 2 with 9 abstentions.

1. Conclusions and recommendations

1.1 Though major incidents offshore are rare, the consequences they attract in terms of hazard to human life, the environment, the economy and climate are often catastrophic.

1.2 The need for a consistent EU approach to safety in offshore oil and gas activities is well recognised.

1.3 This objective will best be achieved through dissemination and implementation of the highest standards already in place throughout much of the industry.

1.4 The EESC endorses the Commission's recommendation of "Option 2" as the package of measures most likely to achieve the objectives of the proposal.

1.5 The regulation should aim to strengthen the devolution of regulation of the reform measures to competent national authorities and stakeholders, reserving a well-defined but contained role for the proposed EU Offshore Authorities Group.

1.6 The EESC encourages the Commission to bring forward to an early conclusion its deliberations on product safety, financial capacity and, most important, corporate liability.

1.7 EU operators who are engaged in exploration and production activities outside the territories of the Union should be encouraged to export best EU standards.

2. Introduction

2.1 On 27 October 2011, the Commission proposed its Proposal for a Regulation on safety of offshore oil and gas prospection, exploration and production activities.

2.2 Against the background of the Deepwater Horizon disaster in the Gulf of Mexico in April 2010, and, as the Commission has expressed it, the significant risk of a major offshore incident within the European offshore sector, there

can be little doubt of the urgency with which the issues outlined by the Commission in the impact assessment (accompanying the proposal) need to be confronted and appropriate measures adopted. These issues are:

- the anticipation and, so far as is reasonably possible, elimination of high-risk incidents;
- the limitation and containment of the consequences of a major disaster;
- increased protection of the marine environment and coastal economies against the effects of pollution;
- the need to improve the range and effectiveness, between Member States, of response activities;
- the need to establish, sooner or later, clear guidelines on the liability of offshore contractors for direct and indirect losses sustained by third parties;
- the need to devise and harmonise a framework set of conditions essential for the safe operation of offshore installations and facilities; and
- the restoring of public confidence in a safe, well-directed and regulated, offshore oil and gas industry.

2.3 The Commission believes that these issues can best be concluded by:

- improvements in procedures for the vetting, licensing, regulating and monitoring of contractors and operators in the industry;
- encouraging a corporate culture that willingly embraces improved safety practices;
- removing inconsistencies in practice between Member States;

- better management and co-ordination of response resources and capability;
- improved verification of safety critical equipment (including independent third-party verification); and
- carrying out a policy evaluation of measures concerning product safety, financial capacity guarantees and civil liability and compensation schemes of offshore operators.

2.4 More particularly, the Commission hopes to achieve these ambitions by promoting an "EU best practice model", implementing a package of reforms based, in large measure, on long-established and highly-regarded practice in the North Sea sector. This would lead to greater collaboration in risk assessment, contingency planning, emergency response, sharing of information, expertise and resources. This model (identified as "Option 2" in the impact assessment) contemplates the setting-up of a "competent authority" in each Member State, with an overarching responsibility for industry-related matters, and, between Member States, an EU Offshore Authorities Group to set new standards of safety, facilitate EU regulatory programmes, and ensure standard reporting across national boundaries.

3. General comments

3.1 In the European offshore oil and gas sector there are almost 1 000 offshore installations. The geographical spread of these facilities is: 486 (UK); 181 (Netherlands); 123 (Italy); 61 (Denmark); 7 (Romania); 4 (Spain); 3 (Poland); 2 (Germany); 2 (Greece); 2 (Ireland); and 1 (Bulgaria).

3.2 The EESC believes that safety in every aspect of offshore oil and gas activity, and in all outcomes associated with that industry, is of paramount importance, and welcomes this initiative from the Commission.

3.3 Although much of the focus of the regulation is on preventing or containing the environmental impacts of offshore incidents or accidents, the EESC is pleased to note that, in the impact assessment, the health, safety, and welfare of workers in the offshore oil and gas industry has not been overlooked.

3.4 The EESC recognises the balance that has to be struck between the imperatives of the proposal and EU needs for energy and security of energy supply.

3.5 While there is no body of law, within the EU, expressly dedicated to the safety of offshore oil and gas activities, a number of existing directives tackle issues closely associated with those in the proposal, such as: the Environmental Liability Directive (2004/35/EC), the Waste Framework Directive (2008/98/EC), the Environmental Impact Assessment Directive (85/337/EEC, as amended), measures introduced under

the Health and Safety Framework Directive (89/391/EEC) covering the minimum requirements for improving the safety and health of workers in the mineral-extracting industries through drilling, and the Marine Strategy Framework Directive (2008/56/EC). Since these do not exactly match the objectives of the proposal, they may be applied only in piecemeal fashion if, indeed, capable of applying at all without adaptation. The Environmental Liability Directive, for example, while dealing with offshore pollution does not extend its reach to water damage in the Exclusive Economic Zone or the continental shelf, which need to be protected pursuant to the Marine Directive.

3.6 It is a recurring criticism (of commentators) that existing standards of safety, remedy, liability and compensation (by directive, self-regulation, international conventions and protocols) are often "disconnected" and ineffectually observed - by differences of emphasis and interpretation, indifferent attention to the spirit, if not the detail, of implementation and enforcement mechanisms, and poor corporate culture. This discredits the legislative process, and is unsatisfactory. The fresh start outlined in the proposal is to be welcomed.

3.7 In the North Sea sector, industry practices and procedures, both voluntary and statutory, have been described by the Commission as "best operating practices", "best practices in the Union", "best available practices defined in authoritative standards and guidelines", "current best standard", "state-of-the-art practices", and "recognised global best practice in major hazard risk control", with a goal-setting regulatory approach that is considered "world class". Nevertheless, the EESC is concerned about the relatively high level of risk which remains, and is of the opinion that the proposed regulation will enhance corporate safety culture.

3.8 These practices have evolved and matured through exploration, engineering and operational experience (at times bitter, when we recall the Alexander Kielland (1980) and Piper Alpha (1988) disasters). The EESC acknowledges that this is a continuous process, requiring constant evaluation, and believes that operators in the industry are neither complacent nor slow to introduce new measures and guidelines or adapt existing standards or procedures, whenever necessary or convenient. The regulation will offer a uniform framework in which this can take place.

3.9 A set of principles, procedures and controls, within the EU, that is coherent, comprehensive, and universal in application, as addressed in the regulation, is timely and essential to the good governance of the industry as it develops new fields of exploration and production. The EESC notes the Commission's recommendation of "Option 2" as the most acceptable approach.

4. Specific comments

4.1 The Commission, in a number of references, highlights the risks of a major oil or gas accident in EU waters as "significant everywhere in the Union", "more real than they may appear" and "unacceptably high". The EESC is interested to know how this claim has been substantiated.

4.2 The EESC has some concerns that, by opting for a regulation as the preferred legal instrument, the Commission's proposal may lead:

- to a dismantling or deconstructing of the "best practice" of those operators and Member States who adhere to the "North Sea basic model", as new complex legislative procedures, with accompanying soft law additions and amendments under powers delegated to the Commission, are introduced; and
- to additional and, possibly, unnecessary cost, disruption, delay, overlap and confusion within the industry and beyond and (possibly during the transition phase) to a compromise of safety and hopes that a carefully worded regulation will allay these misgivings.

4.3 While there is a view that the existing best practice regime (the North Sea model) along with the role of organisations such as the North Sea Offshore Authorities Forum, Oil Spill Prevention and Response Advisory Group, Offshore Oil Pollution Liability Association Ltd, International Regulators Forum, and The Operators Cooperative Emergency Services, afford ample evidence of subsidiarity at work, through the actions of Member States, and that the "level-up" approach favoured by the Commission could be achieved by way of a

directive, the EESC recognises, in immediacy and certainty, the principal merits of a regulation and acknowledges a regulation as the Commission's preferred legislative instrument. The EESC expects the regulation to correct present inconsistencies between Member States, and to assimilate and reflect the best elements, principles, and standards of the "North Sea model".

4.4 The EESC invites the Commission to say whether and, if so, to what extent the provisions of TFEU, Article 194, at paragraph 2, were taken into account when the provisions of the proposal were prepared.

4.5 The EU safety culture should be uniformly applied by EU operators both inside and outside EU waters, whenever possible. Consequently, the EESC suggests exploration of a third-party verification scheme to specifically pursue this objective.

4.6 The Deepwater Horizon disaster confirmed the need to strengthen financial requirements from operators to guarantee their ability to fully cover damages and compensation costs from any accident. The EESC therefore recommends further exploration of compulsory third party liability insurance (or equivalent and adequate liability protection) and suggests a revision clause to the regulation to accommodate this pressing issue in the near future.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation establishing a Community system for registration of carriers of radioactive materials'

COM(2011) 518 final

(2012/C 143/21)

Rapporteur: **Mr JÍROVEC**

On 30 August 2011 the European Commission decided to consult the European Economic and Social Committee, under Article 31 of the Treaty on the European Atomic Energy Community, on the

Proposal for a Council regulation establishing a Community system for registration of carriers of radioactive materials

COM(2011) 518 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February 2012), the European Economic and Social Committee adopted the following opinion by 117 votes to 3 with 2 abstentions.

1. Conclusions and recommendations

1.1 The Committee recommends adoption of the proposed regulation. The Committee agrees with the need to assess the regulation's impact two years after its implementation. It will also be useful to revisit the issue in five years to monitor what barriers may still exist to the smooth and safe operation of the transport of radioactive materials in the European Union.

1.2 The Committee favours the second option proposed in the Impact Assessment Report, namely: Regulation with harmonised rules and a more efficient role for the Competent Authorities.

1.3 Member States should ensure that the criteria for granting registration are harmonised.

1.4 The web-based registration system must be in place, tested and functional when this regulation enters into force.

1.5 The Committee thinks that setting up a new agency – as considered under Option 3 – would increase red tape for businesses and dilute the effect of the regulation as a whole.

1.6 The Committee notes that the insurance cover required for carriers varies from Member State to Member State. While such insurance cover cannot be covered in the registration procedure due to the legal base, the Committee invites the Member States to reach a harmonisation of the insurance schemes needed.

1.7 Definitions as stated in the Regulation should be consistent, as far as possible, with the IAEA Glossary, specially the definition of "carriers" while taking into account that the definitions must be in line with Euratom legislation, in particular Directive 96/29/Euratom.

1.8 The applicant should be given the possibility to correct or complement information in its application instead of being rejected without further examination (Art. 5.7 and 5.10).

2. Introduction and gist of the proposed regulation

2.1 The aim of the proposal is to replace the national reporting and authorisation procedures with a unique registration system for carriers of radioactive materials which will help simplify the procedure, reduce red tape and do away with barriers to entry, while maintaining the high radiation protection levels that have been achieved to date.

2.2 At European level, carriers of radioactive materials are covered by transport legislation under the Treaty on the Functioning of the European Union (TFEU) and by legislation on radiation-specific aspects, including health protection of workers and the general public, under the Treaty establishing the European Atomic Energy Community (Euratom).

2.3 TFEU legislation has been simplified by Directive 2008/68/EC of the European Parliament and of the Council of 24 September 2008 on the inland transport of dangerous goods, which covers all inland transport modes.

2.4 Council Directive 96/29/Euratom of 13 May 1996 lays down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionising radiation. According to Article 30 of the Treaty, these basic standards are:

- maximum permissible doses compatible with adequate safety;
- maximum permissible levels of exposure and contamination;
- the fundamental principles governing the health surveillance of workers.

Article 33 requires Member States to lay down appropriate provisions to ensure compliance with the basic standards.

2.5 In order to protect the health of workers and the general public and to better focus their work, Member State authorities need to know which persons, organisations or undertakings to check on. To that effect, Article 3 and Article 4 of the directive require Member States to submit certain practices involving a hazard from ionising radiation to a system of reporting (notification) and prior authorisation or prohibition of certain practices.

Directive 96/29/Euratom applies to all practices which involve a risk from ionising radiation emanating from an artificial source or from a natural radiation source, including transport.

2.6 Given the frequent cross-border nature of transport operations, a carrier may have to follow these reporting and authorisation procedures in all Member States concerned. Moreover, Member States have implemented these procedures in differing systems, thereby adding to the complexity of transport operations as such and of the authorisation procedures.

2.7 This regulation replaces the reporting and authorisation systems in the Member States established under Council Directive 96/29/Euratom with a single registration through a European System for Carrier Registration. Carriers should apply through a central web interface. These applications will be screened by the respective national competent authority, which issues the registration if the applicant fulfils the basic safety standards. At the same time, the system gives the competent authorities a better overview of the carriers operating in their country.

2.8 The regulation adopts a differentiated ("graded") approach by excluding from the registration procedure carriers who transport exclusively "excepted packages". On the other hand, it leaves it up to the Member States to add additional registration requirements for carriers of fissile and highly radioactive materials.

2.9 Other EU and national law as well as international rules regarding physical protection, safeguards, and third-party liability continue to apply, especially Directive 2008/68/EC.

2.10 The regulation would free up resources in competent authorities currently involved in these administrative procedures as a registration would be screened by only one competent authority.

3. General comments

3.1 The Committee favours the second option proposed in the Impact Assessment Report, namely: Regulation with harmonised rules and a more efficient role for the Competent Authorities.

3.2 A regulation would go one step further than a recommendation – by a) proposing directly applicable harmonised rules such as a common registration system for carriers which does away with the different systems used in the Member States for reporting and authorisation, and b) giving carriers access to the EU27 transport market in one "slimmed-down" procedure, while adopting a differentiated approach. The Commission would set up a secure online registration system to enable the necessary exchange of data.

3.3 Although the options analysed by ECORYS – the independent experts who carried out a supporting study for the Commission – seem to have a rather modest impact from a global viewpoint, this impact does matter to such a small sector. The impacts are categorised in five groups, namely: Public sector expenses and fees, Regulatory effects, Transport, Safety and environment, and Social impacts.

3.4 Small and medium-sized companies are expected to benefit in proportion to the total savings achieved under these options: the higher the savings in total, the higher the savings for these enterprises, which are, due to complexity and high costs, often blocked out of the market at present.

3.5 A regulation would lead to savings of EUR 13,6 million per year over the baseline scenario by providing for, among other things, the mutual recognition of licences for carriers. Such an approach would reduce red tape for carriers, users and producers, while freeing up resources in authorities. These could then be used, at least partially, for compliance checks, the lack of which is one of the problems mentioned above.

3.6 Because a regulation is binding, this option will be effective in helping to attain the objectives – i.e. to simplify the system, introduce transparency and eliminate barriers to a functioning internal market, while maintaining a high level of safety.

3.7 The Committee thinks that setting up a new agency – as considered under Option 3 – would increase red tape for businesses and dilute the effect of the regulation as a whole.

4. Specific comments

4.1 Definitions as stated in the Regulation should be consistent, as far as possible, with the IAEA Glossary, specially the definition of "carriers" while taking into account that the definitions must be in line with Euratom legislation, in particular Directive 96/29/Euratom.

4.2 The Committee agrees with the need to assess the regulation's impact two years after its implementation. It will also be useful to revisit the issue in five years to monitor what barriers may still exist to the smooth and safe operation of the transport of radioactive materials in the European Union.

4.3 A common and uniform system for registration of carriers for radioactive materials in the EU will be achieved with the current draft proposal. Article 3 paragraph 3 will allow a carrier to transport radioactive materials without additional registration under this Regulation if the carrier holds already a registration for use or handling and transport of that material. The Committee invites the Commission to study with stakeholders the possibility of transitional arrangements for holders of transport registrations.

4.4 Article 3(4) allows for additional registration requirements for materials representing a particular health

hazard. The Committee would like this list of materials to include those materials transported under multilateral approvals.

4.5 The Committee notes that the insurance cover required for carriers varies from Member State to Member State. While such insurance cover cannot be covered in the registration procedure due to the legal base, the Committee invites the Member States to reach a harmonisation of the insurance schemes needed.

4.6 The web-based registration system for carriers must be available in advance, tested and functional. This would give reassurance to operators and competent authorities, as would an extension of the transition period prior to entry into force depending on the concrete transitional arrangements pursuant to 4.3.

4.7 The applicant should be given the possibility to correct or complement information in its application instead of being rejected without further examination (Art. 5.7 and 5.10).

4.8 Member States should ensure that the criteria for granting registration are harmonised.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Directive laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation'

COM(2011) 593 final — 2011/0254 (NLE)

(2012/C 143/22)

Rapporteur: **Mr ADAMS**

On 28 September 2011, the European Commission decided to consult the European Economic and Social Committee, under Article 31 of the Treaty on the Euratom Treaty, on the

Proposal for a Council Directive laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation

(COM(2011) 593 final – 2011/0254 (NLE)).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 118 votes to 1 with 5 abstentions.

1. Conclusions and recommendations

1.1 Conclusions

1.1.1 The Committee welcomes this proposal, which uses the most recent scientific analysis on the dangers of ionising radiation to address, define and extend the health protection needs of people and the environment.

1.1.2 In particular the presentation of a consistent, coherent and unified approach to safety through the merging of five existing directives will have a practical and positive operational impact.

1.2 Recommendations

1.2.1 The Committee notes that, possibly, additional requirements will be requested of Member States following transposition into national law. We feel it particularly important that, to meet both the spirit and substance of the legislation, adequate resources are consequently made available to the competent authorities with responsibility for national implementation. This particularly applies in terms of building a quality approach, through comprehensive education and training.

1.2.2 The Committee fully supports the approach which extends protection requirements to the environment and recommends adoption of Chapter IX provisions (with due acknowledgement to the reference to pending ICRP (International Commission on Radiological Protection) criteria (application guidance) as soon as these criteria have been formalised.

1.2.3 The Committee appreciates the very thorough work on the proposal carried out by all the bodies involved and recommends proceeding with its adoption as soon as possible.

2. Background to the proposed directive

2.1 Ionising radiation is ubiquitous in the environment. Everyone on the planet is exposed to a background of natural radiation. It arises from naturally occurring radioactive materials in rocks, soils, food and air. Because types of rock vary so too does the level of radiation and radioactive substances (Radon) coming from the ground; exposure thus depends on location. There is also an effect from cosmic radiation. Cosmic rays are more intense at higher altitudes and latitudes, so aircrew and frequent flyers are exposed more. Everyone is also exposed to man-made radiation. The most significant of these artificial sources is medical exposure to ionising radiation. There is also occupational exposure from industrial practices, such as weld radiography, and public exposure from discharges from nuclear plants and there remain traces of radioactivity in the environment from nuclear weapons testing and the military use of depleted uranium projectiles.

2.2 Radiation has many practical uses in medicine, research, construction, and other areas. The danger from radiation comes from its ability to ionise molecules in living cells and thus bring about biochemical change. If there is enough change in a living cell it may die, or its genetic information (DNA) may be altered beyond repair. This possibility meant early adoption of national protective and regulatory measures, even before the precise damage mechanism was known, and, from the outset, the development of common measures for the EU as a whole under the Euratom Treaty.

2.3 In determining appropriate protection measures European legislation has always followed the recommendations of the ICRP and in 2007 this body issued new and detailed guidance on radiation protection needs which takes into account developments of the last 20 years. These include the

proliferation of man-made sources of radiation and ongoing research into the effects of natural sources, such as radon gas. The intention of this directive is to offer, based on current scientific knowledge, high protection of workers, patients and the public against the adverse health effects of ionising radiation. It also advances into new areas, such as protection for the environment.

2.4 This is a major piece of work, comprising 110 articles which together with 16 annexes, runs to more than 100 pages of text. It, in effect, recasts and consolidates five existing directives⁽¹⁾ into a single directive and introduces binding requirements on protection against indoor radon and the use of building materials, the assessment of the environmental impact of discharges of radioactive effluents from nuclear installations and the prevention of environmental damage in case of an accident.

2.5 In summary, European citizens will benefit from this new directive by receiving better health protection against ionising radiation, notably with regard to:

- more effective campaigns and supporting measures against indoor radon exposure,
- better protection of workers in industries processing naturally occurring radioactive materials,
- better protection in medical applications of ionising radiation and control of the number of exposures,
- better protection and higher mobility for itinerant specialised workers in nuclear industry.

2.6 Regulatory requirements in EU countries will be harmonised and made coherent with international standards. Following the particular focus on nuclear safety resulting from

the Fukushima crisis the proposal offers more challenging requirements for managing emergency exposure situations.

2.7 This directive is complementary to the Directive on radioactive substances in drinking water on which the Committee has recently passed an opinion⁽²⁾.

2.8 The International Basic Safety Standards, approved by the International Atomic Energy Authority (IAEA), and reflecting international consensus, are detailed but non-binding. They allow scope for worldwide differences in national capacity. The directive goes beyond this in establishing uniform standards for Member States whilst also recognising internal market rules. The directive benefits from an extensive consultation process involving the Group of Experts under Article 31 Euratom, IAEA, the Heads of European Radiological Protection Competent Authorities (HERCA) and the International Radiation Protection Association (IRPA), and other stakeholders.

2.9 The legal basis of the directive is the Euratom Treaty. The Committee notes, with some sympathy, the concerns that have been expressed about whether the Treaty, unamended since 1957, remains a suitable basis on which to deal with environmental issues. However, there is little likelihood of a Euratom revision in the immediate future whereas concerns about environmental protection are a reality and need addressing. It should be noted that Article 37 of the Euratom Treaty represented, in 1957, pioneering primary legislation concerning binding trans-frontier obligations with respect to both environmental impact and protection of humans.

3. Outline summary of the proposed directive

3.1 In a complex directive of this nature it is neither appropriate, nor is space available within the necessary constraints of a Committee opinion, to offer a detailed summary. However, a short headline analysis of the Commissions approach together with relevant chapter headings can provide an overview.

General approach	Chapter headings
— Revision and consolidation of BSS	Chapter I: Subject matter and scope
— Exposure situations	Chapter II: Definitions
— System of Protection	Chapter III: System of radiation protection
— Existing exposure situations	Chapter IV: Requirements for radiation protection education, training and information
— Radon (workplace, dwellings)	Chapter V: Justification and regulatory control of practices
— Building materials	
— Living in contaminated territory	

⁽¹⁾ OJ L 180 of 9.7.1997, pp. 22-27.
 OJ L 346 of 31.12.2003, pp. 57-64.
 OJ L 349 of 13.12.1990, pp. 21-25.
 OJ L 357 of 7.12.1989, pp. 31-34.
 OJ L 159 of 29.6.1996, pp. 1-114.

⁽²⁾ OJ C 24 du 28.1.2012, pp. 122.

General approach	Chapter headings
— Planned exposure situations	Chapter VI: Protection of workers, apprentices and students
— Justification and regulatory control	Chapter VII: Protection of patients and other individuals subjected to medical exposure
— Graded approach	Chapter VIII: Protection of members of the public
— Categories of exposure	Chapter IX: Protection of the environment
— Emergency exposure situations	Chapter X: Requirements for regulatory control
— Emergency workers	Chapter XI: Final provisions
— Emergency planning and response	
— Public information	
— Institutional infrastructure	
— Recast Directives	
Transposition in national law	

4. General comments

4.1 The Committee notes that the most recent scientific analysis on the dangers of ionising radiation has been used in the preparation of this directive and welcomes the approach taken to address, define and extend the health protection needs of people and the environment.

4.2 The Commission has chosen to recast and consolidate five existing directives into a unified whole and this will have a practical and positive operational impact and offers a consistent, coherent and unified approach to safety.

4.3 A number of comparative analyses of the implementation and operation of previous directives in national law has revealed various shortcomings. This is not a fault in transposition but in application – e.g. resources applied to education and training, providing public awareness programmes, recognition of local professionals, information to the public on how to behave in the event of accident etc.

4.4 The Committee suggests that to meet the increased demands resulting from national transposition legislation and to remedy possible existing shortfalls, the Commission should facilitate the work of national authorities by organising workshops to discuss legal and practical difficulties in national

implementation. The use of civil society observatories to monitor and evaluate the application of legislation through concrete measures – additional to the role of national competent authorities – should also be encouraged.

4.5 The Committee regrets that although the directive deals comprehensively with natural and civilian sources of radiation, releases of radiation from military facilities can be exempt as the Euratom Treaty only applies to civil situations ⁽³⁾.

4.6 The Committee is encouraged that the directive anticipates and makes provision for the protection of citizen's right to minimise their exposure to man-made radiation sources through, for example, the increasing use of security devices such as whole-body X-ray scanners.

4.7 While strongly supporting the new issue of protection of the environment, the Committee notes that first of all the pending ICRP (International Commission on Radiological Protection) criteria (and application guidance) have to be formalised before defining binding quantitative rules. They will present a common scientific understanding about the specific criteria to be applied in this case in order to provide a common basis for all Member States.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽³⁾ ECJ case C-61/03 from 12.4.2005.

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility'

COM(2011) 665 final — 2011/0302 (COD)

(2012/C 143/23)

Rapporteur: **Mr HENCKS**

On 17 November 2011 the Council, and 13 December 2011 the European Parliament decided to consult the European Economic and Social Committee, under Articles 172 and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility

COM(2011) 665 final – 2011/0302 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 132 votes in favour, with 3 abstentions.

This opinion is part of a 5-opinion package prepared by the EESC on the "**Connecting Europe Facility**" (**CEF**) and its guidelines which were issued by the European Commission in October 2011. This package contains opinions **TEN/468** on the **CEF** (rapporteur Mr Hencks), **TEN/469** on the Guidelines for **Telecom** Networks (rapporteur Mr Longo), **TEN/470** on the Guidelines for **Energy** Infrastructure (rapporteur Mr Biermann), **TEN/471** on the Guidelines for **Transport** Infrastructure (rapporteur Mr Back) and **TEN/472** on the Project **Bond** Initiative (rapporteur Mr Duttine).

1. Conclusions

1.1 The EESC welcomes both the European Commission plan to earmark EUR 50 billion from the next multi-annual budget 2014-2020 to improve connections in the European Union's transport, energy and digital communications networks and the principle of EU project bonds for infrastructure projects which should trigger a multiplier effect by leveraging public and private capital required for investment needs estimated at EUR 1 000 billion.

1.2 Targeted investment in these key infrastructures will help trade recovery, growth, competitiveness and job creation at a time when Europe stands in acute need of them.

1.3 Since the traditional financing of investment from public funds is proving increasingly difficult in the present crisis, using financial instruments of a type new to the European Union with the close cooperation of the European Investment Bank will, subject to certain reservations (see opinion TEN/472), offer a complementary and innovative solution for attracting capital from pension funds, insurance companies and other operators on the capital markets interested in investing in long-term projects.

1.4 Whilst the EESC welcomes the Commission's stated intention to come up with innovative formulae to leverage an increased share of private savings, it feels these formulae should not only target large-scale capital but be managed in such a way as to raise awareness amongst small savers too.

1.5 The importance of sufficient investment in infrastructure networks which are suitable, modern, flexible, sustainable and accessible (particularly for people with disabilities) is, however, not just monetary: these investments must also be considered in the light of social and territorial cohesion, ecology and security of supply.

1.6 It will only be possible to attain the objectives set for connecting infrastructure networks if public national, regional and local funding and private financing are pooled with Union resources.

1.7 This means that when selecting projects to co-fund, the Commission, whilst taking into consideration projects with strong European added value, will have to take into account infrastructure development needs as dictated by national and regional factors.

1.8 Infrastructure investments also represent significant EU and national security aspects which should be taken into account when projects are being drawn up and approval processes initiated. They are pre-requisites for the physical integration of the "islands" which exist in the Union even today.

1.9 The Union will therefore have to continue to allocate funds to the Member States to combat social and geographic divides with regard to access to national network infrastructures through the European Structural Funds.

1.10 The EESC welcomes the proposal for the centralised management of projects connecting trans-European networks in transport, energy and digital infrastructure. Exploiting the synergies between these three sectors and improving operational rules, in particular by streamlining procedures for the granting of authorisations for projects of common interest to reduce their completion times, will help to cut project costs and make them more effective.

1.11 The EESC calls on the Member States to support the Commission initiatives in this area and to raise awareness on the capital markets and amongst other investors, encouraging them to participate actively in the success of this measure.

2. Introduction

2.1 The Commission has proposed specific measures to promote European integrated infrastructures in the transport, energy and digital communications sectors as part of the proposal for the next multi-annual financial framework 2014-2020.

2.2 Infrastructure expenditure in Europe has declined as a whole over the last ten years whereas targeted investments of this kind constitute an important element in recovery from the economic crisis and are vital to Europe's economic future.

2.3 In order to boost the development of the infrastructures mentioned above and to meet the growth priorities set out as part of the new strategy for the Single Market, the Commission is proposing a new instrument, the Connecting Europe Facility.

2.4 It is obvious, and has been highlighted by the EESC in many of its opinions, that state of the art, smart and sustainable networks providing seamless interconnection for road, rail, inland waterways, air routes, multi-modal transport, electricity, oil and gas pipelines and broadband electronic communication are of vital importance to the integrated economic area. Missing links and bottlenecks in European network connections severely undermine the completion of the Internal Market, exacerbating regional divides and making Europe dependent on third countries in the energy sector especially.

2.5 Targeted investment in these key infrastructures will help trade recovery, growth, competitiveness and job creation at a time when Europe stands in acute need of them.

2.6 Investments in major infrastructure network projects are, however, by their nature long-term projects requiring huge amounts of investment, and the financial return on them, especially during the construction phase and in the initial stages of operation, is subject to substantial risk (underestimated costs, overestimated levels of traffic and risks connected with the complexity of the financial package).

2.7 Since public budgets at national, local or European level will not be able to fund these projects alone, the Commission is proposing a new budgetary instrument, the Connecting Facility, in addition to revised guidelines for transport, energy and ICTs, in order to attract other public and private funding which will

enhance the credibility of infrastructure projects, reducing their risk profile for private investors.

2.8 In order to do this, the Commission has presented a series of proposals which may be found in the:

- Proposal for a Regulation establishing the Connecting Europe Facility (EESC opinion: TEN/468);
- Proposal for a Regulation laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks (EESC opinion: TEN/472);
- Proposal for a Regulation on guidelines for the development of the Trans-European Transport Network – (EESC opinion: TEN/471);
- Proposal for a Regulation on guidelines for trans-European energy infrastructure (EESC opinion: TEN/470);
- Proposal for a Regulation on guidelines for trans-European telecommunications networks (EESC opinion: TEN/469).

3. Content of the Communication on integrated European infrastructures and the Proposal for a Regulation establishing the Connecting Europe Facility

3.1 In order to accelerate investment in trans-European transport, energy and digital communications networks and to leverage the financing required from both the public and the private sector, the Commission proposes the following for the period 2014-2020:

- to provide for investment needs of approximately EUR 1 000 billion in European connection networks and to allocate it as follows:

Energy	Electricity	EUR 140 billion
	Gas	EUR 70 billion
	CO ₂	EUR 2,5 billion
	Oil	For the record
Transport (Road, rail, maritime, inland waterways and air routes)		EUR 500 billion EUR 250 billion of which is for the central network; allocation of funding needs for various modes of transport to be undertaken as projects are adopted
Broadband communications		EUR 270 billion

- to make available EUR 50 billion for investment projects connecting pan-European networks, of which EUR 40 billion is provided by the European Union budget and EUR 10 billion is earmarked in the Cohesion Fund for transport infrastructure. These funds will be allocated as follows:

Energy	EUR 9,1 billion
Transport	EUR 31,7 billion
Telecommunications/Digital	EUR 9,2 billion

- to co-fund trans-European connection projects of common interest selected by the Commission (on proposal by the Member States) at rates varying between 20 and 75% of the eligible cost, or even 80 or 100% of the cost in exceptional cases;
- to increase the potential for attracting private-sector funding by introducing EU project bonds for infrastructure projects so as to reduce the risk for third-party investors. The EU budget will thus be used to provide the European Investment Bank (EIB) with the capital to cover part of the risk it incurs when funding eligible projects. EIB financing of the projects concerned will therefore be in some way guaranteed by the EU budget, but the EIB would have to assume the residual risk.

There will be a pilot phase (2012-2013) involving five to ten projects. During this phase, the funds thus transferred by the EU to the EIB may not exceed a maximum amount of EUR 230 million, and are to be financed entirely by the re-use of credits not taken up in current investment programmes. The Commission estimates that these funds should leverage other investors and provide up to EUR 4.6 billion:

- to maximise synergies between the energy, transport and ICT programmes, so that funding responds to a coherent policy strategy, and projects are selected by the Commission according to clear, harmonised criteria and to ensure follow-up and monitoring so that EU funding is well targeted and effective;
- to introduce measures designed to simplify current rules, particularly the alignment of indicators with Europe 2020 objectives, the shortening of authorisation procedures, centralised management for the three sectors, the possible establishment of an executive agency, common award criteria, common annual work programmes, the setting-up of a Coordination Committee of the Facility, and granting the Commission the power to adopt delegated acts.

4. General comments

4.1 The EESC approves the Commission's initiatives to promote and coordinate investment in strategic projects with European added value and on proposing an alternative to traditional grant funding for the 2014-2020 period.

4.2 The EESC welcomes the proposal for a common funding and centralised management mechanism in addition to joint

working plans for projects connecting trans-European networks in transport, energy and digital infrastructure to be directly managed by the Commission, possibly assisted by an executive agency. Exploiting the synergies between these three sectors and improving operational rules, in particular by streamlining procedures for the granting of authorisations for projects of common interest to reduce their completion times, will help to cut project costs and make them more effective.

4.3 The EESC therefore supports the proposal to prioritise projects which offer added value and respond to a need in Europe for connecting trans-European networks to infrastructure networks in the Member States. It would nevertheless note that territorial and social cohesion will require the Union to continue to allocate funds continuously and proportionately to the Member States to combat social and geographic divides with regard to access to national network infrastructures and to ensure security of supply through the European Structural Funds.

4.4 The EESC notes that the need for infrastructure networks which are suitable, modern, flexible, sustainable and accessible (particularly for people with disabilities) is, however, not simply monetary: these investments are also indispensable in the light of social and territorial cohesion and environmental protection, which the Commission must take into consideration when selecting projects to co-fund.

4.5 Infrastructure investments also represent significant EU and national security aspects which should be taken into account when projects are being drawn up and approval processes initiated. They are pre-requisites for the physical integration of the "islands" which exist in the Union even today.

4.6 Whilst Union funding of EUR 50 billion is undoubtedly significant, it nonetheless represents only a fraction of the investment needs identified by the Commission.

4.7 Most of the investment will, in any case, have to be provided by the Member States and private investors, the Union's financial contribution functioning as "start-up capital" designed to encourage the Member States and the market to invest further.

4.8 Budgetary problems and the rationalisation of public finances which is needed mean, however, that most Member States are considering scaling back or suspending their investment programmes. This can only impact negatively on investment flows from private sources.

4.9 It will only be possible to attain the objectives set for connecting infrastructure networks if public national and local funding and private financing are pooled with Union resources.

4.10 Infrastructure investments will have to aid the transition to a low-carbon economy and society.

4.11 In line with the Commission commitment to mainstream the Europe 2020 objectives, with regard to the sphere of climate change in particular, into Union programmes and to direct at least 20 % of the Union budget to these objectives, the EESC welcomes the Commission approach of using the EU budget for investment and to create a multiplier effect leveraging private financing. In order to reduce the regulatory risks and capital costs for third-party investors seeking new long-term investment opportunities, and since the traditional financing of investment from public funds is proving increasingly difficult in the present crisis, using financial instruments of a type new to the European Union with the close cooperation of the European Investment Bank will, subject to certain reservations (see Opinion TEN/472), offer a complementary and innovative solution for attracting capital

from pension funds, insurance companies and other operators on the capital markets interested in investing in long-term projects.

4.12 Whilst the EESC welcomes the Commission's stated intention to come up with innovative formulae to leverage an increased share of private savings, it feels these formulae should not only target large-scale capital but be managed in such a way as to raise awareness amongst small savers too.

4.13 In the absence of any other prospective solution, the EESC can only regret the reservations, indeed objections, expressed by some Member States with regard to project bonds for infrastructure projects. It hopes that the pilot phase, set for the period 2012-2013, which will use up to EUR 230 million of the current EU budget, will be able to encourage capital markets, pension funds, insurance companies etc to invest over the long term and demonstrate the soundness of the measures proposed.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC'

COM(2011) 657 final — 2011/0299 (COD)

(2012/C 143/24)

Rapporteur: **Mr LONGO**

On 15 November 2011 and 30 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Article 172 and Article 304 the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC

COM(2011) 657 final – 2011/0299 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 126 votes to 1 with 4 abstentions.

This opinion is part of a 5-opinion package prepared by the EESC on the **Connecting Europe Facility (CEF)** and its guidelines which were issued by the European Commission in October 2011. The package contains opinions **TEN/468** on the **CEF** (rapp. Mr HENCKS), **TEN/469** on the Guidelines for **Telecom Networks** (rapp. Mr LONGO), **TEN/470** on the Guidelines for **Energy Infrastructure** (rapp. Mr BIERMANN), **TEN/471** on the Guidelines for **Transport Infrastructure** (rapp. Mr BACK) and **TEN/472** on the **Project Bond Initiative** (rapp. Mr DUTTINE).

1. Conclusions and recommendations

1.1 The aim of the digital agenda for Europe to implement a high-speed broadband digital infrastructure for all through both fixed and wireless technologies, calls for measures to eliminate digital bottlenecks caused by the lack of interconnectivity and technical interoperability, as well as the gap dividing regions and sectors of society at both national and European levels.

In the context of its proposed Guidelines for trans-European telecommunications networks, the Commission has drawn up a list of projects of common interest for the development of broadband networks and digital service infrastructure, in order to overcome the obstacles hindering the development of the single digital market and the lack of investment in broadband in Europe, compared with its competitors.

1.2 The EESC therefore welcomes the Commission's decision to launch the Connecting Europe Facility and, in particular, believes that this support for broadband networks broadly provides a tangible, encouraging response to the requirements of the Digital Agenda for Europe, tackling the problem of insufficient investment in those networks⁽¹⁾.

1.3 As it has stated in many opinions, the EESC firmly believes that widespread access to broadband, as well as being a key condition for the development of modern economies, is also a crucial factor in job creation, to ensure greater cohesion and well-being and the e-inclusion of people and entire economically and culturally disadvantaged areas⁽²⁾.

1.4 Setting objectives and priorities for projects of common interest meets the essential requirement of making optimum use of financial resources and achieving specific targets, preventing the dispersal of funding.

In this regard, it is essential that the projects to be funded also meet the need to promote the interconnection and interoperability of national networks, without which the single digital market would remain incomplete.

1.5 The EESC recommends that the Commission apply the greatest possible vigilance and rigour when it comes to the criteria for selecting the projects to be funded, so that funds

⁽¹⁾ EESC Opinion on the *Connecting Europe Facility* (See page 116 of this Official Journal).

⁽²⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, and EESC Opinion on *Enhancing digital literacy, skills and inclusion*, OJ C 318, 29.10.2011, p. 9.

are used to ensure trans-European connectivity, to support outlying areas, to help SMEs to access the digital economy and to increase social cohesion. In order to meet these requirements and keep the institutions and citizens informed, it would be useful if the Commission were to draw up a periodical report on the use of the funds.

1.6 The EESC is somewhat perplexed by the rather vague nature of Article 5, which gives the Commission extensive powers to adopt delegated acts "modifying the description of projects of common interest included in the Annex". Assessments of political expediency (see Article 5(b), which mentions "emerging political priorities") or lobbying pressures should be avoided as far as possible, placing more emphasis on the criteria of technological innovation, added value and consistency with objectives. The EESC stresses that the delegated acts must be subject to clear limitations in terms of time and content.

1.7 The EESC considers it important for projects financed by these funds to respect the principle of technological neutrality, which is crucial to a genuinely open internet ⁽³⁾.

1.8 Funds should be used for network solutions which are open and accessible in a non-discriminatory manner allowing for new operators to enter the market, with technologies that are more efficient and affordable for enterprises and the public.

1.9 The EESC also calls on the Commission to better coordinate the allocation of the funds provided for by the Regulation with funds relating to other initiatives, thereby preventing any duplication or oversight.

1.10 Mapping at European, national and regional level should be carried out as soon as possible, and this is something the Commission also wants to see, in order to identify gaps in coverage and encourage new initiatives by public and private investors.

1.11 It is also important to be open to cooperation with third countries and international organisations, in order to strengthen interoperability between respective telecommunications networks.

1.12 Finally, the EESC reiterates its firm belief that it is now crucial to include internet connectivity in the universal services

⁽³⁾ EESC Opinion on *Net neutrality*, not yet published in the OJ, and EESC Opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53.

obligation ⁽⁴⁾ and believes that this should be one of the priorities for making the EU more competitive and inclusive. Pending the achievement of this objective, every citizen should in any case be guaranteed affordable public or private broadband access.

2. Background and content

2.1 On 29 June 2011, the Commission adopted new guidelines for trans-European telecommunications networks and published a proposal for a new multiannual financial plan for 2014-2020 ⁽⁵⁾, which includes the creation of a new integrated instrument for investing in priority European infrastructure projects of common interest in the transport, energy and telecommunications sectors, known as the Connecting Europe Facility (CEF). The overall budget, under the banner of Community co-funding with high added value, is EUR 50 billion, of which EUR 9.2 billion is allotted to digital networks and services; however, requirements are estimated at at least EUR 270 billion.

2.2 Moreover, the Commission proposes introducing European securities called project bonds in order to increase the ability to attract public- or private-sector funding and reduce the risk for third-party investors. The EU budget will thus be used to provide the European Investment Bank (EIB) with capital aimed at partially covering the risk it takes on when co-financing eligible projects. The EU budget will therefore provide a sort of guarantee enabling the EIB to fund the projects in question, but the EIB must assume the remaining risk. During a pilot phase (2012-2013), a budget of EUR 20 m gleaned from the redistribution of unused funds from European telecommunications programmes will be transferred to the EIB, which should, the Commission hopes, mobilise other public or private investors.

2.3 The Commission's guidelines for trans-European telecommunications networks include the objectives and priorities for broadband networks and digital service infrastructure in the field of telecommunications, with the aim of:

- improving the competitiveness of the European economy, promoting SMEs;
- promoting the interconnection and interoperability of national networks and access thereto;
- developing a single digital market.

⁽⁴⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58, EESC Opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53 and numerous other opinions.

⁽⁵⁾ Communication on *A budget for Europe 2020*, COM(2011) 500 final.

2.4 The purpose of this regulation is to remove bottlenecks which hinder the completion of the digital single market, i.e. facilitating connectivity to the network and access to an infrastructure of public digital services. The aim is to eliminate the problems on the supply side, demonstrated by the large number of company failures and the fall in investments in broadband and services which are of public interest but of low profitability (e.g. e-Health, the electronic identity card, e-Procurement and their cross-border interoperability). Furthermore, demand for services can only increase if all citizens can connect to digital networks.

2.5 The package of proposals provides for innovative financial instruments which can have an important leverage effect on public and private investments and co-financing via grants in the infrastructure sectors in order to achieve by 2020 the Digital Agenda for Europe objectives of universal coverage at 30 Mbps and 50 % or more of households subscribing to speeds above 100 Mbps.

2.6 The priorities for projects of common interest are:

- ultra-fast broadband networks ensuring data transmission speeds of 100 Mbps and above;
- broadband networks to link island and peripheral regions with the central regions of the EU, ensuring in those regions that broadband connectivity is sufficient to permit data transmission speeds of 30 Mbps and above;
- support to core service platforms in the field of digital service infrastructure;
- actions making it possible to achieve synergies and interoperability between different projects of common interest in the field of telecommunications;
- projects of common interest may include the operation of electronic public services already implemented under other Community programmes such as the ISA programme (Interoperability solutions for European public administrations);
- cooperation is provided for with third countries and international organisations in order to promote interoperability between networks;
- the Commission requests a delegation of powers for an indeterminate period of time to modify the description of projects of common interest listed in the Annex.

3. General comments

3.1 With a view to creating synergies and taking a strategic view, the Commission is for the first time proposing a single

financing instrument for the three sectors of transport, energy and telecommunications. This new approach is very important and may also serve as a model for the infrastructure policies of the Member States. Furthermore, by pursuing the objective of smart, sustainable and fully interconnected networks, the CEF will make a significant contribution to the achievement of the European single market. Finally, by giving infrastructure projects more credibility and reducing their risk profiles, it will be possible to attract further investment from the public and private sectors.

3.2 In this new scenario, the role of broadband services and networks is of particular importance. The EESC has already stressed the importance of ensuring that citizens have adequate access to broadband, enabling users to derive maximum benefits from genuine competition between operators together with Member State policies to support investments in infrastructures and innovation ⁽⁶⁾.

3.3 Investments in telecommunications, particularly broadband networks and digital service infrastructure, are a prerequisite for smart but also sustainable and inclusive economic growth of the Union. This funding and implementing regulation brings us closer to the Digital Agenda objective (at least 30 Mbps for everybody and at least 100 Mbps for 50 % of households by 2020).

3.4 The Commission's Connecting Europe decision finally provides a response to the concerns expressed by the EESC ⁽⁷⁾ regarding a degree of confusion and vagueness on the action plan contained in the Communication on A Digital Agenda for Europe and the insufficient investment in telecommunications networks, which is due to the low profitability in many public service situations and the practical difficulties faced by peripheral regions. This represents a serious obstacle for the creation of an accessible, fast and sustainable single European area for local governments, citizens, companies and the non-profit-making sector.

3.5 The EESC has stated in many opinions that widespread access to broadband, as well as being a key condition for the development of modern economies, is also a crucial factor for the well-being and e-inclusion of people and entire economically and culturally disadvantaged areas ⁽⁸⁾. According to the Communication of 20 March 2006 on Bridging the broadband gap ⁽⁹⁾, "Widespread broadband access is a key condition for the development of modern economies and is an important aspect of the Lisbon agenda."

⁽⁶⁾ EESC Opinion on *Electronic communications networks*, OJ C 224, 30.8.2008, p. 50.

⁽⁷⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

⁽⁸⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8 and EESC Opinion on *Enhancing digital literacy, skills and inclusion*, OJ C 318, 29.10.2011, p. 9.

⁽⁹⁾ COM(2006) 129 final.

3.6 The need for strong European action in this sector was also reiterated unanimously and firmly by the first Digital Agenda Assembly, held in Brussels on 16-17 June 2011, chaired by Commission Vice-President, Neelie Kroes, with the participation of over 1 000 stakeholders⁽¹⁰⁾: content providers, hardware manufacturers, investors and telecommunications operators from the world's top companies. The contributors agreed with the Commission's assessment that the current model for investment in telecommunications is insufficient to bring about the rollout of affordable, high-quality broadband infrastructure (speed, stability, sustainable cost, universal accessibility). In this connection, the EESC believes it would be useful to further examine the situation in India, where the federal government has announced that it will connect 600 million citizens to the broadband network by 2014 through a combination of wired and wireless technology. The scale of this commitment is comparable to the EU and the Indian initiative could therefore be used as a source of good practices, by mobilising the Committee's EU-India Round Table⁽¹¹⁾.

4. Specific comments

4.1 The projects of common interest listed by the Commission as eligible for these funds include: trans-European high-speed backbone connections for public administrations; cross-border delivery of e-Government services based on fully interoperable identification and authentication (procedures for setting up businesses, cross-border procurement, e-Justice, e-Health services, in particular remote diagnostic services); remote access to cultural heritage; internet safety for children and security against e-commerce fraud, smart energy services.

4.2 These projects contribute to economic growth and promote the development of the single market, making the European economy more competitive, in terms of SMEs as well. They improve the quality of life of citizens, companies and administrations, promoting the interconnection and interoperability of national telecommunications networks and access to them.

4.3 The Commission had already identified the main problems to be tackled in order to meet the Digital Agenda for Europe⁽¹²⁾ targets (one of the Europe 2020 strategy's seven flagship initiatives). In this regard, the EESC has stated that "Inadequate execution of policy initiatives have exacerbated the inertia in the European digital economy caused by fragmentation and underinvestment"⁽¹³⁾.

⁽¹⁰⁾ For information on the Digital Assembly, see http://ec.europa.eu/information_society/digital-agenda/daa/index_en.htm.

⁽¹¹⁾ See the statement by AK Bhargava, executive director of Indian telephone company MTNL (Manhagar Telephone Nigam Limited): "For increasing broadband penetration, ubiquitous infrastructure must precede the demand. The quality of services must be high and most importantly, the tariffs must be affordable", Broadband Tech India, 12.9.2011.

⁽¹²⁾ COM(2010) 245 final/2.

⁽¹³⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

4.4 The EESC agrees with the Commission's proposal to call upon Member States to launch initiatives aimed at providing EU citizens with an integrated network of useful content and services, although it does not yet include the possibility of implementing a European electronic identity (eID) for every citizen to facilitate the provision of electronic services and e-commerce, which is already subject to a specific recommendation from the EESC⁽¹⁴⁾.

4.5 The financial instrument proposed by the Commission can resolve a problem which to date has restricted the possibility of creating strong infrastructure. The use solely of the Structural Funds and the Competitiveness and Innovation programme for digital service infrastructures and only for pilot projects would not represent sufficient critical mass to ensure significant distribution of digital services. Broadband investments are currently insufficient in many regions due to lack of competition and high market risk, with under-developed public services which are non-interoperable due to the fragmentation of technical solutions. If this situation is allowed to continue, there will be no genuine single digital market and many European citizens will be excluded.

4.6 The EESC considers it important for projects financed by these funds to respect the principle of technological neutrality, which is crucial to a genuinely open internet⁽¹⁵⁾.

4.7 Furthermore, the EESC has for years stressed its firm belief that it is now crucial to include internet connectivity in the universal services obligation⁽¹⁶⁾. The Committee once again notes that the Commission is avoiding this important issue, since in reviewing the scope of the universal service Commissioner Kroes has ruled out including mobile telecommunications services and high-speed connections⁽¹⁷⁾. The Commission bases this conclusion on the public consultation launched in March 2010, according to which there would be high costs for the industry and an impact on consumer prices in certain Member States in which these services are still weak.

4.8 It is surprising that, while the Commission shows great awareness of the need for the EU to take a decisive qualitative leap forwards in terms of infrastructure, it is still being highly cautious when it comes to updating the legislation on the universal service in telecommunications, which dates back to 2002⁽¹⁸⁾.

⁽¹⁴⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

⁽¹⁵⁾ EESC Opinion on *Net neutrality*, OJ C 24, 28.1.2012, p. 139.

⁽¹⁶⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58, EESC opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53 and numerous other opinions.

⁽¹⁷⁾ Press release of 23.11.2011, see IP/11/1400.

⁽¹⁸⁾ Universal Service Directive 2002/22/EC of 7 March 2002.

The EESC, whilst understanding the economic difficulties underlined by the Commission, nonetheless highlights that, pending the achievement of this priority objective, which should be met as swiftly as possible, every citizen should be guaranteed economically and logistically affordable public or private broadband access.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC’

COM(2011) 658 final — 2011/0300 (COD)

(2012/C 143/25)

Rapporteur: **Mr BIERMANN**

On 15 November and 29 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 172 and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC

COM(2011) 658 final – 2011/0300 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 131 votes to 1 with 2 abstentions.

This opinion is part of a five-opinion package prepared by the EESC on the **Connecting Europe Facility (CEF)** and its guidelines, which were issued by the European Commission in October 2011. This package contains opinions **TEN/468** on the **CEF** (rap. Mr HENCKS), **TEN/469** on the **Guidelines for Telecom Networks** (rap. Mr LONGO), **TEN/470** on the **Guidelines for Energy Infrastructure** (rap. Mr BIERMANN), **TEN/471** on the **Guidelines for Transport Infrastructure** (rap. Mr BACK) and **TEN/472** on the **Project Bond Initiative** (rap. Mr DUTTINE).

1. Conclusions and recommendations

1.1 The EESC supports the goal of modernising and comprehensively expanding Europe’s energy infrastructure. An efficient, secure and stable European energy supply infrastructure, together with diversified energy sources, supply sources and transit routes, constitutes the basis for a secure, stable energy supply for the EU.

1.2 The financial crisis has demonstrated that stable industry structures in particular, but also stable SME structures, create added value which can help Europe pull out of the crisis more quickly. For both sectors, a basic prerequisite is a stable energy infrastructure which guarantees solid security of supply.

1.3 Energy will in future have to be transported across great distances more frequently and in greater quantities than is feasible today. For this, as the European Commission proposal states, the right conditions have to be created and put in place.

1.4 Maximum voltage direct-current transmission has to be built up in a stable EU-wide network. Linear connections used to date are not fail-safe.

1.5 European border interconnections have to be created to avoid bottlenecks developing. Congestion management helps to secure a stable supply.

1.6 Only if there is a trans-European energy infrastructure can all the EU Member States make use of locational advantages in terms of national sources of energy. This applies to hydro-electric and wind power as well as solar power facilities in southern Europe. Such an infrastructure would also optimise the use of fossil energy sources like oil, gas and coal.

1.7 Only by having an extended energy infrastructure will it be possible to make the switch to sustainable, secure energy supplies producing low levels of carbon-dioxide.

1.8 The EESC supports the creation of a Connecting Europe facility. As yet there are only estimates of the amount of investment needed. However, implementation requires accurate identification of the real investment requirement, together with better framework conditions and resources for innovation in the expansion of Europe’s energy infrastructure. This should not be to the detriment of the equally necessary expansion of the distribution networks in Member States and the regions. At every level, what is needed are network tariffs that encourage private investment. Likewise necessary are effective public guarantee schemes and support programmes to create incentives for private investment.

1.9 The criteria for awarding projects are extremely important. They must be transparent for network operators, the general public, and energy producer and consumer businesses. The EESC welcomes the structures set out in the proposal for the participation of the public and the regions. The EESC therefore endorses the criteria for awarding contracts set out in the annex to the regulation.

1.10 Expansion of the electricity network is essential to optimise electricity load balancing and to make full use of efficiency potential. So that network expansion does not create a bottleneck for European growth, permit-granting procedures need to be speeded up significantly. Here too, the proposals contained in the draft regulation are to be welcomed. The EESC calls on the Member States to take the necessary steps to make the relevant adjustments to their national legislation.

1.11 Basically, the EESC feels that more acceptance and more dialogue are needed between all the parties involved in order to meet the challenges entailed in network expansion.

1.12 Further research efforts are needed to even out fluctuations in the flow of electricity generated from renewable sources by using smart networks, storage capacity and intelligent approaches to the energy mix. Implementation requires legal certainty throughout the EU.

1.13 Special attention should be given to the stability of the European electricity network against a background of changing circumstances where there is an increasing amount of volatile renewable energies being fed into the system. There must be no fluctuation in voltage control or frequency control.

1.14 A high degree of public acceptance is needed when trans-European energy infrastructures are to be created. The possibilities suggested for this in the draft regulation constitute an important step towards achieving this. These possibilities must be expanded in individual EU Member States where necessary.

1.15 A great deal will be expected of workers in both the building and operation of transnational energy networks. Appropriate skills and qualifications for such work, as well as further training, will be necessary for it to be carried out properly. The most highly-skilled staff, such as managers and engineers, need specific, continuous training in innovation, research and risk prevention in the field of power transmission between the different countries, and regarding relevant legislation, which is continually evolving. When awarding contracts, attention should be paid to compliance with social standards.

1.16 The EESC welcomes the fact that the idea of a comprehensive gas network has been retained. Security of supply will be boosted by linking up different gas-producing regions to such a network.

1.17 The research projects suggested by the EU for capturing and storing CO₂ are only advancing at a snail's pace. A network which links up research centres and potential storage sites, or which itself serves as storage, should indeed be planned for as of now. Yet from today's perspective, it is doubtful whether this is achievable by the year 2020. The EESC therefore suggests that accompanying measures be put in place which further investigate and test the applicability of this technology (see also opinion CESE 1203/2008 on the geological storage of carbon dioxide, rapporteur: Mr Wolf) ⁽¹⁾.

2. Introduction

2.1 Shaping Europe's energy future is a major challenge for Europe's politicians and European society. It can only be achieved with consistent, focused and realistic action, perhaps based on feasibility studies. Such action, going beyond the borders of the Member States, must incorporate a shared concept of Energy for Europe.

2.2 The direction to take in a shared European approach is set by the EU's three energy policy goals: security of supply, competitiveness and sustainability. These must be pursued, however, with social responsibility, i.e. ensuring that all EU citizens get access to affordable energy.

2.3 On 17 November 2010, the Commission published a communication entitled *Energy infrastructure priorities for 2020 and beyond*. It includes a call for a new policy on energy infrastructure in Europe, under which network development is to be coordinated across Europe in the future. This involves reworking and further elaborating the present strategies on, and approaches to, trans-European energy networks.

2.4 Finally, on 19 October 2011, the Commission published its *Proposal for a Regulation of the European Parliament and of the Council on Guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC*. The goal is to create a single energy infrastructure market which is to come into force on 1 January 2013. Thus, trans-European infrastructure is a part of the 2020 European approach to energy. The concept involves: incorporating all Member States into the European network, promoting sustainable energy generation, increasing energy efficiency, reducing greenhouse gas emissions and expanding renewable energies.

2.5 Energy infrastructure will take on far greater importance in the future, with the German government's Ethics Commission for a Safe Energy Supply calling it the "core of a high-tech economy" ⁽²⁾.

⁽¹⁾ OJ C 27, 3.2.2009, p. 75.

⁽²⁾ Germany's energy transition – A collective project for the future, produced by the Ethics Commission for a Safe Energy Supply, Berlin, 30 May 2011, p. 38.

2.5.1 For electric power transmission, this entails the expansion of an EU-wide extra-high voltage direct-current grid (electricity highways), including coupling points, the exploration and further development of electricity storage facilities, the extension of intelligent decentralised distribution systems ("smart grids") and the management of smart electricity use.

2.5.2 Natural gas will also play a key role in the future European energy mix to even out fluctuations in electricity generation and secure a core supply. The construction of high-pressure gas pipelines and corresponding storage capacities must be speeded up. Since the cost of storage is relatively high in today's terms, consideration should be given to whether natural gas storage might be replaceable at least in part by other forms of energy production.

2.5.3 In the medium term, oil will continue to play a central role, especially in road transport. For this reason, here too, transport structures should be expanded and optimised taking into account the need for a high level of security of supply.

2.5.4 Infrastructure for CO₂ transportation will also have to be built up; a discussion on the pros and cons of this technology is already under way. More research, development and measures to promote public acceptance are needed here; for this reason, implementation might well be delayed.

2.6 Member States' domestic energy sources must be integrated into the European energy infrastructure. There is a role, then, for ultra-modern oil- and coal-fired power stations, for instance, to contribute to the core supply and to even out fluctuations in electricity generation.

3. The Commission's Proposal for a Regulation of the European Parliament and of the Council

3.1 At the heart of the proposed European Parliament and Council Regulation on guidelines for trans-European energy infrastructure is the obligation on Member States to take part in trans-European infrastructure measures while at the same time creating more efficient transport structures. It is vital to establish links to create trans-European energy networks at a time of constantly increasing energy demand. It concerns all energy sectors.

3.2 The proposal sets out twelve priority energy infrastructure projects and areas. All Member States are to be integrated as appropriate into the individual projects, which are:

- four electricity corridors: this involves, inter alia, the creation of a Northern Seas offshore grid and a North-South electricity interconnection;

- four gas corridors: including an extension of the European gas network to guarantee security of supply; and

- one oil corridor, with security of supply again a prime concern; and

- three priority thematic areas: inter alia, creating smart networks, constructing electricity highways and cross-border CO₂ networks.

3.3 The Commission proposal sets out fifteen infrastructure categories for the four areas (inter alia for electricity highways, electricity storage facilities, gas pipelines, oil transportation and CO₂ pipelines). This is necessary to ensure that every party involved has the same starting point, accepted by all.

3.4 The same is true for the mandatory rules laid down in the Commission proposal for collaboration between groups responsible for regional implementation. These ground rules apply to all regional groups and are intended to optimise cooperation. All the various interests involved are to be represented in these groups. Such rules and guidelines are essential, since the projects have a sizeable impact on the sovereign territory of Member States and across borders.

3.5 Given that Member States have not only different electricity prices but also different network prices, a method for cost-benefit analysis will be devised in which scenarios for the different energy sectors can be worked out and compared. These will cover, for example, demand, pricing and generation capacities.

3.6 Finally, "Guidelines for transparency and public participation" will be established. These will address the need to create a single modus operandi given the different arrangements in the Member States. It is proposed that a manual of procedures be compiled, the aim being to secure widespread public participation. The binding rules proposed for this should apply across the whole of Europe. They allow the procedures to be aligned on one another (See Annex II of the proposal).

3.7 At the same time, this opens up opportunities for carrying out public participation pilot projects aimed at developing a culture of participation in Europe.

3.8 This brings a completely new dimension to the public participation of local and regional authorities, industry and the general public. People in all the Member States concerned – and

not just one country – participate. The result is near-transnational participation, which can and should lead to a European culture of involvement. This aspect was amply highlighted by the Committee of the Regions (CoR) in its opinion entitled Energy infrastructure priorities for 2020 and beyond ⁽³⁾ (see inter alia points 3 and 4).

3.9 The main legal basis for implementing a possible regulation is Article 171(1) TFEU. Its provisions are quite unambiguous, as are those of Article 172 regarding co-decision on procedural matters. The important thing is that the current Member State competence for the energy mix is safeguarded. EU competence for trans-European networks is helpful in this context and should be further extended.

3.10 The budget for expanding Europe's energy infrastructure by 2020 is estimated at approximately EUR 210 billion ⁽⁴⁾. Private investment is expected to make up 50 %. The Commission is currently discussing and developing funding instruments to arrive at this share. The proposals for establishing such instruments are being examined by the TEN "Europe 2020 Project Bond Initiative for infrastructure projects" study group ⁽⁵⁾.

3.11 The proposed regulation should enter into force on 1 January 2013. The funding principle for this is part of the EU's planned common financial framework for 2014–2020.

4. The Committee's comments

4.1 Securing an energy supply by means of a modern energy infrastructure is a prerequisite for European society to progress. The EESC therefore welcomes the Commission's proposal. It is an important step in implementing the 2020 energy policy goals.

4.2 The proposed approach steers a middle course between market transparency, necessary regulation and market freedom. This is a positive aspect. At present, regulation of energy markets varies between Member States and conflicts of interest could arise. This is why efforts are being made to align the energy markets in the different countries while respecting national requirements.

4.3 There is an opportunity here for joint, effective action, especially in the proposed plans for common indicators and rules that are to be binding on all parties. Conceptual differences will thus be minimised from the outset.

⁽³⁾ OJ C 259, 2.9.2011, pp. 48-53.

⁽⁴⁾ The Commission's proposal estimates about EUR 140 billion for high voltage electricity transmission systems, storage, and smart grid applications, EUR 70 billion for high-pressure gas transmission pipelines, and EUR 2,5 billion for CO₂ transport infrastructure.

⁽⁵⁾ See EESC Opinion on "Europe 2020 Project Bond Initiative for infrastructure projects" (See page 3 of this Official Journal).

4.4 The goal of building up an energy super-network and – further – creating decentralised smart networks has many beneficial knock-on effects:

- more and better jobs will be created, especially in Europe's peripheral areas;
- a secure energy supply will bolster Europe in global competition as a base for industry and services; this is particularly the case for SMEs;
- the modernisation and expansion of Europe's energy infrastructure will help improve energy efficiency;
- the creation of transnational infrastructure, coupled with a simultaneous expansion of regional networks, could help compensate for current energy shortages;
- the aim of greater competition on energy markets brings with it the opportunity for price stabilisation or even a fall in prices; this might be offset by the fact that in some areas there will be a considerable need for regulation, which can have a detrimental impact on prices; a political assessment process should be launched to work out in what direction to go from here.

4.5 The planned involvement of regional and local authorities should mean that the infrastructure changes they propose are better received. This aspect was particularly highlighted in the CoR's opinion on this subject.

4.6 Network regulation needs redirecting. A way must be found to replace the profit motivation of operators with broader concepts. One key issue here, however, is technical feasibility; others include economic, sustainable and social implementation.

4.7 One important component in a modern energy infrastructure is energy stocks, which have so far mostly involved gas and oil. Energy storage will now be extended to electricity. Generally speaking, the question is whether these are projects of common interest or national plans. As yet, there are no EU rules governing this and there are serious legal concerns. The Commission is therefore urged to put together a proposal that provides legal certainty on energy storage. This must go beyond currently envisaged possibilities for promoting energy storage and take on board all conceivable technical options, such as accumulators, steam technologies, hydrogen and methane. It would also be desirable for funded research projects to run in tandem with implementation.

4.8 Member States that have economic and social councils should consult them and give them an advisory role in planning and implementation.

4.9 National arrangements for workers' participation and involvement in decision-making must be incorporated into regional infrastructure projects. This is a precondition for shaping the social dimension of existing and new jobs in European infrastructure projects.

4.10 In order to ensure smooth implementation, workers in infrastructure projects must have the required skills and receive appropriate further training for these demanding tasks.

4.11 The EU public must be scrupulously informed about impending infrastructure projects. Implementation is impossible without broad public support.

4.12 Infrastructure costs are part of end-user energy prices. In practice, they are passed on to the consumer. There is a danger here that electricity will be placed beyond the reach of some people. The proposal addresses this only in passing. Ideas for averting energy poverty in Europe must also be developed as part of the entire package. One of the decisive issues here will ultimately be the extent to which we are successful in generating competition on the energy markets, which itself can counteract price increases.

4.13 Infrastructure costs will also be optimised if the right kind of energy is generated in the right place. Thus, wind energy

should be generated in windy regions and solar energy in sunny regions. This will optimise not only the generation of energy but also its transportation.

4.14 Industry and SMEs continue to be key players in creating value added in Europe. Here again, a stable energy supply at competitive prices on the global market is an important precondition.

4.15 One issue still to be resolved is the planned building of the CO₂ transportation infrastructure. The pros and cons of this technology are at present under discussion. However, in the medium term, fossil fuels such as oil, gas and coal will remain part of the energy mix in Europe, so flanking measures are therefore needed to kick-start this technology and create the corresponding infrastructure in order to be able to achieve the EU's long-term climate goals. Certainly at the moment there are hardly any pilot projects at all, and it is doubtful whether there will be any between now and 2020, or even thereafter.

4.16 Against this background, the EESC endorses the proposal for a regulation and, subject to the comments made here, supports its swift implementation.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on Union guidelines for the development of the trans-European Transport Network'

COM(2011) 650 final — 2011/0294 (COD)

(2012/C 143/26)

Rapporteur: **Mr BACK**

On 15 November 2011 the European Parliament and on 30 November 2011 the Council decided to consult the European Economic and Social Committee, under Articles 172 and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on Union guidelines for the development of the Trans-European Transport Network

COM(2011) 650 final – 2011/0294 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 133 votes to 1 with 6 abstentions.

This opinion is part of a five-opinions package prepared by the EESC on the **Connecting Europe Facility (CEF)** and its guidelines which were issued by the European Commission in October 2011. This package contains opinions **TEN/468** on the **CEF** (rap. Mr HENCKS), **TEN/469** on the **Guidelines for Telecom Networks** (rap. Mr LONGO), **TEN/470** on the **Guidelines for Energy Infrastructure** (rap. Mr BIERMANN), **TEN/471** on the **Guidelines for Transport Infrastructure** (rap. Mr BACK) and **TEN/472** on the **Project Bond Initiative** (rap. Mr DUTTINE).

1. Conclusion and recommendations

1.1 The European Economic and Social Committee (EESC) welcomes the *Communication on a Growth Package* (hereinafter referred to as the communication) and the *Proposal for a Regulation on Union Guidelines for a Trans-European Transport Network* (hereinafter referred to as the proposal). The approach proposed in the communication and the regulatory measures proposed to implement it in the field of transport suggested in the proposal are to a large degree in line with what the EESC has stated in earlier opinions.

1.2 In particular, the EESC agrees that multimodal and seamless cross-border infrastructure networks that include "the last mile" and with good links to third countries are vital for the successful implementation of the EU 2020 strategy and the aims defined in the 2011 White Paper, *Roadmap to a Single European Transport Area* (hereinafter referred to as the 2011 White Paper on Transport Policy). The EESC also appreciates the integrated approach toward infrastructure policy between the transport, energy and digital sectors to achieve synergies and resource efficiency. Nevertheless, the EESC has the following comments.

1.3 The EESC regrets that the aim to obtain synergies with other networks does not appear as one of the planning priorities of the proposal, as defined in its Article 10.

1.4 The EESC notes a problem of consistence between the very long term aims set in the proposal and the more practical and immediate measures on the time horizon 2020–2030.

1.5 The EESC agrees with the two layer approach of a comprehensive and a core network. However, the EESC questions whether the core network corridors (hereinafter referred to as the corridors) ought not in fact to be seen as a third layer that replaces the priority projects in the current guidelines. This is due to the fact that chapter IV of the proposal contains specific criteria as to the definition of the corridors and their development which give them a distinctive character, clearly discernible from the rest of the core network. The EESC observes that a problem of foreseeability and legal certainty is caused by the fact that the corridors and the predefined projects in them are listed in the annex to the *Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility* (hereinafter referred to as the CEF proposal), set to apply for the period 2014 – 2020 only, while both the corridors and the projects are long term and need to have their priority character ensured beyond 2020.

1.6 The EESC therefore takes the view that the abovementioned problem of foreseeability and legal certainty could be resolved either by making a list of the core network corridors and predefined projects annexed to the proposal or by stipulating that the list will remain in force as long as the proposal, subject to future amendments.

1.7 The EESC points to the important role of the coordination and governance organization foreseen for the core network corridors, to facilitate their implementation. Nevertheless, the EESC points to the importance of keeping this organization slim, to the point and cost efficient and with a clear aim to ensure that, with due regard to the principle of subsidiarity, cross border planning interfaces function optimally at all levels concerned and that bottlenecks in the corridors are avoided. The EESC calls for solutions that avoid parallel governance organizations and duplication of functions when different corridor systems coincide, for instance Core Network Corridors and elements of the European rail freight network for competitive freight.

1.8 The EESC raises the question if there should be an explicit possibility to provide the entire core network, including Motorways of the Sea (MoS) projects between core network ports, with a coordination function in order to facilitate adequate and timely implementation of the core network, in particular its cross border dimension. The EESC underscores that such a function could be a resource that could make it easier for planning authorities to strike a balance between national priorities at different levels and EU added value and also highlight the EU added value.

1.9 As for the configuration of the corridors, the EESC takes note of the fact that the proposal puts an emphasis on their multimodal and cross-border character. The configuration of the corridors, as listed in the annex to the CEF proposal, is bound to the rail freight corridors defined in Regulation (EU) 913/2010 concerning a European rail network for competitive freight. Since an overarching priority of the proposal is resource efficient multimodal transport and that each corridor should include at least three transport modes, other modes of transport should also be taken into account.

1.10 The EESC takes the view that corridors should be defined on the basis of the multimodal and resource efficient approach set out in Articles 48-49 in the proposal and that they should cover the most important cross-border long distance flows in the core network, optimising the use of each mode and their cooperation. The configuration of the corridors should be guided by cost/benefit analyses and seek efficiency and sustainability (economical, ecological and social) with an innovation and co-modal focus. On that basis the needs of all modes, including nodes, should be addressed when defining the corridors.

1.11 The EESC attaches great importance to the intention to earmark additional resources to attend to the needs of cohesion

countries expressed in the CEF proposal and takes the view that the priority this expresses ought also to be reflected in the proposal, for instance by adding an objective in Article 4 or an additional priority in Article 10.

1.12 The EESC takes note that according to the CEF proposal, Article 17 (3), 80 to 85% of available budget resources are to be reserved for the predefined projects, mainly within the core network corridors, and listed in the annex to the CEF proposal. The EESC deplores that there are no indications as to the criteria according to which these projects have been selected. The EESC recalls the multimodal character of the corridors also set out in the provisions on the corridor development plan in Article 53 of the proposal, which also seems to assume that there should be a reasonable spread of investment projects between modes – see Article 53 1 (f) of the proposal.

1.13 Considering the importance of the sustainability objective, set out for instance in Articles 37 through 39 of the proposal, the EESC questions whether the notion of green corridor solutions could not be employed as a quality label for the development of the freight transport services option addressed in Article 38.

2. Introduction

2.1 The TEN-T guidelines currently in force have the form of a decision and originate from 1996. Their aim is to improve connectivity and hence the functioning of the Single Market.

2.2 However, the 1996 guidelines, as amended, do not create a coherent network. This is the case in particular as regards the priority projects, which aim to address certain points on the network where capacity or other problems of connectivity occur.

2.3 Implementation of the guidelines has been slow and there are considerable delays, in particular relating to the priority projects.

2.4 The EESC has also noted insufficient implementation in the new Member States in Eastern Europe.

2.5 The communication and the proposal (the package) now submitted by the Commission are the fruit of a long consultation procedure. The EESC has been involved in this procedure and has provided opinions on the 2009 Green Paper on the TEN-T policy ⁽¹⁾ and, at the request of the then upcoming Polish Presidency, an opinion on *Sustainable development of the EU transport policy and planning for TEN-T* ⁽²⁾. The EESC also addressed TEN-T issues in its opinion on the 2011 Transport Policy White Paper ⁽³⁾.

⁽¹⁾ EESC opinion on *TEN-T: A policy review*, OJ C 318, 23.12.2009, p. 101.

⁽²⁾ EESC opinion on *Sustainable development of the EU transport policy and planning for TEN-T*, OJ C 248, 25.08.2011, p. 31.

⁽³⁾ EESC opinion on *Roadmap to a Single European Transport Area (White Paper)*, OJ C 24, 28.01.2012, p. 146.

2.6 The package aims to create an integrated infrastructure policy for transport, energy and digital networks to make it possible to obtain synergies, improve resource allocation and eliminate bottlenecks, capacity problems and missing links.

2.7 The package expressly aims to contribute to the implementation of the aims of the EU 2020 strategy, that is the achievement of a sustainable and competitive knowledge economy served by optimal and resource efficient networks.

2.8 The means chosen to implement these aims are separate regulations for each sector with planning, priority and implementation guidelines and a common financing framework, the CEF regulation for 2014–2020, with an annexed list of corridors and predetermined projects selected for financing during the period 2014–2020. The CEF regulation does not fall within the ambit of this opinion.

2.9 The proposal sets a number of aims for the transport sector. The most important one is the introduction of a coherent core network, which is to enable resource efficient multimodal transport in the Single Market and to ensure its connections outward. The proposal is intended to replace the patchwork character of the current TEN-T Guidelines, improve visibility of the network and facilitate its implementation.

2.10 Like the 2011 White Paper on Transport Policy, the package aims to facilitate seamless transport flows in the Single Market, including logistics services, to ensure sustainability and growth. The proposal wants to facilitate cross-border coordination between Member States by providing a framework for better allocation of resources and better planning.

2.11 The proposal includes in the network measures to develop ITS, improve green transport solutions and innovation.

2.12 The proposal divides the net into two layers, the comprehensive network and the core network. The EU resources and governance are concentrated to the core network, which is to be characterised by a high European added value (cross border missing links, bottlenecks, multimodal nodes). The core network is to be implemented before the end of 2030, the comprehensive network before the end of 2050.

2.13 Within the core network a number of multimodal core network corridors are selected, they are provided with a strong governance mechanism and most of the budget resources.

3. General comments

3.1 The EESC welcomes the communication and the proposal and agrees that a functioning infrastructure is essential for a functioning internal market.

3.2 The EESC on a number of occasions has called for an integrated approach between the different kinds of Trans-European networks. The EESC therefore appreciates that proposals in this direction are now made.

3.3 The EESC takes note that the proposal only deals with coordination possibilities between the different kinds of

networks in very general terms. More concrete provisions are to be found in the CEF proposal.

3.4 The EESC appreciates that the proposal is consistent with the transport policy aims set out in the 2011 White Paper on Transport. The EESC has pointed out that there needs to be better consistency between the strategic measures proposed by the White Paper on the 2050 horizon and the more concrete measures on the 2020–2030 horizon. Similar problems occur in the communication and the proposal.

3.5 The EESC assumes that the two layer approach of the communication and the proposal is motivated by a wish to create a coherent transport network for the most important goods and passenger transport flows, which is a useful goal and also based on a need to set priorities for the employment of scarce financing resources.

3.6 The EESC questions if the core corridors the framework of which is outlined in the proposal but which are described in an annex to the CEF proposal do not in fact constitute a third layer for the predefined priority projects for the budget period 2014–2020. The EESC draws attention to the problems of foreseeability and legal security that may appear for corridors and projects that are not fully implemented when the applicability of the CEF proposal comes to an end in 2020.

3.7 The EESC therefore questions if the list of corridors and predefined projects should not appear in the annex to the proposal. The EESC takes the view that the corridors as such, are more related to the proposal, where they are regulated, than to the proposed CEF regulation.

3.8 The EESC also notes a coherence problem as regards the interaction between the core network and the corridors for which the proposal provides a strong and useful coordination and governance mechanism. While the EESC certainly sees a point in setting very strict priorities when it comes to the use of resources, a well-developed coordination and governance mechanism could be useful also for the entire core network, the implementation time limit of which is after all not far off, in terms of infrastructure planning. The EESC particularly underscores the usefulness of this mechanism for striking a balance between national planning and EU added value and including the EU added value aspect in national planning. The need for a strong coordination and governance mechanism is particularly pertinent for projects that, by definition, are cross-border, such as Motorways of the Sea.

3.9 The EESC considers that corridors should be truly multimodal. This might sometimes mean fairly wide corridors that encompass both land or fixed links and maritime links, for instance in the form of Motorways of the Sea. Appropriate room should be given to road transport, since it is important that the network is also based on today's demand realities. As a matter of fact a growth rate in transport of goods of 34% is expected between 2005 and 2020 and road transport today is carrying about 75% of transport volume. The EESC thinks it important that this multimodal character should be reflected also in the selection of projects, which should cover all modes.

3.10 The EESC agrees with the assessment made in the communication that the time may now be opportune for proposals regarding infrastructure, since infrastructure investments are drawing accrued interest as a consequence of the current financial crisis. Nevertheless, the EESC notes that the assessment of financing possibilities must be more long term in a document that is set on the 2030 and 2050 horizons.

3.11 The EESC notes the ambitious planning for the 2014–2020 period as set out in the annex to the CEF proposal. While appreciating the positive effects on implementation of the coordination and governance mechanism for core network corridors foreseen in the proposal and the monitoring provided for in the CEF proposal, the EESC nevertheless draws attention to the difficulty in foreseeing the duration of national planning procedures, since planning decisions are often subject to appeal and lengthy procedures therefore quite common.

3.12 The EESC in its opinion on the 2011 White Paper on Transport Policy has emphasised the importance of the interface between long distance transport and distribution in urban areas. The EESC therefore approves the approach of the proposal on this point.

4. Specific comments

4.1 The EESC underlines that it is important to make room for local conditions, when implementing the guidelines, as far as technical criteria are concerned, to the extent that security or safety are not endangered. There should be a possibility to adequately address this issue, as a matter of resource efficiency.

4.2 The role of the Motorways of the Seas concept is in part not clear with respect to an MoS link between ports in different

corridors or ports with different status for instance between a core network port and a comprehensive network port or between two core network ports that belong to different corridors – see for instance the proposal Article 25 2(c). The EESC deplores this lack of clarity, which could cause practical problems when sewing together MoS projects.

4.3 The provisions in Article 38 of the proposal in reality address the green corridor concept, as introduced by the Commission in the 2007 Freight Transport Action Plan. The EESC deplores that this flagship notion is not used in the proposal as a quality label.

4.4 The EESC agrees with the requirements to be met by the road transport infrastructure of the core network (Article 45 of the proposal). Ancillary infrastructure as rest areas every 50 km on motorways and adequate and safe parking areas for commercial road transport drivers is of paramount importance: such facilities enabling proper rest are vital for the improvement of both drivers working conditions and road safety. They also represent a contribution to counter organised crime.

4.5 The requirement on the availability of alternative clean fuels should be reinforced as it will be crucial to link the TEN-T guidelines to the "Alternative transport fuels strategy" (including electricity, biofuels, synthetic fuels, methane, LPG) that the European Commission is preparing to launch in order to allow the EU wide circulation on the core network of clean and energy efficient vehicles. In this context the EESC considers that the rollout of adequate refuelling infrastructure for alternative fuels is necessary in order to substantially accelerate market uptake of clean vehicles in the EU.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council amending Decision No 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007-13) and Regulation (EC) No 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks'

COM(2011) 659 final — 2011/0301 (COD)

(2012/C 143/27)

Rapporteur: **Armin DUTTINE**

On 17 November and 12 December 2011, respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 172, 173(3) and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council amending Decision No 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007-2013) and Regulation (EC) No 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks.

COM(2011) 659 final - 2011/0301 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February), the European Economic and Social Committee adopted the following opinion by 161 votes to 2 with 10 abstentions.

This opinion is part of a 5-opinion package prepared by the EESC on the "Connecting Europe Facility" (CEF) and its guidelines which were issued by the European Commission in October 2011. This package contains opinions TEN/468 on the CEF (rapporteur Mr HENCKS), TEN/469 on the Guidelines for Telecom Networks (rapporteur Mr LONGO), TEN/470 on the Guidelines for Energy Infrastructure (rapporteur Mr BIERMANN), TEN/471 on the Guidelines for Transport Infrastructure (rapporteur Mr BACK) and TEN/472 on the Project Bond Initiative (rapporteur Mr DUTTINE).

1. Conclusions and recommendations

1.1 The EESC welcomes, in principle, the European Commission's proposal to establish a risk-sharing instrument for issuing project bonds for the envisaged pilot phase in 2012 and 2013, but points out that there are risks associated with the instrument. Before this instrument is extended for the new EU budgetary period 2014-2020, the evaluation should first be continued and deepened as part of wide-ranging public discussions, and undertaken with particular care. These discussions should be informed in particular by lessons learned from experience with public-private partnership (PPP) projects.

1.2 The opportunities presented by the proposed instrument reside primarily in the mobilisation of significant investment funding for transport, telecommunications and energy infrastructure projects, which will be vital in boosting growth, innovation and competitiveness and in creating jobs. Executing the planned projects will help to make the benefits of European integration a tangible reality for the general public and thus strengthen the idea of Europe.

1.3 However, the EESC also sees risks in the proposal, arising in particular from the possibility of having to absorb losses from the investment projects launched. While the Commission's legislative proposal puts a clear cap on the EU budget's exposure to risk, it assumes that, due to the individual contracts concluded between the EIB and the investors for each project and the EIB's distribution of risk between all the projects, the EIB's exposure to risk will not increase. In order to ensure that, should a risk materialise, it does not under any circumstances compromise the EIB's credit rating or reputation, or the establishment and implementation of its conventional projects, the EESC feels that the EIB should also apply its conservative project risk evaluation criteria to project bonds. In particular, the EIB's exposure to risk should be clearly set out⁽¹⁾ and, if appropriate, should be limited. This possibility should be taken into particular consideration in connection with extending the instrument for the new EU budgetary period 2014-2020 having evaluated the experience gained during the pilot phase.

⁽¹⁾ See also European Commission, Impact Assessment Board, DG ECFIN – Impact Assessment on a proposal for a regulation on the Europe 2020 Project Bond Initiative (draft version of 15 September 2011), point C 2 (Ref. Ares(2011) 1012531 - 23.09.2011), which calls for the risks for the EIB to be explained more clearly.

1.4 The EESC notes that the Commission's proposal makes too little mention of issues concerning the repayment of privately financed infrastructure projects. Particularly with regard to transport projects, there is a need for a broad-based public debate on the possible consequences of introducing user financing. The Committee also notes that the proposed instrument must not counteract policy decisions and social agreements aimed at sustainable economic, environmental and social goals. Perverse incentives for launching PPP projects must be avoided. The Committee therefore reiterates its position that the debt criteria for PPP projects must be equivalent to those for conventional public procurement projects.

1.5 The Committee takes the view that the proposed risk-sharing instrument for issuing project bonds will not be able to mobilise all of the investment required for urgent infrastructure projects. It therefore notes that it is necessary to mobilise additional sources of revenue for public budgets for public investments, referring in particular to the proposals to introduce a financial transaction tax.

2. Introduction

2.1 On 19 October 2011, the European Commission presented a number of legislative and non-legislative proposals for developing trans-European transport, energy and telecommunications networks and infrastructure, under the umbrella of the "Connecting Europe Facility". The proposals focus on the new budgetary period from 2014 to 2020, and relate in particular to eligibility guidelines, project selection, the amount of investment needed and new financing instruments in the areas mentioned. This opinion focuses on the financing aspects; the EESC is issuing further opinions covering the other elements ⁽²⁾.

2.2 The legislative proposal under discussion includes the following elements: extending the scope of the Competitiveness and Innovation Framework Programme for the current EU budgetary period (2007-2013) to include investments in broadband infrastructure; and launching a risk-sharing instrument for project bonds for investment in information and communications technology (ICT) and broadband, and in the trans-European transport and energy networks (TEN-T and TEN-E).

2.3 In light of the problems caused by the financial and economic crisis, the aim of the proposed instrument is to finance long-term investment using private capital. The intention is for additional funds to be raised on the capital markets for long-term infrastructure projects. The proposed instrument is a risk-sharing instrument for project bonds,

which, by means of a contribution from the EU budget to the European Investment Bank, will enable the bank to reduce the credit risk for bond holders by means of subordinated loan capital or subordinated guarantees.

2.4 The legislative measure relates to a pilot phase in 2012 and 2013, during which the risk-sharing instrument's effectiveness in mobilising private investment will be tested.

2.5 The risk is shared between the EU and the EIB, with the financial contribution from the EU's budget being capped at EUR 230 million. The intention is that, in 2012 and 2013, up to EUR 200 million will be available for TEN-T projects and up to EUR 10 million for TEN-E projects, while up to EUR 20 million will be available in 2013 for investment in ICT and broadband infrastructure.

2.6 It is assumed that the subsidy from the EU budget will enable to EIB to cover the "first loss" over all implemented projects. The exact cap on the EIB's exposure to risk will be established contractually for each individual project. In theory, the maximum risk for the EIB is the sum of the contracts entered into minus the contribution from the EU budget. The Commission's legislative proposal does not, however, provide a nominal cap on the EIB's risk across all projects as it does for the EU budget: it states that "the residual risk inherent in all operations shall be borne by the EIB". It is up to the EIB to establish the residual risk as part of its risk analysis.

2.7 The Commission's aim with this instrument is to mobilise additional investment, particularly from private investors, and thus to produce a leverage effect. This is targeted primarily at investors such as insurance companies, pension funds and sovereign wealth funds that are looking for a secure, long-term investment opportunity.

2.8 During the pilot phase, funding from the EU budget will be raised solely through redeployment, primarily of as-yet uncommitted funds from the existing Loan Guarantee Instrument for TEN-Transport Projects (LGTT).

2.9 Whereas the existing risk-sharing instrument LGTT involves the EIB covering risks for commercial creditors (banks), the legislative proposal under discussion involves the EIB covering risks for investors in project bonds. Both involve covering the debts of special purpose entities that undertake

⁽²⁾ EESC opinion on the Connecting Europe Facility, EESC opinion on guidelines for trans-European telecommunication networks, and EESC opinion on guidelines for the trans-European transport network (See page 130 of this Official Journal).

infrastructure projects, which in practice particularly relates to investment in the form of project financing and other public-private partnerships (PPPs). In such cases, it is usually project sponsors such as construction companies, infrastructure funds, operating companies and, in some cases, public companies who take responsibility not only for the construction but also for the operation, planning and, in particular, financing of investment projects.

2.10 The projects to be supported in the pilot phase have yet to be selected; three to eleven TEN-T projects, one TEN-E project and one or two ICT/broadband projects will be chosen. The experience gained from the pilot phase will be used to draw conclusions for the new EU budgetary period 2014-2020.

2.11 The Commission makes only passing reference to repayment issues in the legislative proposal and accompanying documents, but it is clear from an EIB paper on experience with the LGTT that this risk-sharing instrument is considered to be particularly suitable for user-financed projects⁽³⁾. The same is expected to apply to the projects targeted by this legislative proposal.

3. General comments

3.1 The EESC welcomes, in principle, the European Commission's proposal to establish a risk-sharing instrument for issuing project bonds for the envisaged pilot phase in 2012 and 2013. It would highlight both the opportunities and risks set out below, as well as the suggestions and conditions described, in particular for the continued use of the instrument following the pilot phase.

3.2 The opportunities reside primarily in the possibility of mobilising additional investment, thus increasing the impact of the EU budget. This could play a major part in generating growth and innovation, making the European economy more competitive, achieving the goals of the Europe 2020 strategy, and safeguarding and creating jobs. Executing the planned projects will help to make the benefits of European integration a tangible reality for the general public and thus strengthen the idea of Europe.

3.3 The Committee nonetheless sees risks in the proposal, noting that there is an inherent link between the extent of the leverage effect and the risk taken on by the public authorities. These risks arise in particular from the possibility of having to absorb losses from the investment projects launched. While the

Commission's legislative proposal puts a clear cap on the EU budget's exposure to risk, it assumes that, due to the individual contracts concluded between the EIB and the investors for each project and the EIB's distribution of risk between all the projects, the EIB's exposure to risk will not increase. In order to ensure that, should a risk materialise, it does not under any circumstances harm the EIB's credit rating or reputation, or the establishment and implementation of its conventional projects, it would be advisable to put reasonable limits on the use of the risk-sharing instrument in terms of the degree of risk assumed by the EIB on the basis of a clear assessment of its exposure to risk. In particular, the EIB's exposure to risk should be clearly set out⁽⁴⁾ and, if appropriate, should be limited. This possibility should be taken into particular consideration in connection with extending the instrument for the new EU budgetary period 2014-2020 having evaluated the experience gained during the pilot phase.

3.4 The evaluation of the Commission's proposal depends on the various policy goals pursued by the public authorities in representing the interests of the public, and on the financial interests of purchasers of project bonds; these may coincide, but may equally well contradict each other. The EESC recommends continuing and intensifying the public discussions on opportunities and risks before launching the new instrument, particularly for the 2014-2020 budgetary period. These discussions should be informed in particular by lessons learned from experience with project financing and PPP projects.

3.5 The EESC points out that the implementation of project financing makes it necessary for the project debt to be paid back through project-related income, in which context the issue of user financing takes on particular relevance. While the energy and telecommunications sectors are already characterised by this kind of financing, due to liberalisation and privatisation, in the transport sector, especially motorised private transport, it has so far been used in only a few Member States, mainly on motorways. This possible consequence needs to be discussed as part of a broad public debate prior to implementing planned transport projects.

3.6 The EESC calls for consideration to be given to denominating project bonds such that small savers can also buy them, so that the instrument is not only available to institutional investors.

3.7 The objective in launching the planned risk-sharing instrument should not simply be to achieve the greatest possible leverage effect to mobilise additional investment

⁽³⁾ See European Investment Bank, Loan Guarantee Instrument for TEN-T Projects – Mid-term Review (2011), Luxembourg, 14 July 2011, p. 4.

⁽⁴⁾ See also European Commission, Impact Assessment Board, DG ECFIN, point C 2, *op. cit.* (see footnote 1).

funds from private sources; it must also be ensured that the proposed instrument does not counteract policy decisions and social agreements aimed at sustainable economic, environmental and social goals⁽⁵⁾. The investment projects launched by project bonds must not, for example, be based on disregarding social, environmental and quality standards. Execution of these projects must take due account of the quality of construction and maintenance, environmental sustainability, compliance with collective agreements and the place-of-employment principle, the need to support small and medium-sized enterprises, to promote innovation and to calculate costs on the basis of lifecycle costs, the social and environmental conditions of the drafting process⁽⁶⁾, and the need to guarantee accessibility for people with disabilities, provided these factors can be objectively verified and are based on non-discriminatory criteria. It must be ensured that users are not burdened with excessive fees, particularly those who need to make frequent, or even daily, use of certain transport infrastructure, and especially if no alternative infrastructure is available.

3.8 Based on these requirements, the EESC calls for the evaluation of the pilot phase of the project bond initiative to be continued and deepened on a broad social basis in good time before the political decision is taken to implement the risk-sharing instrument for project bonds for the new 2014-2020 EU budgetary period. This evaluation should also be informed by experience gained with the LGTT. There must, in particular, be transparency regarding the projects supported, the allocation of funds and the investment flows thus initiated; this will require ongoing follow-up and real time monitoring so that conclusions can be drawn in good time. The evaluation should involve political decision-makers at European, national, regional and local level, the social partners and civil society organisations, scientific, environmental and consumer protection organisations and social movements, and also the EESC and the Committee of the Regions. The European legislator should take a decision prior to the new budgetary period. The suggestion implicit in the Commission's documentation that an evaluation would not be undertaken until 2016/2017 is too late, in the EESC's view.

3.9 In terms of refinancing investment projects, the financial obligations imposed on the public authorities by project financing and PPP projects where repayment of the debt is guaranteed by public payments are equivalent to those for conventionally financed projects under public procurement. In order to guarantee adequate budgetary transparency, avoid

additional budgetary risks and perverse incentives for launching PPP projects, and ensure that competent authorities have freedom of choice between PPP projects and conventionally financed projects, the EESC reiterates that the debt criteria for PPP projects must be equivalent to those for conventional public procurement projects⁽⁷⁾.

3.10 Unlike certain transport projects, many energy and telecommunications infrastructure projects in the EU are generally privately funded, and are refinanced via usage fees, which are regulated. This includes the overall network infrastructure. In this connection, the EESC wonders what additional projects the European legislator is hoping to promote under the proposed financing instrument that apparently cannot be fully refinanced through regulated usage fees. In the Committee's view, a detailed justification should be provided for every proposed energy or telecommunications project, explaining why it is necessary for EU development, despite the lack of refinancing opportunities. It is absolutely vital for such projects to be verified by the European legislator.

4. Specific comments

4.1 The proposed risk-sharing instrument is a potential solution to the problems set out by the European Commission – i.e. inadequate public investment and the existence of as-yet-uninvested capital, particularly among institutional investors. It does, however, also raise various technical questions that need to be answered along with the policy requirements set out in section 3. The Committee recommends that these questions be clarified before the proposed risk-sharing instrument is created, or at the latest by the time it is introduced, as intended, in the new EU budgetary period 2014-2020.

4.2 Overall, the EESC takes the view that the EIB and the EU budget should not just cover risks, but also be entitled to an appropriate share of the profits ("fair risk sharing"). This should be ensured by systematically applying the EIB's risk and pricing policy and the other measures proposed here to limit the EIB's exposure to risk.

⁽⁵⁾ The CER made similar sceptical comments on the implementation of the proposed risk-sharing instrument for rail; see Stakeholder Consultation on the Europe 2020 Project Bond Initiative, Response of the Community of European Railway and Infrastructure Companies (CER), 6 May 2011, available at: http://ec.europa.eu/economy_finance/consultation/pdf/community_of_european_railway_and_infrastructure_companies_cer_en.pdf.

⁽⁶⁾ See also the EESC opinion on the *European Procurement Market*, OJ C 318, 29.10.2011, p. 113.

⁽⁷⁾ EESC opinion on *Private and public investment*, OJ C 51, 17.2.2011, p. 59; see also House of Commons, Treasury Select Committee, *Private Finance Initiative, Seventeenth Report of Session 2010-2012*, London 18 July 2011. This report notes that the fact that PFI/PPP projects are not included in the public debt results in perverse incentives that run counter to the objective of "best value for money". The Chairman of the House of Commons Treasury Select Committee, Andrew Tyrie MP (Conservative), clearly calls for such projects to be included in the fiscal rules (cf. <http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news/pfi-report/>).

4.3 The exact roles of the stakeholders are also not entirely clear, in particular who will replace the bond insurers (monolines) as single controlling creditor, or how this will happen. It is particularly unclear what role the EIB will play here. This is to be determined in future agreements with the investors and a contract between the Commission and the EIB. The EESC therefore calls on the European legislator to clarify the technical details of the risk regime and the extent of the EIB's operation as controlling creditor as part of the pending legislative process, at least before the instrument is extended for the new EU budgetary period 2014-2020, in order to provide certainty for investors and the public authorities. The planned risk-sharing instrument must under no circumstances lead to the EIB's credit rating and reputation being put at risk.

4.4 Experience gained from LGTT projects should be systematically assessed against the criteria set out in section 3, with a view to drawing conclusions regarding appropriate project design for the risk-sharing instrument for project bonds and helping to avoid negative consequences⁽⁸⁾. It is, however, also necessary in this connection to clear up the differences of opinion that have arisen in the assessment of PPP projects by the various parties involved.

4.5 In view of both positive and, in many cases, negative experiences with and risks involved in project financing and PPP projects – in terms of the length of contract negotiations, the complexity of contract provisions and relationships between parties and the uncertainty regarding the impact on demand – the EESC wonders whether the best solution might be to provide public budgets with the resources they need to launch investment projects in the context of conventional public procurement⁽⁹⁾. In this connection, the Committee welcomes the Commission's proposal to introduce a financial transaction tax and reiterates its support for the introduction of this type of revenue source for public budgets⁽¹⁰⁾.

4.6 The EESC would also point out in this connection that the issuing of project bonds will not on its own be able to guarantee the levels of investment that the Commission has determined as necessary for the "Connecting Europe Facility". It therefore recommends mobilising additional sources of revenue for public investments.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽⁸⁾ In this connection, see also European Investment Bank, *op. cit.* (see footnote 3), although this document does not examine a number of the criteria listed in section 3.

⁽⁹⁾ This concept of a best and second-best solution can also be found in the response of the Community of European Railway and Infrastructure Companies (CER) to the consultation on the legislative proposal under discussion. Cf. CER, *op. cit.* (see footnote 5).

⁽¹⁰⁾ EESC opinion on *Financial transaction tax*, OJ C 44, 11.2.2011, p. 81, and EESC opinion on the *Report of the de Larosière Group*, OJ C 318, 23.12.2009, p. 57.

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/126/EC of the European Parliament and of the Council as regards driving licences which include the functionalities of a driver card'

COM(2011) 710 final — 2011/0327(COD)

(2012/C 143/28)

Rapporteur: **Mr SIMONS**

On 17 November 2011, the European Parliament and, on 14 December 2011, the Council decided to consult the European Economic and Social Committee, under Articles 91 and 304 of the Treaty on the Functioning of the European Union (TFEU), on the

Proposal for a Directive of the European Parliament and of the Council amending Directive 2006/126/EC of the European Parliament and of the Council as regards driving licences which include the functionalities of a driver card

COM(2011) 710 final – 2011/0327 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 122 votes to 5 with 12 abstentions.

1. Conclusions and recommendations

1.1 So that the legislation is adapted in a uniform way, the Committee believes that it would be advisable to opt for a regulation rather than a directive; this would rule out individual interpretations by the Member States.

1.2 The EESC endorses the ultimate objective of the Commission proposal, which is to integrate the functionalities of driver cards into driving licences with the aim of improving compliance with the social legislation governing driving and rest periods. However, it notes that a number of problems (see non-exhaustive list in point 4) must be resolved before an unambiguous, implementable and efficient legislation can be achieved.

1.3 If solutions cannot be found to these problems, the Committee recommends that a study be commissioned to examine the compatibility of the relevant existing legislation, and that this be amended in such a way that there is no loss of functionality in any generation of the digital tachograph. The Committee suggests that the social partners, tachograph manufacturers and supervisory authorities should be involved in carrying out this study.

1.4 The Committee has reservations about the reduction of around EUR 100 million per year in the administration burden cited by the Commission. A solid basis is needed, as the Commission's impact analysis does not provide enough certainty.

1.5 The Committee suggests that if the idea is ultimately to merge the driver card with the driving licence, there must be effective coordination not just with the AETR countries, but also with the non-AETR countries, so as to ensure that relevant legislation is enforced and overseen in a uniform and fair manner.

1.6 The Committee believes that the Commission should make it clear how it intends to resolve the issues mentioned in point 4 below that are related to integrating the driver card with the driving licence using a single microchip. One option could be to insert two separate chips into the driving licence, although it is very unlikely that this would solve all the problems.

2. Introduction

2.1 On 11 November 2011 the Commission published its proposal for a Directive amending Directive 2006/126/EC of the European Parliament and of the Council as regards driving licences which include the functionalities of a driver card (COM(2011) 710 final). The European Parliament and the Council have asked the European Economic and Social Committee to issue an opinion on this proposal under Articles 91 and 304 TFEU.

2.2 The Committee welcomes the fact that it is being consulted on this matter, given its view that the matter is important for better social regulation in relation to the carriage of goods and passengers by road.

2.3 The Commission's proposal is related to its proposal for a Regulation amending Regulation No. 3821/85 on recording equipment in road transport (the tachograph regulation) and its proposal amending Regulation No. 561/2006 on drivers' driving times and rest periods.

2.4 The Committee adopted an opinion on the above-mentioned regulations at its plenary session on 7 December 2011, ⁽¹⁾ in which it commented on the proposal as follows: "The Committee welcomes the Commission's proposal to merge

⁽¹⁾ OJ C 43, 15.2.2012, p. 79–81.

the features of driver cards with those of driving licences, which would improve security and reduce the administrative burden where practicable".

2.5 The Commission's proposal concerns merging the driver card into the driving licence, which it believes will reduce scope for fraud and reduce the administrative burden over the long term, since the idea is that only one document, rather than two, will need to be acquired and presented. The Commission estimates that this will save EUR 100 million per year.

3. General comments

3.1 The Committee supports standardising legislation to minimise misunderstandings over its interpretation. The Commission has chosen to cast its proposal in the form of a directive, probably because the legislation on driving licences is also in the form of a directive, giving the Member States latitude for their own interpretations. However, the Committee wonders whether a proposal for a regulation would not make more sense here.

3.2 The Committee subscribes to the underlying objective of the Commission's proposal, which is to facilitate the enforcement of social legislation in road transport while curbing fraud and reducing the administrative burden, but it believes that a number of problems (outlined in point 4 below) must be resolved first.

3.3 As regards the estimated yearly savings of EUR 100 million in the administrative burden anticipated by the Commission on the basis of the impact assessment, the Committee believes that integrating the driver card into the driving licence does not in itself guarantee such an outcome. Merging documents does not by definition result in greater efficiency and cost savings.

3.4 The EESC wonders whether the Commission's proposal to introduce an integrated driver card and driving licence provides sufficient guarantees to drivers when they are in a non-EU, AETR country and subject to checks there. The priority when introducing new legislation must be to reach a clear understanding about enforcement and oversight of the legislation, not only with the other AETR countries but also with non-AETR countries.

3.5 If explicit solutions cannot be found to all the problems inherent in the Commission proposal that are mentioned in this point and below, the Committee recommends that a study be conducted to examine the compatibility of the relevant existing

legislation, and that this be amended in such a way that there is no loss of functionality in any generation of the digital tachograph. It would seem sensible to involve all the relevant stakeholders, including social partners, tachograph manufacturers and supervisory authorities, in this process.

4. Specific comments

4.1 The Committee believes that the Commission does not make sufficiently clear how it intends to resolve the issues related to integrating the driver card with the driving licence with a single microchip.

4.1.1 One example is infringement of the laws on driving and rest periods and whether this results in confiscation of the driving licence. In many cases this would be disproportionate.

4.1.2 The specifications of the microchip for the driver card are different from those for the driving licence. Does this mean that the rules governing the digital tachograph have to be adapted?

4.1.3 The rules on confiscation of the driver card are different from those on confiscation of a driving licence. These rules are laid down in EU and national law, which makes them difficult to harmonise.

4.1.4 The driving licence can be used as an identity card in some countries. If a driver uses it to prove identity, the card will have to be taken out of the wallet. But the driver card may not be removed from the recording device during recording, driving or other activities.

4.1.5 Some Member States already have a combination of CPC (certificate of professional competence) and driving licence. Integrating the driver card will result in the combined type of card becoming more common.

4.1.6 The integrated driver card/driving licence could have implications for the AETR agreement, and these should be clarified and resolved before the Commission proposal is adopted.

4.1.7 Under the Commission proposal, the microchip for the driving licence must also contain the applications of the driver card. The two different specifications in these documents create a problem, however. The Committee could envisage not just one, but two microchips being inserted into the driving licence.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on 'The role of civil society in relations between the European Union and Chile'

(2012/C 143/29)

Rapporteur: **Filip HAMRO-DROTZ**

Co-rapporteur: **Francisco SILVA**

In a letter dated 1 August 2011, the European Parliament asked the European Economic and Social Committee (hereinafter the "EESC"), under Article 304 of the Treaty on the Functioning of the European Union, to draw up an exploratory opinion on

The role of civil society in relations between the European Union and Chile.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, arranged a study visit to Chile in September 2011 and adopted its opinion on 24 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the EESC adopted the following opinion by 138 votes to none, with 7 abstentions:

1. Recommendations

1.1 The European Parliament asked the EESC to draw up the present opinion in order to analyse, in the context of relations between the EU and Chile, the role of Chilean civil society and the state of progress on Article 10 of the Association Agreement (AA) between the EU and Chile, which was signed in 2002. Under this article, an EESC-Chile civil society Joint Consultative Committee (JCC) is to be established, but this has not come about due to the lack of a counterpart institution in Chile.

1.2 The EESC welcomes the good political relations between the EU and Chile, which have certainly been facilitated by the AA. The EESC would support a review of the AA to include a chapter on sustainable development, support measures for the effective recognition and implementation of the fundamental ILO conventions, and a realignment of cooperation to strengthen civil society and projects of common interest, such as innovation, sustainable development, consumer protection and education.

1.3 The EESC calls on the parties to the AA and the relevant international organisations based in Chile to provide all the institutional, political, operational and economic support that Chilean civil society organisations need to build up their strength and skills, so that they can become valid partners in both social and civil dialogue at national level, and a counterpart for European civil society at the bilateral level.

1.4 The EESC emphasises the fundamental importance of social dialogue between employers and trade unions as the foundation for the economic and social consensus that is crucial to development accompanied by social cohesion, and as a starting point for fostering a broader civil dialogue between the political authorities and economic and social actors. This should lead to better distribution of wealth, with a more open policy and an expanded role for the social partners and civil society organisations.

1.5 The EESC underlines the importance of setting up an economic and social council (ESC) or equivalent body in Chile: this would boost opportunities for consolidating dialogue between different social stakeholders, and between them and the competent authorities, as well as making it possible to implement Article 10 of the Association Agreement as quickly as possible. The EESC is willing to contribute to these efforts, using its experience in similar activities with other countries.

1.6 As agreed with the Chilean organisations during its fact-finding mission to Chile in September 2011, the EESC will, with the support of the Chilean government and the EU, hold a seminar bringing together the most representative Chilean civil society actors, in conjunction with the Seventh Meeting of EU-Latin America and Caribbean Organised Civil Society (Santiago de Chile, 2012). The seminar will look at the interest in, and means for, setting up a Chilean civil society consultative body that could serve as a counterpart for the EESC under the terms of Article 10 of the AA.

1.7 Other issues of general interest to civil society stakeholders will also be discussed, as will possibilities for capacity-building, the need for ongoing, and improved, exchanges of information, and the possibility of organising other regular joint activities. This cooperation will need financial support from the signatories to the AA.

2. Political, economic and social situation of Chile

2.1 Political situation

2.1.1 Chile is one of South America's most stable and prosperous nations, and a benchmark for sustained economic growth, which has been driven by raw materials prices, the arrival in power of representative political parties, the country's growing international role, and an approach to trade that is increasingly directed towards the Pacific basin.

2.1.2 Following two decades of government by the centre-left *Concertación* [Consultation] coalition led, since 2006, by Michelle Bachelet, President Sebastián Piñera took office on 11 March 2010 for a term of four years following his electoral victory at the head of the centre-right *Coalición por el Cambio* [Coalition for Change].

2.1.3 Chile's political situation in recent months has been affected by major social protest movements, spearheaded by students and supported by the trade unions. Top issues on the current political scene include social inequalities and the government's backing for the controversial HidroAysén project, which could see five hydro-electric dams constructed in Chilean Patagonia. Attention is drawn in particular to the demonstrations and school occupations calling for educational reform in order to give people throughout Chile, from all social categories, access to high-quality public education.

2.1.4 Chilean civil society itself sees these protests as examples of civic unease, requiring better redistribution of wealth, greater social participation and more open politics. Social organisations are aware of the significance of this juncture in Chilean politics, which they hope will lead to reform of a Pinochet-influenced constitution, an electoral system that hinders political renewal and the current socio-economic system that promotes growth based on the export capacity of a small number of raw materials, which contributes to the insufficient distribution of wealth.

2.2 Economic situation

2.2.1 Chile is an upper middle-income country. Growth stood at 5,2 % in Chile in 2010.

2.2.2 Chile is by far the world's largest producer of copper, accounting for 60 % of Chile's exports. The banking sector is very strong, amassing large profits due, in part, to very high interest rates and its management of pension funds. However, in contrast with this strong economic sector, Chile's high growth rate has not reduced the fragmentation of other sectors such as the food and fisheries industries. The consequences of the global economic crisis in 2008 had an impact on the Chilean economy, but to a lesser extent than on many other economies around the world, as is the case with virtually all the Latin American economies.

2.3 Social situation

2.3.1 Chile is one of the countries displaying high levels of inequality in relation to its per capita income. Data released in mid-2010 suggested that between 2006 and 2009, poverty in Chile increased to 15,1 % and extreme poverty to 3,7 %, compared to 13,7 % and 3,2 % respectively in 2006.

2.3.2 Unemployment rose to around 9,6 % in 2010, largely due to the impact of the global crisis that affected Chile over the

previous two years, and mostly affects young people and women. Many of the jobs created recently have been in services and there is a high percentage of informal employment.

2.3.3 Chile comes 45th out of 169 countries in the UNDP's 2010 Human Development Index, making it Latin America's leading country. The country has improved standards in housing, education and health. But income inequality has grown. The wealthiest 5 % of households have per capita incomes 830 times higher than those of the poorest 5 %. 75 % of workers earn approximately USD 1 000, compared to per capita GDP of USD 16 000 – in other words, the labour market does nothing to redistribute income. Pension plans are rare. Children, young people, women and indigenous Chileans ⁽¹⁾ represent the population groups most affected by poverty and social exclusion. Statistics reveal a link between poverty and school attendance rates, poverty and unemployment, and poverty and female unemployment ⁽²⁾. There is significant inequality between men and women, putting Chile 75th out of 109 countries in terms of gender inequality. Labour legislation is generally weak: there are constraints on collective bargaining and the right to strike; the percentage of workers covered by collective agreements is no more than 6 %; and there are no legal provisions at national level for collective bargaining. The tax burden is low and structured regressively.

2.3.4 The debate on the educational model is currently absolutely crucial to the situation in Chile. Not only because many families are heavily indebted due to the cost of educating their children, but also because the demand for education to be seen as a right that the state must guarantee to provide opportunities for all stands at the heart of national debate and has mobilised Chilean society as a whole. One fundamental problem is that education is administered at municipal level. The authorities have launched negotiations with the parties involved in the current protests on reform of the education system.

2.4 Chile in the current international context

2.4.1 Since its 1990 return to democracy, Chile has been an active participant in the multilateral arena, playing a constructive role in the UN and its agencies and participating in UN and EU peacekeeping activities. Chile is the regional seat of a number of important international bodies: the ILO, Consumers International, the UN and ECLAC.

2.4.2 At the international level, Chile is an active and constructive member of the UN Human Rights Council. Chile ratified the Statute establishing the International Criminal Court (ICC) and the UN Convention on Enforced Disappearances in 2009. Chileans hold a number of important international positions such as Executive Director of UN Women, ILO

⁽¹⁾ Approximately 4.6 % of the population, mostly Mapuche.

⁽²⁾ Figures from the OECD and the 2009 national socio-economic survey – www.ministeriodesarrollosocial.gob.cl.

Director General and OAS Secretary General⁽³⁾. In January 2010, Chile was the first country in South America to be approved as a member of the OECD.

2.4.3 The country is a member of Asia-Pacific Economic Cooperation (APEC) and an associate member of Mercosur and the Andean Community. It currently holds the presidency of the Rio Group and the Latin America and Caribbean Group and also the co-presidency with Venezuela of the Community of Latin American and Caribbean States (CELAC).

2.4.4 Chile's trade policy has traditionally focused on signing as many free trade agreements as possible. Where energy is concerned, Chile depends on imports to meet three quarters of its needs: it has no nuclear energy and buys liquefied gas from Pacific and North Sea countries. Its fossil fuel resources are limited, and Chilean energy policy is based on coal, with the ensuing environmental repercussions. In strategic terms, the long-term vision of Chile's energy policy needs to be enhanced and diversified.

2.4.5 Compared to most other Latin American countries, Chile's infrastructure is now developed, not least where the new technologies are concerned.

3. EU-Chile relations

3.1 The relationship between the EU and Chile is based on the Association Agreement of 2002, and is generally excellent, entailing a wide range of contacts and coordination in the political, trade and cooperation areas. The current EU-Chile sectoral dialogues cover the following issues: regional policy, disaster preparedness, the future of bilateral cooperation, employment policy and the human rights dialogue.

3.2 The EU is one of Chile's largest trading partners, and its greatest source of Foreign Direct Investment. The EU-Chile Free Trade Agreement, which has spurred a major increase in the bilateral trade flow over the last decade, covers trade in goods and services, investment, government procurement and competition. The EU is the main destination for Chilean exports, and the balance of trade is in Chile's favour with a surplus of EUR 45 billion. The AA, however, is failing to meet the expectations raised in terms of employment, cooperation and sustainable development.

3.3 The European market absorbs significant volumes of exports from sectors such as agriculture and food, wines and tobacco, wood industries and copper, among others. Europe is a major source of intermediate and capital goods for the Chilean

economy. The Agreement stipulates that both parties will further liberalise trade in agricultural goods and services.

3.4 A total of EUR 41 million is earmarked for EU cooperation with Chile in 2007-13. The Mid-Term Review, concluded in July 2010, confirmed the continuing pertinence of the main priority sectors, namely Social Cohesion and Innovation and Competitiveness, Higher Education and the Environment. Given its sound economic position, however, development cooperation with Chile should aim at other objectives. Chile is itself calling for efforts to be made to develop a strategic partnership, more geared to areas of common interest. The EU is also considering the possibility of introducing elements more in keeping with shared values in the review of the Agreement in 2012.

3.5 Chilean civil society's assessment of the results of the AA is not overly positive. Trade unions, SMEs, NGOs and third sector organisations such as consumer organisations see the AA as little more than a free trade agreement, and regret they have derived no benefit from it, not even in the area of development projects, where they accuse the government of intervening directly, without consulting the supposed beneficiary organisations beforehand. These organisations are calling for greater attention to be focused on projects to strengthen civil society over the long term, to combat inequality, to boost social cohesion and consumption, and to promote associations within individual sectors (there are 12 000 company-based trade unions and 39 000 employers in the transport sector alone). It would also be better for European funds to be channelled not only to NGOs but also to third sector organisations such as consumers and small businesses. Alongside Article 10 of the AA, there are also a number of articles on cooperation, such as Articles 41 and 48, to the content of which civil society stakeholders can make constructive contributions.

3.6 Under Article 11, the EU has consulted Chilean civil society on the implementation of the AA, e.g. at the first social forum in 2006 and at the second social forum in September 2011. Chilean stakeholders have expressed considerable interest in increasing the exchange of information with European stakeholders, and in implementing Article 10 of the AA. The European Commission and the EEAS appear to have made a conscious effort to continue consultations and to boost the influence of civil society.

4. Civil society in Chile: current situation and prospects for cooperation

4.1 The Chilean civil society organisations' analysis of dialogue and participation is bleak. In their opinion, the political will to set up a consultative civil society body is lacking in Chile, partly on political and ideological grounds, and partly due to the fear that such a body would become a third legislative chamber in competition with the existing ones. Although there appear to be various levels and kinds of contact with civil society during the development of new legislation, they seem very unstructured. More generally, there is an absence of national-level public participation mechanisms to channel social conflict and defuse social explosions such as

⁽³⁾ Michelle Bachelet, Juan Somavia and José Miguel Insulza respectively.

those occurring at the moment. Regional and local authorities clearly lack representativeness, as they are appointed directly by the central government.

4.2 Chile has three main trade union confederations. The CUT (United Workers Federation) has the most members, and from which the CAT (Independent Workers Federation) and the UNT (United Workers Union) emerged as offshoots. Internal disputes prevent a concerted dialogue between them, and between all of them and the employers. They all however agree on the serious shortcomings regarding social dialogue in Chile, on the creation of effective social dialogue mechanisms and a Chilean ESC, and on the need for the AA to be equipped with a mechanism for social dialogue with European civil society.

4.3 The rate of trade union membership in Chile stands at 12-13 %, with very high figures in mining, banking and trade, and a very large number of trade unions (some 12 000), mostly based on single businesses. Social dialogue in Chile is in consequence highly fragmented. Trade unions lack negotiating capacity, particularly at sectoral level, and the lack of unity among trade union federations stands in the way of the coordination that is needed upstream of dialogue. The dual dialogues with the CUT and CPC launched by the ILO have failed to generate sufficient trust to turn them into a sustained process.

4.4 The leading employers' federation in Chile is the CPC (Confederation of Production and Commerce), covering all the main economic sectors in the country. The CPC cooperates with the trade unions via one-off dialogues, and with the ILO on a tripartite body on decent work. However, it is has never talked to the trade unions about the possibility of setting up an ESC or establishing a structured dialogue on industrial relations. Small and medium-sized businesses are represented by CONUPIA.

4.5 Small-scale industry in Chile is underdeveloped and poorly organised, uncompetitive and insecure, pays low wages and is excluded from the export sector. However, it accounts for 80 % of employment between the formal and informal sectors. In contrast, Chile displays a high level of concentration among a small number of very large, poorly-regulated economic actors with considerable sway over public life, such as the banking sector.

4.6 CONADECUS and ODECU are the main organisations for consumers, but they have very little influence or impact on society. They are both demanding greater involvement in EU cooperation projects under the AA.

5. Conclusions

5.1 The EESC considers that although the application of the AA does not raise any major problems, it must be brought up to date, not least in order to include a chapter on sustainable development within the Agreement's trade chapter, in keeping with more recent trade agreements. Civil society involvement is

an essential element in monitoring relations based on respect for economic, social, labour, environmental and consumer rights. The cooperation chapter should help socio-economic actors to become stronger and participate, and should shift its objectives away from conventional development cooperation and aim at objectives of greater mutual interest, such as education, innovation and developing the economic fabric. It is necessary, in the EESC's view, to involve Chilean civil society organisations in the AA evaluation processes.

5.2 The EESC is ready and willing to work with the EU in the sectoral dialogues with Chile on relevant matters such as education, corporate social responsibility, sustainable development, social dialogue, employment, consumer protection and information, and social cohesion.

5.3 The EESC welcomes the acknowledgement by the Chilean government and parliament that Chile has not complied with Article 10, and fact that they have publicly declared their intention to do so. Similarly, it has taken note of the Chilean government's recent plans to systematically set up civil society information and consultation mechanisms in all areas of government. The EESC welcomes this intention, but – with all due caution – has some reservations regarding a number of proposals which appear to indicate a proliferation of ad hoc, one-off thematic or sectoral mechanisms rather than the construction of a fully-fledged, single consultative body which would complement the partial bodies.

5.4 The EESC is of the view that Chilean civil society requires a huge effort to provide political support and internal work aimed at strengthening the relevant organisations and building up their capacity, and at securing their recognition as constructive partners in terms of both general institutional consultation (civil dialogue) and of labour relations (social dialogue).

5.5 The EESC supports the establishment of an official Chilean civil society participation body reflecting the pluralism of Chilean society. Like the EESC, it should be based on the principles of representativeness, independence and legitimacy of the organisations represented therein. The EESC's experience has shown that in order to successfully set up this type of institution, there must be a concerted effort by the different civil society sectors involved. The EESC is willing and able to contribute to the efforts involved, based on its experiences from similar activities with other countries. Positive examples of this in Latin America include cooperation with civil society consultative bodies such as the CDES in Brazil, the Central American CC-SICA and Mercosur's FCES.

5.6 The EESC believes that the existence of social inequalities and the protest movement currently underway in Chile represent a further reason for creating major channels for dialogue and civil society consultative involvement in decision-making and in public policy.

5.7 A consultative body would also facilitate the development of relations between the European and Chilean civil society organisations, and would be a positive step towards stronger EU-Chilean relations through the creation, as soon as possible, of the JCC provided for in Article 10 of the AA.

5.8 The EU-Chile JCC should contribute to the development, monitoring and application of the AA. It would issue opinions on the basis of referrals from the Association Committee or Association Council, on all issues covered by the Agreement. It could also issue own-initiative opinions or recommendations

on matters relating to the Agreement. The JCC would hold annual meetings for this purpose with the EU-Chile Joint Committee.

5.9 The EESC is grateful for the interest and support of the EU-Chile Joint Parliamentary Committee set up under Article 10 of the Association Agreement. The JPC and the future JCC should maintain a fluid and regular relationship in which they can exchange points of view on the follow-up to the Agreement.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the ‘Amended proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 726/2004 as regards information to the general public on medicinal products for human use subject to medical prescription and as regards pharmacovigilance’

COM(2011) 632 *final* — 2008/0255 (COD)

(2012/C 143/30)

On 28 November 2011, the Council decided to consult the European Economic and Social Committee, under Articles 114 and 168(4)(c) of the Treaty on the Functioning of the European Union, on the

Amended proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 726/2004, as regards information to the general public on medical products for human use subject to medical prescription and as regards pharmacovigilance

COM(2011) 632 *final* – 2008/0255 (COD).

Since the Committee had already set out its views on the contents of the proposal in question in opinion CESE 1025/2009, adopted on 10 June 2009 (*), it decided at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), by 119 votes in favour, with 6 abstentions, not to draw up a new opinion on the subject, but to refer to the position it had taken in the above-mentioned document.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

(*) OJ C 306, 16.12.2009, p. 33.

Opinion of the European Economic and Social Committee on the ‘Amended Proposal for a Directive of the European Parliament and of the Council Amending Directive 2001/83/EC, as regards information to the general public on medicinal products subject to medicinal prescription and as regards pharmacovigilance’

COM(2011) 633 final — 2008/0256 (COD)

(2012/C 143/31)

On 28 November 2011, the Council decided to consult the European Economic and Social Committee, under Article 114 and Article 168(2)(c) of the Treaty on the Functioning of the European Union, on the

Amended Proposal for a Directive of the European Parliament and of the Council amending Directive 2001/83/EC, as regards information to the general public on medicinal products subject to medicinal prescription and as regards pharmacovigilance

COM(2011) 633 final – 2008/0256 (COD).

Since the Committee has already set out its views on the subject of the proposal in question in its opinion CESE 1022/2009, adopted on 10 June 2009 ⁽¹⁾, it decided, at its 478th plenary session of 22 and 23 February 2012 (meeting of 22 February), by 135 votes in favour with 7 abstentions, not to draw up a new opinion on the subject, but to refer to the position it had taken in the above-mentioned document.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

⁽¹⁾ OJ C 306, 16.12.2009, p. 18.

Opinion of the European Economic and Social Committee on the ‘Proposal for a Directive of the European Parliament and of the Council amending Directive 2004/40/EC on minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (eighteenth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC)’

COM(2012) 15 final — 2012/0003 (COD)

(2012/C 143/32)

On 1 February 2012 the Council and on 2 February 2012 European Parliament decided to consult the European Economic and Social Committee, under Article 153 paragraph 2 of the Treaty on the Functioning of the European Union, on the

Proposal for a Directive of the European parliament and of the Council amending Directive 2004/40/EC on minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (eighteenth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC)

COM(2012) 15 final – 2012/0003 (COD).

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 478th plenary session of 22 and 23 February 2012 (meeting of 22 February), by 138 votes to 4 with 9 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1217/2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Community’

COM(2011) 855 final — 2011/0416 (COD)

(2012/C 143/33)

On 13 December 2011 the European Parliament and on 2 February 2012 the Council decided to consult the European Economic and Social Committee, under Article 43, paragraph 2 and Article 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation Directive of the European Parliament and of the Council amending Council Regulation (EC) No 1217/2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Community

COM(2011) 855 final – 2011/0416 (COD).

Since the Committee endorses the content of the proposal, it decided, at its 478th plenary session of 22 and 23 February 2012 (meeting of 22 February 2012), by 130 votes with 9 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

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