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(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

505TH EESC PLENARY SESSION OF 18 AND 19 FEBRUARY 2015

Opinion of the European Economic and Social Committee on a Proposal to map macro-regional strategies across Europe

(own-initiative opinion)

(2015/C 251/01)

Rapporteur: Etele BARÁTH

On 27 February 2014, 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 a

Proposal to map macro-regional strategies across Europe.

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 3 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February 2015), the European Economic and Social Committee adopted the following opinion by 166 votes to 1, with 6 abstentions.

Introduction

So far, European responses to the general crisis which arose from the financial crisis have proved unsatisfactory. Numerous analyses have highlighted the excessive focus of decisions on the financial sector and the strongly hierarchical nature of the EU's decision-making mechanism, preventing it from taking the necessary steps to resolve social tensions. There is also a serious mismatch between, on the one hand, the Europe 2020 strategy — the EU's long-term development strategy with its objectives and action plans — and, on the other, the available resources. Making the different economic policy measures more coherent is now of paramount importance.

Although some central and eastern European countries have managed to catch up, there are growing disparities between others in terms of both overall economic output and income and standard of living. This situation has been exacerbated by certain regional characteristics, and in some areas unsustainable tensions have emerged.

Both the changes in social policy needed to end the crisis and the new cohesion policy objectives and programmes make it essential to focus on the territorial dimension of European policies.

This need was recognised by the new Commission when it launched the *New Start* programme to boost economic growth, job creation and standards of living. The Commission programme brings both new opportunities and new responsibilities, in terms of not just a substantial increase in investment and development funds for 2015-2017 and removing legal and organisational obstacles, but also macro-regional strategies. The fact that the 10 priorities set out in the work programme directly or indirectly strengthen the connection between Europe's macro-regions and their common development is also helping to change the role of macro-regional policy and the place and feasibility of strategies.

A new kind of development-oriented, strongly-devolved governance practice involving economic and social partners more closely and also bringing macro-regional strategies to bear could make a major contribution to launching growth and increasing the efficiency and effectiveness of investment ([1]).

Thanks to new governance, macro-regional strategies are an excellent tool for accelerating development processes, strengthening territorial cohesion and helping to implement the Europe 2020 strategy, not least in terms of environmental protection. The 'three NOs' are no longer an obstacle: the 2014-2020 Multiannual Financial Framework opens up financial opportunities, the Common Strategic Framework sets out the rules and in practice a small enforcement mechanism has been developed.

In drawing up this opinion, the EESC is implementing what was agreed at the Autumn 2013 plenary session, and analysing the impact of macro-regional strategies across Europe from the perspective of civil society in particular. It will also look at a way of integrating these strategies into European development policy.

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee, having examined the situation of macro-regional strategies and the opinions and proposals relating thereto ([2]), has come to the conclusion that, on the basis of the results obtained, it is clearly necessary to develop macro-regional strategies at European level. The aim of macro-regions is not to divide but to unite.

1.2. The EESC recommends that the European Council advocate the integration of macro-regional policy into the EU's governance structure and call for EU-wide guidelines to be drawn up with a view to defining a macro-regional development strategy to support economic and social development.

1.3. The EESC believes that the macro-regional strategies have an increasing role to play in the future of the EU. The existing macro-regional programmes:

— have in political terms helped to develop a currently lacking European intermediary level, able to bring about convergence between diametrically opposed federalist and national approaches;

— as governance instruments based on horizontal cooperation, have helped overcome excessively hierarchical and bureaucratic procedures;

— have helped to achieve systematic involvement of civil society, including the economic and social partners, throughout the strategy framing and implementation process.

1.4. Macro-regional strategies can help improve economic competitiveness, give a much needed boost to GDP, and also increase European added value. Thanks to monitoring supported by an appropriate database, effective application of the partnership principle and a comparative analysis based on experience, these strategies have proved to be an effective policy. For example:

1.4.1. in the context of the European Semester, achievement of the Europe 2020 targets could be given a higher profile at regional level;

1.4.2. as part of the mid-term review of the general and specific targets and results of the Europe 2020 Strategy, it should be possible, in the interests of effectiveness, to integrate the environmental, urban planning and development aspects of macro-regional cooperation contained in the various partnership agreements;

1.4.3. on the basis of the 11 cohesion policy thematic objectives set for 2014-2020, strengthening the macro-regional dimension of the planned measures included in the operational programmes could secure their added value, their effectiveness and their efficiency at European level;

([1]) Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions concerning the governance of macro-regional strategies — COM(2014) 284 final.

([2]) Recent and Upcoming EESC Opinions on Macro-regional Areas and Strategies, and Related Horizontal Matters — Key Points.

1.4.4. the macro-regional dimension of regional cooperation programmes adopted under the urban agenda concerning the EU's network of municipalities can facilitate social and cultural integration and foster the conditions necessary for social needs to be met;

1.4.5. a new macro-regional instrument for environmental conservation and sustainable use of resources would come into being.

1.5. The EESC recommends strengthening the European governance structure by involving civil society and municipal and regional authorities at each stage in the decision-making process, alongside the high-level coordination group made up of representatives of the 28 countries, which is responsible for macro-regional management.

2. **Debate**

2.1. Experience to date, as confirmed by the Commission's analyses, indicates that macro-regional strategies offer European added value in:

— strengthening European and regional identity;

— framing and implementing EU strategies; and

— coordinating resource use.

2.2. Macro-regional strategies offer new instruments which meet an important need, as:

— responses to the crisis have not been complex, and a balance therefore has to be struck between various territorial and social aspects;

— the elections to the European Parliament have shown that there are still problems with relations between the EU and civil society;

— the EU's institutional system is in need of reform (boosting democracy and decentralisation, strengthening horizontal structures, and improving the effectiveness and efficiency of policy implementation and promoting socioeconomic partnership).

2.3. Macro-regional strategies are of topical relevance because:

— based on the election results, a new Commission is being formed with new priorities, whose prime objectives, those of boosting growth, employment and the impact of businesses' planned investment, depend to a large extent on regional adaptability;

— the mid-term review of the Europe 2020 strategy is currently under preparation. In 2015 revised directives should be adopted — presumably this will involve strengthening the macro-regional approach;

— it has been shown that both in terms of governance and European added value — particularly as regards environmental conservation (seas) and disaster prevention (flood protection) and in the context of economic cooperation in the area of tourism and sectors exposed to innovation — the macro-regional strategies which have already been adopted and are now being implemented (Danube and Baltic regions) have identified new resources;

— European Commission initiatives (Adriatic and Alpine regions) are expanding into new areas, and are emphasising the need for Member States and regions to plan macro-regional links (focusing particularly on third country involvement in cooperation);

— there has been significant development of macro-regional cooperation opportunities — not least in political terms — as identified by the socioeconomic sphere (Mediterranean region, Atlantic coast), which has also contributed considerably to coordination of maritime strategies and 'inland' policies;

— long-established macro-regional cooperation is being stepped up along major cross-border and linear infrastructure, thanks in particular to the development of the macro-regional links under the Connecting Europe Facility;

— it has become obligatory to demonstrate macro-regional cooperation as part of partnership agreements for the 2014-2020 programming period.

2.4. By their very nature, macro-regional strategies are development-oriented, and they can therefore contribute significantly to strengthening and implementing the EU's development policy, particularly in relation to bottom-up initiatives. This particularly applies to the following areas (functions):

— economic activity of small and medium-sized enterprises;

— research, education, language learning, cooperation on health and cultural matters;

— cooperation on energy, environmental protection, logistics and public services (water, sewage, and waste management);

— joint planning by government bodies, regional institutions, and local and regional authorities;

— cooperation on security and migration;

— practical measures to support market competition (specific cooperation on labour market measures, supporting SMEs, and establishing development funds);

— statistical cooperation.

Most of these are areas in which a primarily bottom-up approach to boosting integration is appropriate, given that European institutions only play a marginal direct regulatory role here.

2.5. Participants in macro-regional strategies should cooperate as stakeholders with responsibility for their governments' cross-cutting tasks.

2.6. Both in terms of its perspective and governance instruments, the macro-regional approach reflects the guidelines for the EU's renewal:

— it provides for political governance and strategic vision bringing together stakeholders on different levels without the need to create new large-scale institutions;

— it can integrate policies and programmes at different levels (EU, country-specific, on territorial cooperation, on associated and accession countries, sectoral and financial instruments, etc.);

— it coordinates policy, strategic and financial instruments in order to achieve efficient and effective implementation;

— it helps to overcome regional boundaries between territorial governance organisations and sectors; and

— it ensures clear ownership throughout the strategy framing and implementation process.

2.7. The prerequisites for 'good' macro-regional governance are for it to have:

— strategic planning capacity;

— a reliable database specific to the region concerned and analytical capacity;

— a suitable executive agency;

— a comprehensive system for monitoring both planning and implementation;

— adequate communication resources;

— the requisite adaptability; and

— transparency in its activities, in order to ensure accountability.

2.8. According to the basic definition of macro-regional strategies, macro-regions:

— cover an area united by geographical, economic and cultural characteristics;

— encounter common challenges and opportunities; and

— are characterised by enhanced cooperation and resource coordination between various stakeholders with a view to achieving territorial cohesion.

2.9. Two types of macro-region fit this definition in current European practice, both of which allow third country participation:

— linear macro-regions which are essentially linked to large-scale infrastructure, such as the Danube region or regions along corridors, and

— macro-regions covering large areas such as the Baltic, the Adriatic and the Alps, the Mediterranean region and the Atlantic coast.

2.10. With the creation of the EU, Europe's historic borders have become virtual in functional terms. Taking a macro-regional approach enables new functional borders to be drawn on the map of Europe. Based on a macroregional concept, mechanisms for open cooperation that has been strengthened or is in the process of being strengthened already reflect the political approach of the 21st century, which in a democratic Europe should foster constantly-evolving cooperation to boost the economy and an inclusive society while sustainably preserving the environment.

3. **General observations and recommendations on expanding the role of macro-regional strategies**

3.1. It is possible to strike a balance between, on the one hand, the new focus of the Europe 2020 strategy and of financial and economic governance, and on the other, an approach which goes beyond GDP. This can be done by reducing regional disparities and aiming for harmonious development taking social needs and environmental aspects into account.

3.2. Macro-regional strategies contribute to territorial cohesion by strengthening solidarity-based mechanisms. At the same time, taking account of specific circumstances in different regions, it is possible to coordinate development instruments more effectively.

3.3. The proposals on coordinated macro-regional development and the economic benefits of closer macro-regional cooperation will help to attract more investment in innovation and large-scale production and supply capacity.

3.4. Institutional and economic networks and links within regions can significantly mitigate the effects of the globalisation crisis by tapping into resources and helping to iron out disparities between regions at different levels of development. Metropolitan and other developed urban regions have a key role to play here by providing an impetus for development.

3.5. Networks of metropolitan and polycentric regions offer considerable economic and innovative potential, and are drivers for job creation. At the same time they can present considerable environmental threats. Macro-regional strategies can compensate for the climate change threats posed by dense urban areas and facilitate planning to overcome them.

3.6. Macro-regional strategies can also help ensure proportionate development of small and medium-sized towns, by strengthening links between them and thus promoting local and regional values.

3.7. Macro-regional policy can help to narrow territorial and economic disparities by adapting the Europe 2020 strategy's flagship programmes to conditions in a given region.

3.8. A macro-regional strategy can be an instrument for generating the critical mass needed to combine economic, social and environmental assets in the interest of development. This can be of particular relevance to cross-border transnational programmes.

3.9. In view of their scale, macro-regional strategies can help to develop services of general interest in a fairer and more affordable way, at the same time as facilitating access to information and knowledge, and improving conditions for mobility.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

Opinion of the European Economic and Social Committee on the role of cooperative and savings banks in territorial cohesion — proposals for an adapted financial regulation framework

(own-initiative opinion)

(2015/C 251/02)

Rapporteur: Carlos TRIAS PINTÓ

On 10 July 2014 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 role of cooperative and savings banks in territorial cohesion — proposals for an adapted financial regulation framework.

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 3 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February 2015), the European Economic and Social Committee adopted the following opinion by 153 votes to 2 with 10 abstentions.

1. **Conclusions and recommendations**

1.1. In the transition to new banking and non-banking business models in the finance sector, the EESC considers it vital to preserve the 'biodiversity' of the financial system, without this meaning the arbitrary application of rules ([1]).

1.2. Shareholder-value banks (SHV) must be efficiently complemented by stakeholder-value banks (STV), through their wholesale, retail and investment activities. This is the only way to secure a stable and effective financial ecosystem that makes its full contribution to the development of the real economy.

1.3. The EESC strongly supports the efforts made by the European Commission to take the particular nature of cooperative and savings banks into account in the new financial regulation, so as to avoid the undesirable effects of uniform application of prudential rules and possibly an overload of administrative burdens.

1.4. However, the main problem remains the proper application of the **proportionality principle** in the new banking rules (especially regarding the **Capital Requirements Directive — CRD IV** and the **Capital Requirements Regulation — CRR**), which the Basel Committee suggested should be applied proportionately in keeping with the EU Treaties. This means that the strictest requirements should apply to global banks, stringent requirements should apply to pan-European banks (of a systemic nature in Europe) and more flexible requirements should apply to national and local banks (guaranteeing a proper level of consumer protection).

1.5. This does not mean freely granting privileges to certain segments of the financial sector. The EESC has always been committed to a level playing field, and therefore recommends the use of objective parameters that justify a specific regulation for each business model. Essentially, these are financial and economic performance, contribution to the real economy, risk management, and governance. The EESC proposes that the financial authorities should offer incentives to those actors who best comply with these conditions.

1.6. The EESC seeks to highlight the banking model provided by cooperative and savings banks while stressing its condemnation of certain forms of behaviour in the financial sector, including that of some companies in the sector. The EESC calls for stronger ethical standards and codes of good governance across the financial services industry, as these are vital for restoring lost confidence.

([1]) OJ C 451, 16.12.2014, p. 45.

1.7. The EESC stresses the dramatic impact which continued stagnation and lack of credit for SMEs and households may have on the European Union's future. It also echoes the recent criticism by the European Parliament of the Basel Committee's position, which had questioned the specific European instruments for financing SMEs.

1.8. If Europe wishes to successfully meet future challenges and be an agent for change (rather than undergoing it passively), it urgently needs to adopt a range of measures in the financial sphere to effectively carry out the Europe 2020 strategy, the Single Market Acts I and II, the Small Business Act, the Cosme programme, the Social Business Initiative, and so on. Strengthening the role of savings and cooperative banks in the European financial system will be crucial to meeting these objectives.

2. **Cooperative and savings banks in the European financial context**

2.1. Savings and cooperative banks have historically played a key role in developing the economy, especially by supporting agriculture, small industry and trade. They currently account for around 40 % of the EU financial sector (reaching 70 % in France and 60 % in Germany), although their structure varies significantly between countries. The sectoral concentration of savings banks in countries such as Spain and Finland contrasts with the very dispersed situation in Germany and Austria.

2.2. Broadly speaking, bank restructuring has produced a smaller, more streamlined but less inclusive picture, as in recent years it has deprived SMEs and households of financing; it has gone hand in hand with a steady reduction in the network of local branches and the loss of many jobs. This trend may worsen if local banks are pushed out of the market.

2.3. Taking the business model of a retail bank, cooperative and savings banks offer some highly distinctive features: these include their links with the local production fabric, their firm anchorage in their region, their extensive commercial networks, their closeness to the customer, the financing of specific sectors, their closeness to local interests and social operators, and their solidarity.

2.4. Because of the way they are structured, cooperative and savings banks tend to have healthy asset structures, with reasonable risk assumption, gearing their investment and capitalisation processes in line with endogenous territorial development policies.

2.5. From a conceptual viewpoint it is useful to establish the features which distinguish cooperative banks from savings banks:

— cooperative banks are private bodies which combine two features: they are cooperative societies and credit institutions whose main aim is to provide financial services for their members/owners and customers. Their governance rests on the cooperative principles of democratic decision-taking and participation (one person, one vote), and a significant proportion of their earnings are ploughed into statutory reserve funds and social funds;

— savings banks are a private form of foundation, with a dual role which embraces both financial activity and a social purpose. The distinguishing feature of this model is the absence of explicit owners, although other configurations co-exist, such as that of a public company or public limited company. In the foundation form, the governing bodies are decided by a general assembly at which local and regional corporations are represented together with, depending on the country, clients, founding bodies or employees. Profits are ploughed into reserves and social initiatives.

2.6. The figures for cooperative banks are very eloquent in periods of crisis: no cooperative bank in the EU has been unable to meet its payment obligations. They hold a roughly 20 % market share of deposits; in countries such as Italy, France, Germany and the Netherlands they finance between 25 % and 45 % of loans to SMEs and have steadily increased their share of deposits in recent years, which is a strong indication of trust in this type of entity.

2.7. For their part, savings banks have continued to play a significant role in the EU financial system. Thus in Germany they have garnered a market share of 43 % of deposits and 39 % of credits, while in Spain the respective figures are 41 % and 42 %.

2.8. The International Monetary Fund ([2]) has also highlighted the essential role of cooperative banks. As these bodies are less dependent on shareholder expectations, they provide a reliable and secure answer to the credit needs of SMEs and of many households.

2.9. However, there have been exceptions: some cooperative and savings banks have jettisoned their own aims and moved into speculative activities and opted for excessive expansion in other regions, sullying their reputation, prompting certain countries to implement regulatory measures that have to some extent distorted this banking model.

2.10. In short, strengthening capital, attaining an appropriate size, preserving their territorial nature and maintaining high levels of consumer protection must go hand in hand with upholding the basic attributes of a distinctive business model. In this process, the EESC calls for recognition and support from the EU institutions.

3. **Challenges facing the development of retail banking**

3.1. Cooperative and savings banks embody the specific characteristics of a retail bank: closeness to the customer, local roots, cooperation, a social purpose, and so on. However, a number of factors affect the development of their potential ([3]):

— increasing competition has brought a steady reduction in financial intermediation margins;

— multi-channel distribution requires heavy investment in technology;

— in some cases, excessively small size makes it necessary to forge strategic alliances between bodies or to merge;

— concentration is not without risk, and may bring diseconomies of scale; and

— local banking is difficult to combine with geographical diversification on international markets.

3.2. Notwithstanding the above, cooperative and savings banks continue to play an important role in pursuing the Europe 2020 strategy, through their financial, social and territorial roles, complementing forms of non-bank financing (crowdfunding, risk capital, business angels, etc.) which have emerged as a result of the credit crunch and the high guarantees demanded.

3.3. The EESC considers that the economic and monetary authorities should strengthen measures to facilitate SMEs' access to funds and encourage long-term financing, promoting diverse forms of enterprise ([4]) and risk-sharing in the financial services sector.

4. **A social role serving local economies**

4.1. For cooperative and savings banks, financial and social functions are closely intertwined in their commitment to territorial cohesion. Their social commitment and concern for the community are the features that are most visible to the public ([5]).

4.2. The surpluses generated are shared among cultural initiatives, social assistance and healthcare, education and research, historical and artistic heritage, environmental sustainability, and so on, and in the case of savings banks the social dividend amounts to several billions of euros every year.

([2]) *Redesigning the Contours of the Future Financial System, IMF staff position note* — 16 August 2010 (SPN/10/10).

([3]) Bank of Spain: *Cooperative and Savings Banks in Europe: nature, challenges and perspectives*, April 2011; European Association of Cooperative Banks: *EACB answer to the Green Paper on territorial cohesion turning territorial diversity into strength*, February 2009; WSBI-ESBG: *200 years of savings banks: a strong and lasting business model for responsible, regional retail banking*, September 2011; EESC: *The social economy in the European Union*, 2014.

([4]) OJ C 318, 23.12.2009, p. 22.

([5]) Castelló, E.: *El liderazgo social de las cajas de ahorros [The social leadership of savings banks]*. FUNCAS, Madrid 2005.

4.3. Given the need to create value for local economies, the 'stakeholder value' (STV) approach is becoming increasingly important. In particular, social banking facilitates financial inclusion and territorial cohesion by fostering entrepreneurship and the start-up of crowdfunding and socially responsible investment schemes.

4.4. Cooperative and savings banks play a significant role as intermediaries for EU instruments and programmes. The EESC thinks that administrative requirements should be simplified to give smaller cooperative banks easier access to an intermediary role for the financial instruments of the European Investment Bank (EIB) and the European Investment Fund (EIF). Simplification is a key element in implementing the Juncker plan. It is also vital for them to be able to strengthen their role in implementing the Social Business Initiative (SBI).

5. **The effects of restructuring in the social banking sector**

5.1. Savings banks in Europe have recently undergone major restructuring, in some countries transforming the foundation on which they are based.

5.2. Subsequently, as a result of the global financial crisis, there have been rescue and reform processes, mergers and acquisitions, nationalisations and, in the case of Spain's savings banks, even consolidation into commercial banks.

5.3. Corporate governance problems, the increased requirements of the new financial regulation and the need to adapt the size of the sector to a shrinking market have led to a certain amount of concentrations in the banking sector. Whilst it is difficult for these bodies to internationalise in order to gain size, the EESC stresses that risk-taking is usually higher in multinational groups.

5.4. At the other end of the spectrum, on the basis of the 2012 report by the Liikanen group and in order to address the problems which banks that are 'too big to fail' pose for the taxpayer, the Commission has proposed a regulation on structural measures improving the resilience of EU credit institutions; the EESC opinion on this ([6]) was adopted with a large majority.

5.5. Certain articles of the proposed regulation provide for exceptions concerning capital requirements and voting rights in the case of cooperative and savings banks, in recognition of their very specific ownership and economic structure.

5.6. The EESC considers that some of the rules on separating commercial banking from investment banking could undermine the operation of smaller local banks and their day-to-day grassroots role in helping the real economy, and would therefore prove disproportionate.

5.7. These changes are not without implications for the European public: they lead to cuts in capacity (branches and staff), which has an impact on employment and financing for private individuals and SMEs.

5.8. In short, the EESC considers that without a degree of flexibility in meeting the new regulatory requirements, there is a risk that cooperative and savings banks will turn into commercial banks and thus lose their special nature, thereby depriving society of a major social asset that has been built up over several centuries.

6. **Strategic options for facing future challenges**

6.1. Cooperative and savings banks have helped to give the European banking system stability, solvency and competence. However, new market requirements lay down the following challenges:

— consolidating the model of a local retail bank,

— taking further steps in business cooperation,

— improving their internal risk management systems,

— adapting to new regulatory, supervisory and resilience measures,

— increasing the professionalism of their managers,

([6]) OJ C 451, 16.12.2014, p. 45.

— being run more efficiently,

— protecting their capital level in order to avoid insolvency, and

— promoting transparency and good corporate governance.

6.2. The capital deriving from relations is an intangible asset that is vitally important in banking. Social-economy financial bodies must thus make good use of their networks of contacts and internal support. For their part, the financial authorities must recognise the value of these joint liability funds between cooperative banks when it comes to applying prudential rules.

6.3. They must also keep an eye on debt arrears, uncertain situations caused by geopolitical risks and technological innovations (the Digital Agenda), which create a new ecosystem for the financial system, where it will be necessary to watch the future interaction between four players: traditional banks, new digital players, the regulator and consumers.

6.4. They need to combine their strength as a model of proximity (their knowledge of their customers and their commitment to community projects) with the use of ITC in order to support new initiatives to help the productive economy recover.

6.5. They need to improve their corporate governance, by establishing appropriate training, management and control structures. More specifically, strict codes of conduct will need to be laid down to guarantee the professionalism and ethical integrity of representation on the governing bodies.

6.6. The EESC proposes that a new internal supervisory model be established for cooperative and savings banks that includes employees, SME representatives and other stakeholders.

6.7. They must tackle the new challenge of competition from outside the banking sector, in order to respond to new demands from the public and be able to grow alongside and forge alliances with crowdfunding and collaborative consumption practices.

7. **Improving the resilience and supervision of Europe's banks**

7.1. The EESC calls for the completion of regulatory and financial supervision systems, and for financial institutions to be given sufficient capacity to withstand future financial crises.

7.2. In this context the European Commission has adopted a delegated regulation ([7]) which, on the basis of draft technical standards submitted by the European Banking Authority, regulates aspects relating to own funds, considering the capital instruments of cooperatives and savings banks to be different. Of particular importance here are issues relating to the limitation of redemption of Tier 1 capital instruments in the case of cooperative banks.

7.3. Another basic pillar for the completion of a banking union is the single supervisory mechanism and management of the fund set up to finance possible bailouts. The EESC considers that this instrument will strengthen banks' responses to future crises ([8]).

7.4. Given the need to share risks, the EESC agrees that when determining each institution's contribution to the future Single Resolution Fund, account should be taken of its risk model. The EESC also draws the Commission's attention to the need to apply the indicators set by the Directive on the recovery and resolution of credit institutions ([9]). We are also pleased to note that the advisability of an institutional system of protection has been considered ([10]).

([7]) Commission delegated Regulation (EU) No 241/2014 of 7 January 2014.
([8]) OJ C 67, 6.3.2014, p. 58.
([9]) See Directive 2014/59/EU.
([10]) Cf. Commission Delegated Regulation (EU) 2015/63.

7.5. In this new financial scenario, the EESC calls for a genuine injection of corporate social responsibility, ethics and transparency in financing, and for supervisory bodies to conduct an educational campaign to improve the financial culture ([11]), especially as regards social economy formulas, as many people are still unfamiliar with these. In this regard, it is essential to give a more active role and higher profile to the networks representing them: the European Association of Cooperative Banks (EACB), the European Federation of Ethical and Alternative Banks (FEBEA) and the European Savings Banks Group (ESBG).

7.6. The EESC considers that devising new financial instruments to improve governance is a very positive step, but that the relevant rules must reflect the diversity of the financial actors involved, and ensure their stability while limiting the burden on financial institutions with fewer resources. In short, this means better lawmaking.

8. **Strengthening the socially responsible banking model**

8.1. Restoring the production fabric, strengthening local economies and tackling social problems should be priorities for the EU. The EESC therefore calls on the institutions to use permanent forums for dialogue to strengthen banking models that root the financial system in the real economy, bringing stability and prosperity to the regions.

8.2. The trend towards ever larger banks, as a result of restructuring processes, is a cause for concern because of the systemic risk it entails. The EESC thus calls for a return to traditional business (back to basics) as part of moves to differentiate more clearly between institutions specialising in commercial banking and those that combine developing their business with investment banking. Experience has shown that diversity, and spreading and sharing risks, are good for the European financial system.

8.3. The vitality and development of cooperative and savings banks rest on democratic management and the freedom to decide responsibly how to deal with their surpluses. Strengthening financial intermediation to help the real economy is the way to guarantee its future continuation, in keeping with the UN's 2015 Sustainable Development Goals and with its 2012 declaration on cooperatives.

8.4. Cooperative and savings banks therefore deserve specific treatment when applying prudential regulations, as these institutions provide the banking model that the EU public wants, based on responsible, solidarity-based management ([12]) rooted in the principles and values of the social economy.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

([11]) OJ C 318, 29.10.2011, p. 24.
([12]) OJ C 100, 30.4.2009, p. 84.

Opinion of the European Economic and Social Committee on 'Freeing the EU from asbestos'

(2015/C 251/03)

Rapporteur: Aurel Laurențiu PLOSCEANU

Co-rapporteur: Enrico GIBELLIERI

On 8 July 2014 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

'Freeing the EU from asbestos'

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 28 January 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February 2015), the European Economic and Social Committee adopted the following opinion by 162 votes to 5 with 10 abstentions.

1. **Conclusions and recommendations**

1.1. The total removal of all used asbestos and all asbestos containing products has to be a priority target of the European Union. Action plans are a matter for the Member States but the EU should coordinate. In this respect, the EESC encourages the EU to work with the social partners and other stakeholders at European, national and regional levels to develop and share action plans for asbestos removal and management. These plans should include: education and information; training for public employees; national and international training; programmes to fund asbestos removal; awareness-raising activities relating to the removal of asbestos and products containing asbestos (including during removal from buildings), public amenities and sites of former asbestos factories; cleaning premises and installations in buildings, for the destruction of asbestos and asbestos-containing debris; monitoring of the effectiveness of existing legal requirements; exposure assessments of at-risk personnel and health protection.

1.2. Several EU Member States have developed registers of buildings containing asbestos. The other Member States should be encouraged to develop such registers, which would serve to provide relevant information on asbestos risks to workers and employers prior to renovation work being undertaken and complement existing health and safety protection required under EU law. Registration could start at the local level for public buildings and public infrastructure.

Today only Poland has established a financially backed an action plan, targeting the removal of all still existing asbestos resources ([1]).

1.3. The aim is to remove all asbestos by the end of 2032. Taking this example as a blueprint, the European Union should encourage Member States to launch specific action plans and road maps at various levels: local, regional and national. In this respect, the full enforcement of EU and national asbestos regulations is also of great importance. At European level the Senior Labour Inspectors' Committee (SLIC), and at national level the labour inspectorates, can play an important role in ensuring this is achieved.

1.4. What can be learned from the Polish example is the crucial importance of sufficient public funding for the removal of asbestos. We also consider the organised and structured removal of asbestos to be a type of improvement of regional development and the improvement of infrastructure of those regions. The European Commission should consider opening access to its structural funds explicitly for asbestos removal plans.

1.5. The European Commission is urged to undertake a study of existing national approaches and systems for the registration of asbestos as well as their financing.

([1]) Polish Ministry of Economy; Programme for Asbestos Abatement in Poland 2009-2032 — Annex to the Resolution No 39/2010 of the Council of Ministers of 15 March 2010.

1.6. Landfills for asbestos waste are only a temporary solution to the problem, which is thus left to be dealt with by future generations, as asbestos fibres are virtually indestructible over time. Therefore, the EESC calls on the Commission to promote to promote systems for destroying products that contain asbestos (systems such as plasma torches, pyrogasification, etc.), referring to the Best Available Techniques. Research and innovation should be promoted to implement sustainable technologies for the treatment and inertisation of waste containing asbestos with a view to their safe recycling, re-utilisation, and the reduction of their disposal in landfills. The Commission should provide for effective measures to avoid the hazardous practice of delivering asbestos waste to landfills that are foreseen for general building refuse.

1.7. EU funding and MS incentives targeting better energy efficiency in buildings should be linked with the safe removal of asbestos from those buildings. Whereas the EU has developed an ambitious policy for energy efficiency and the revised Energy Efficiency Directive is expected to establish a long-term strategy in each Member State for renovation of buildings, this policy is not combined with asbestos removal strategies. Such a combination, formulated in a consistent EU policy that integrates the relevant policy areas is strongly recommended.

Any kind of action plan for the removal of asbestos needs to consider the qualifications of all stakeholders involved in the work/action. This concerns workers and companies, Occupational Safety and Health (OSH) coordinators as well as labour inspectors, advisers, trainers, employers and others. Certification of the capabilities of the companies to be involved in these action plans is highly needed and recommended.

1.8. Safe removal is highly dependent on trained workers of two categories: those working in specialised companies, and those in professions and occupations who come into contact with asbestos accidentally.

The EESC calls on the Commission, in cooperation with the national authorities, to provide the necessary support for actions and initiatives aiming at ensuring the protection of the entire EU workforce, given that small and medium enterprises, which employ most of the European workforce, are particularly exposed as regards the implementation of health and safety legislation. Sound training is crucial in this relation.

1.9. The EESC calls on the Commission to draw up, together with the social partners and other relevant stakeholders, programmes and awareness-raising activities on asbestos-related risks and the need for appropriate training for all staff likely to be affected by ACMs, in accordance with Article 14(1) of Directive 2009/148/EC, and to improve information about existing asbestos legislation and provide practical guides as to how to comply with it, including EU citizens.

1.10. EU legislation should also reflect and adopt the latest scientific and medical research results. Recent research has also discovered that also very low exposure and a very long latency period can result in mesothelioma and lung cancer. Therefore, the EESC urges the Commission to amend Recommendation 2003/670/EC to reflect the progress of medical research and to include cancers of the larynx and ovary as asbestos-related.

1.11. It should be ensured that at Member State level all cases of asbestosis, mesothelioma and other asbestos-related diseases are registered by means of systematic data collection on occupational and non-occupational asbestos diseases, that pleural plaques are categorised and officially registered as an asbestos-related disease, and that reliable mapping of asbestos presence is ensured, with the assistance of dedicated observatories. Medical staff need appropriate training so they can perform their duty of sound diagnosis.

1.12. Additionally, EU institutions should disseminate, or support the dissemination of, best practices on national guidelines and practices regarding national procedures for the recognition of asbestos-related diseases.

1.12.1. In particular, the active role of victims in recognition procedures needs to be improved. To give them access to the necessary information and to give them a voice, legal, financial and personal support has to be provided. Asbestos victims associations must be organised. This can reduce the personal burden they bear within such recognition procedures, which always adds to their personal suffering from the disease.

Therefore, the EESC:

— calls on insurance and compensation bodies to adopt a common approach to recognition and compensation of asbestos-related occupational diseases,

— calls for recognition procedures to be simplified and facilitated,

— recognises that, due to very long latency periods, asbestos victims are often unable to substantiate the causality of their occupational asbestos exposures,

— calls on the Commission to support conferences which provide asbestos victims' groups with professional advice, and which provide support for their members.

1.12.2. Lastly, the EESC encourages the EC, in cooperation with the World Health Organisation (WHO) and International Labour Organisation (ILO), third countries and other international bodies, to promote worldwide high levels of health and safety at the workplace, for example by identifying asbestos-related problems and promoting solutions conducive to health protection, as well as for better information and support for victims of asbestos-related diseases.

1.12.3. Considering the great importance of the matter, the EESC/CCMI will present this opinion at a conference jointly organised with the European Parliament, the Committee of the Regions and the European Commission.

2. **Introduction**

2.1. Despite the Europe-wide ban on asbestos ([2]) (1999, to be implemented by 2005), asbestos still kills people in Europe. Whereas all types of asbestos are dangerous and its hazard impact has been documented and subject to regulations, and despite the ban on the use of asbestos, it is still found in many ships, trains, machinery, bunkers, tunnels, galleries, pipes in public and private water distribution networks and especially in buildings, including many public and private buildings.

2.2. According to the WHO, between 20 000 and 30 000 cases of asbestos-related diseases are recorded every year in the EU alone, and more than 300 000 citizens are expected to die from mesothelioma by 2030 in the EU ([3]). It is further estimated that worldwide 112 000 people die every year of asbestos-related diseases ([4]).

2.3. The Europe-wide ban on asbestos ([5]) (1999, to be implemented by 2005) and the existing market surveillance do not ensure that asbestos-containing products are not imported into the European market. This concerns a wide range of products, among them building materials, household appliances, linings for car brakes or thermos flasks. Based on the new approach for the European Market Surveillance ([6]), the EU could start action against asbestos containing products.

2.4. At EU level there is a comprehensive set of legislation on asbestos regarding a ban, limit values and workers' protection. Beside the ban on asbestos use and marketing, limit values have been established and a specific EU directive regulates working conditions ([7]), while certification of companies and the information and worker training are compulsory. However, EU provisions are often very general and result in diverging implementation. Further, aspects like specific provisions for training levels for the various functions or provisions regarding the registration of asbestos sources are still missing.

2.5. At this point, it should be mentioned that an own initiative report of the European Parliament, adopted in March 2013 ([8]), comprehensively describes the various problems and policy areas related to the asbestos issue and lists 62 specific demands, directed to the European and national policymakers.

([2]) Directive 1999/77/EC.
([3]) http://www.who.int/mediacentre/factsheets/fs343/en/
([4]) http://www.efbww.org/pdfs/Presentation%20Mr%20Takala.pdf
([5]) Directive 1999/77/EC.
([6]) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0075:FIN:EN:PDF; COM(2013)75 final, see especially Article 12.
([7]) Directive 83/477/EEC of 19.9.1983, modified by Directive 91/382/EEC of 25.6.1991 and amended by Directive 98/24/EC of 7.4.1998.
([8]) European Parliament resolution of 14 March 2013 on *Asbestos related occupational health threats and prospects for abolishing all existing asbestos* (2012/2065/INI).

2.6. Today we must face the fact that annual asbestos production across the world remains at the same high level, even though many countries have banned its use. The trade in and use of asbestos has simply shifted from industrialised to emerging countries. The flourishing worldwide trade in asbestos is accompanied by the powerful activity of an international asbestos lobby, which also uses complaisant research by some scientists in its propaganda. It should also be noted in this regard that European financial investment in global asbestos industries is ongoing. Europe is also continuing to export asbestos, by sending ships for scrap to other parts of the world. We also need to note that vessels carrying asbestos as cargo in transit still dock and use port facilities or temporary storage within the EU.

2.7. It is of crucial importance to have a worldwide level playing field as regards asbestos and in this respect the EU should play a decisive role in banning the use of any kind of asbestos worldwide. In this respect, Europe can provide other regions of the world with its knowledge on health effects of asbestos, its substitution by other materials and the safe removal of asbestos. What is required is a stronger EU engagement in the international institutions to pioneer instruments to label the asbestos market as a toxic trade and to make the listing of chrysotile asbestos in Annex III of the Rotterdam Convention ([9]) a top priority.

3. **Specific developments**

3.1. According to a study published in 2011 ([10]) a substantial share of the existing built environment in the EU is older than 50 years. More than 40 % of residential buildings were constructed before the 1960s. A large boom in construction took place between 1961 and 1990, a period during which housing stock, in almost all the Member States, more than doubled and asbestos was widely used.

3.2. According to the same study buildings consume about 40 % of total final energy requirements in Europe. They represent the largest-consuming sector, followed by transport at 33 %. At the same time the EU is committed to a 80-95 % reduction of greenhouse gas emissions by 2050 as part of its roadmap for moving to a competitive low-carbon economy in 2050 ([11]).

3.3. This means that renovation of the built environment offers on both significant potential for enhancing building energy performance, thereby achieving the objectives of the EU Roadmap 2050, and a unique opportunity for removing asbestos.

3.4. This however requires a coordinated approach and close cooperation at both EU and national level in terms of policies and financial schemes. Innovative financial instruments are also needed, in order to trigger private investment.

3.5. What is expected of the EU level in this respect is a supporting and coordinating role. Additionally topics like workforce training, registration, recognition of asbestos-related diseases are policy fields that need to be better coordinated.

4. **Developments at national level**

4.1. Even with the ban, millions of tonnes of asbestos remain in buildings and not all the Member States have yet introduced registers of where it is located and how much asbestos needs to be removed. Therefore, we lack an adequate starting point for the proper treatment of all remaining asbestos resources in Europe.

([9]) The Convention entered into force on 24 February 2004 and its objectives are: to promote shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm; to contribute to the environmentally sound use of those hazardous chemicals, by facilitating information exchange about their characteristics, by providing for a national decision-making process on their import and export and by disseminating these decisions to Parties. http://www.pic.int/TheConvention/Overview/TextoftheConvention/tabid/1048/language/en-US/Default.aspx

([10]) BPIE (Buildings Performance Institute Europe), *Europe's buildings under the microscope*, October 2011.

([11]) Directive 2010/31/EC of 17.5.2010.

4.2. Today, Poland is the only EU country that has established a nation-wide programme for the removal of all existing asbestos estimated at EUR 10 billion up to 2030, with a clear timeframe and the corresponding financing through a mixture of public (State, EU programmes) and private (owners, territorial associations, etc.) means. This type of initiative needs to be launched in all EU countries ([12]).

4.3. In France 3 million social housing units from a stock of 15 million have been identified as having asbestos-related problems and the estimated costs for the necessary rehabilitations are EUR 15 billion. The estimated cost per unit is between EUR 15 000 and EUR 20 000. Development work concerning asbestos in the iconic Montparnasse Paris tower should be watched closely.

4.4. In the United Kingdom a campaign is under way to free all schools from asbestos. One of the reasons for the campaign is an increased mesothelioma rate among teachers in the UK ([13]).

4.5. In Lithuania an asbestos roof replacement programme started in 2012 implemented by the Ministry of Agriculture where the applicants are villagers and the maximum amount of financial support for a project cannot exceed LTL 6 000 (EUR 1 740). The EU and the state budget support up to 50 % of total eligible project costs.

5. **Training actions**

5.1. One major problem is knowledge — and lack of knowledge — regarding asbestos. Many workers are exposed to asbestos in their occupations. This is the case particularly in the maintenance and decontamination sectors, but many others are potentially concerned (roofers, electricians, heating installers, recycling workers, OSH coordinators, labour inspectors and many others). Existing legislation already establishes an obligation for employers to provide appropriate training for all workers who are, or are likely to be, exposed to dust from asbestos or materials containing asbestos. However, with the ban on the use of the various types of material, knowledge about the hazards, characteristics and visual appearance is progressively being lost. While many Member States have provided training courses for demolition, building and maintenance workers and others who work with the removal of ACMs, we still lack sufficient standards applicable throughout Europe.

5.2. Physical integrity is a fundamental human right, laid down among others in the European Charter of Fundamental Rights. EU policies are to be designed to protect this right. This concerns first and foremost public health policies and policies on occupational safety and health but also other policy areas concerning possible exposure to asbestos and on how asbestos is to be treated.

5.3. Another area of concern is adequate knowledge on the part of civil engineers, architects and employees of companies that are not specialised in asbestos removal. The EESC calls on the Commission to establish a working group, together with the Member States, to develop minimum asbestos-specific qualifications and to provide asbestos-specific qualifications for the training of those professions/workers.

5.4. The European social partners from the construction industry (FIEC and EFBWW) have tackled this problem by developing Asbestos Information Modules ([14]) for the second category of workers. Another EU-funded project (ABClean — Leonardo Da Vinci project), outside the framework of the social dialogue, is developing some materials for 'train the trainer' courses ([15]).

([12]) Annex to the Resolution No 39/2010 of the Council of Ministers of 15 March 2010.
([13]) http://www.asbestosexposureschools.co.uk/pdfnewslinks/INCREASING%20MESOTHELIOMA%20DEATHS%20AMONGST%20SCHOOL%20STAFF%20AND%20FORMER%20PUPILS%20%2017%20JAN%2015.pdf
([14]) http://www.efbww.org/default.asp?Issue=Asbestos&Language=EN and: http://www.fiec.eu/en/library-619/other-publications.aspx
([15]) http://www.abcleanonline.eu/Project.aspx

6. Outcome of the mini hearing

6.1. Far too many persons in Europe are suffering from various asbestos-related diseases. Most of these diseases are work-related but far from all of them. Housewives who used to clean the working clothes of their husbands were also exposed to asbestos fibres as were their children. A campaign in the UK has discovered that some 80 % of all schools are still asbestos-contaminated. This can easily turn into another generation of asbestos victims, especially in the light of the latest scientific research regarding the question of exposure levels/latency periods and the development of diseases. Also very low doses of exposure can, combined with a long latency period, turn into the various asbestos-related diseases. Asbestos exposure is therefore a threat to the general population in several Member States.

6.2. Additionally, and due to the very long latency period and the partial lack of knowledge among medical staff, victims often do not receive timely and proper support and information from healthcare providers.

6.3. Safe disposal is an important aspect of each removal plan. If this aspect is neglected, unexpected exposure will occur. In Switzerland, for example, the highest asbestos exposure was measured in the recycling sector.

6.4. With a view to protecting citizens and workers, functioning market surveillance is a precondition for preventing new asbestos-containing material from entering the European market.

6.5. Regarding the lethal character of all forms of asbestos the EU is acting on sound common ground. Directive 1999/77/EC states that 'no threshold level of exposure has yet been identified below which chrysotile asbestos does not pose carcinogenic risks' and that 'an effective way of protecting human health is to prohibit the use of chrysotile asbestos fibres and products containing them'.

6.6. An asbestos-related disease can and often does lead to a particularly painful lingering death. A Eurogip report ([16]) and the report on a joint project from EFBWW, ETUC and IBAS have shown the situation regarding the recognition and compensation of asbestos-related diseases as it is regulated in the central and eastern European Member States ([17]). Even though the most relevant asbestos-related diseases are in principle recognised in most of the Member States, all too often victims are still fighting for their recognition without success.

The abovementioned reports also reveal that national provisions and procedures regarding recognition and compensation differ widely. Often the support and guidance that victims need do not exist.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

([16]) http://www.eurogip.fr/en/publications-d-eurogip/130-asbestos-related-occupational-diseases-in-europe-recognition-statistics-specific-systems

([17]) http://www.efbww.org/default.asp?Issue=Asbestos_diseases&Language=EN

Opinion of the European Economic and Social Committee on progress made on implementing the Europe 2020 strategy and how to achieve its targets by 2020

(exploratory opinion requested by the Latvian Presidency)

(2015/C 251/04)

Rapporteur-general: Mr BARÁTH

In a letter dated 25 September 2014, Acting Minister of Foreign Affairs and Minister of the Interior of the Republic of Latvia, Rihards Kozloviskis, asked the European Economic and Social Committee to draw up an exploratory opinion on the

Progress on implementation of the Europe 2020 strategy and how to achieve its targets by 2020.

On 14 October 2014, 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 Baráth as rapporteur-general at its 505th plenary session, held on 18 and 19 February 2015 (meeting of 19 February), and adopted the following opinion by 184 votes to 5 with 6 abstentions.

1. **Conclusions and recommendations**

1.1. The EESC agrees with the Latvian Presidency, recognising the fundamental importance of the EU 2020 Strategy review to boosting European competitiveness. The EESC supports the direct link made between improved European competitiveness and the 'Digital Agenda for Europe' flagship initiative ([1]), including the enormous consequences for industry, the labour market and society in general, which have been underestimated by the European Commission and the Council. The situation needs an over-arching medium- and long-term vision and a greater sense of ownership.

1.2. The measures suggested in this opinion of the EESC should help ensure that gradually, over a period of several years, the Europe 2020 strategy (and then Europe 2030) should be the central concept underpinning the EU's economic, social and territorial strategies in the long term, taking into account the range of differing situations in the Member States.

1.3. The financial crisis has had a major impact on the implementation of the objectives of the Europe 2020 Strategy, creating limitations and constraints in terms of the effectiveness, appropriateness and legitimacy of its targets and governance model. Broadly speaking, the EU is now much further away from the Europe 2020 goals than it was in 2010. The strategy has suffered as a result of the crisis.

1.4. The details of the current situation can be found in the survey issued by the Commission on the mid-term review of the EU 2020 Strategy and in the EESC opinion ([2]). The opinion contains a number of interesting points to be taken into account with regard to the forward-looking changes to be proposed for the revised strategy. On several occasions, the EESC underlines the point that Europe does not need a completely new strategy, but a much more effective one.

1.5. The new Commission, which took office in autumn 2014, has published its work programme entitled 'A New Start for Europe' ([3]).

The EESC agrees with the three pillars of the work programme:

a. to provide an additional boost to the recovery of the European economy and to job creation;

b. to boost long-term competitiveness in strategic areas;

([1]) For the 'Digital Agenda for Europe' please see the European Commission website http://ec.europa.eu/digital-agenda/

([2]) EESC opinion on *Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth — OJ C 12, 15.1.2015, p. 105–114.*

([3]) For the work programme 'A New Start for Europe' please see the European Commission website http://ec.europa.eu/priorities/docs/pg_en.pdf

c. to strengthen European human capital and physical infrastructure, focussing on the European interconnections.

1.6. The new work programme addresses implementation of the ten policy guidelines that form the priorities of the Commission president, Jean-Claude Juncker. This is all the more important considering that several of these directly support the implementation of the Europe 2020 strategy:

a. An Investment Plan for Europe ([4]), establishment a new risk-bearing European Fund for Strategic Investment,

b. An ambitious Digital Single Market Package and

c. Initial Steps towards Energy Union.

1.6.1. There must be a global vision, along with a strategy for its implementation, and widespread information about it. The EESC is of the opinion that Europe 2020 and the Investment Plan should be much more closely linked.

1.6.2. The EESC is currently examining in an opinion ([5]) the extent to which the Investment Plan should remedy the main shortcomings of the Europe 2020 Strategy, and the new financial instruments increase the chance of implementing its objectives.

1.6.3. The EESC is in favour of improving the Digital Single Market Package ([6]), taking a decisive step towards implementation of the Digital Flagship of the EU 2020 Strategy. Securing the European Union's digital future is one of the main pillars supporting the competitiveness of the European economy and determining the sustainable development of an environment-friendly European society. The EESC demands measures to ensure that the marked increase in digital applications used by people in Europe also has a positive impact on work.

The EESC reiterates its support for allocating funds to cover the underfinancing decided by the European Council on expanding broadband and digital networks in the 2014-2020 Multiannual Financial Framework ([7]).

1.6.4. The EESC reaffirms its position on promoting a common European energy policy, fostering principles such as adjusting and reducing differences in energy prices, improving conditions for the internal energy market, reducing energy dependency on non-EU States and promoting renewable energies.

2. **Analysis of the main effects on the future steps to improve implementation of the EU 2020 Strategy**

2.1. The Annual Growth Survey (AGS) ([8]) published in late 2014 formally takes account of the new development plan, which is essential to the future of the European Union. The main objectives of the European Semester, National Reform Programmes and the Europe 2020 strategy should finally be aligned by a long term vision:

2.1.1. A coordinated boost for investment, based on the Investment Plan for Europe;

a. the target is to harness at least EUR 315 billion in additional finance at the EU level for investment in infrastructure, where progress is expected to achieve substantial economic and social gains,

b. ensuring that finance reaches the real economy,

([4]) For the 'Investment Plan' please see the European Commission website http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm
([5]) EESC opinion on An Investment Plan for Europe, ECO/374 (not yet published in OJ).
([6]) For the 'Digital Single Market Package' please see the European Commission website http://ec.europa.eu/digital-agenda/en/digital-single-market-analysis-and-data
([7]) During the MFF negotiations the broadband element of the Connecting Europe Facility was cut by EUR 8,2 billion to just EUR 1 billion.
([8]) For the 'Annual Growth Survey 2015' please see the European Commission website http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm

c. improving the investment environment and

d. reinforcing an innovative co-financing system;

2.1.2. A renewed commitment to structural reforms;

2.1.3. Pursuing fiscal responsibility;

2.1.4. The best possible use of flexibility in the existing rules, and

2.1.5. It is essential streamline the governance system to make it more effective and increase common ownership by the Member States and the EU.

3. The adjustment of Operational Programmes, which were drawn up on the basis of the Partnership Agreements between the Commission and the Member States, is nearing completion. Since the 'New Start' programme will inevitably have an impact on the various national programmes, in terms of both objectives and instruments, the European coordination that has been developed so far should be stepped up.

3.1. The relevance, efficiency and effectiveness of the way in which Structural and Cohesion Funds are used have a major influence on the frameworks for implementing the new financial and legal instruments. The EESC proposes that an overview of investments in infrastructure and economic development programmes supported by the Funds be established, and be brought in line with the European Fund for Strategic Investments (EFSI) ([9]).

3.2. Fulfilling the aims of the Investment Plan and the European Fund for Strategic Investments, increasing the leverage of the 2014-2020 EU Funds and doubling value of innovative financial instruments are crucial to achieving the objectives of the EU 2020 Strategy.

3.3. The EESC, the CoR and Members of the European Parliament have presented a number of options enabling certain concessions to be made for a transitional period, in order to increase resources, with the aim of kick-starting EU investments. Consideration should be given to how it might be possible to remove Member States' co-financing of structural funds used for long-term social investment (especially in education) from the deficit calculation without changing the rules, in line with the Commission approach. The EESC supports the ongoing discussion in the European Commission on applying the financial 'golden rule', i.e. on excluding future-oriented public investments from the calculation of net public deficits under the EMU's fiscal rules ([10]).

3.4. On the financial side, it is important to find a comprehensive approach to the different expenditure types, such as the co-financing system for the Trans-European Network ([11]) and the Connecting Europe Facility ([12]), and the national investments co-financed by the ESFI. This has to be clarified by the Commission.

3.5. Among the objectives of the Europe 2020 strategy, in addition to improving long-term competitiveness, it is important that the Structural Funds focus more on the implementation of environmental programmes or those with a human aspect, which would also promote the sustainable development of factors 'beyond GDP' ([13]). Due to the additional financing possibilities, the greater focus on a 'production-oriented' development system and on spheres supporting society, families and individual values, such as education and healthcare should be extended.

4. The EESC firmly believes that a revised and enhanced Europe 2020 Strategy could play a key role in implementing a new European economic governance geared towards increased competitiveness and development.

([9]) For the 'European Fund for Strategic Investments' please see the European Commission website http://ec.europa.eu/priorities/jobs-growth-investment/plan/financing/index_en.htm#efsi

([10]) EESC opinion on Impact of Social Investment, OJ C 226, 16.7.2014, p. 21–27.

([11]) For the 'Trans-European Network' please see the European Commission website http://ec.europa.eu/transport/infrastructure/tentec/tentec-portal/site/index_en.htm

([12]) For the 'Connecting Europe Facility' please see the European Commission website http://ec.europa.eu/digital-agenda/en/connecting-europe-facility

([13]) EESC opinion on GDP and beyond — the involvement of civil society in choosing complementary indicators, OJ C 181, 21.6.2012, p. 14–20.

4.1. Due to changing priorities and in order to ensure successful implementation of the EU 2020 Strategy, it would useful to have a 'one-stop shop' able to ensure effective coordination and rationalisation of tasks and procedures, and this includes EU agencies.

4.2. It is worth considering setting up a one-stop shop to manage and oversee inter-agency cooperation and coordination between the real economy and the pan-European and national/regional levels, or converting an existing body for this purpose. This approach might avoid overlaps and create better synergies.

5. **Actions to strengthen European economic governance**

5.1. Since the Europe 2020 governance links between the short- and long-term goals are very weak, the following action is necessary, as a minimum:

5.1.1. The AGS should incorporate a reference to progress on Europe 2020;

a. the Semester should concentrate much more on improving competitiveness and the public and external debt and implementation in particular;

b. EU Cohesion Fund spending should be based on National Reform Programmes, in accordance with the Semester;

c. fiscal integration should be deepened and the fight against tax fraud stepped up; and

d. monitoring should be based on clear indicators and benchmarks, including 'beyond GDP' measures.

5.1.2. The very different situations in the Member States call for flexibility in assessment and clear goals and targeted tools in the Country Specific Recommendations; for example:

a. structural reforms in the public sector, maintaining the sector as one of the basic guarantees for the quality of life;

b. an improved business climate to attract capital;

c. promotion of investment in infrastructure;

d. improved access to credit for SMEs;

e. create the necessary conditions for a smoother energy transition;

f. strengthened education sectors;

g. a higher activity rate and lower unemployment, overseen at the EU level ([14]);

h. reducing social gaps between and within Member States, paying particular attention to the situation of minorities;

i. combating poverty and boosting GDP; and

j. strengthening social cohesion and reducing inequality through solidarity, social dialogue and collective bargaining.

6. **Fine-tuning the concept of 'growth':**

a. implement in conjunction with 'sustainable competitiveness';

b. adopt policies supporting new welfare and environmental protection; and ([15])

c. introduce a new EU-wide indicator of labour market trends in the creation of genuine new jobs at EU level.

([14]) EESC opinion on *Job-rich recovery* (OJ C 11, 15.1.2013, p. 65–70).
([15]) See the Lisbon Treaty, Articles 191-192.

7. **The Digital Agenda for Europe**

7.1. The EESC agrees with the position of the Commission: the digital technologies introduce new ways of producing goods, services and are reshaping the way we live, work and learn [16]. The EESC's contribution regarding the implementation of the Digital Agenda for Europe Flagship Initiative [17] and the main focus points for an Ambitious Digital Single Market are proposals to:

In the economic sphere

a. actively design the EU's digital future;

b. mainstream digitisation and reduce digital failure at EU and Member State level;

c. digitise the economy and develop research and innovation;

In the social sphere

d. massively expand education in the digital sphere to make Europeans creators and producers of digital content;

e. address the need for a qualified ICT workforce;

f. create the conditions for a vibrant digital economy and society by strengthening the regulatory environment for telecommunications;

g. review the general regulatory and legislative framework with a view to establishing stable conditions for businesses and start-ups;

h. recognise the digital sector as a service of general economic interest;

In the digital environment sphere

i. promote e-inclusion and universal, equal access to the broadband internet;

j. simplify rules for consumers who make online and digital purchases by reinforcing their trust through greater security;

k. improve cross-border e-commerce;

In the security sphere

l. use the digital technologies to protect the human and natural environment;

m. speed up the law-making process based on an ethical approach and on enhancing consumer protection;

n. update copyright rules;

o. boost cyber security to preserve citizens' rights and freedoms (EU Charter on Fundamental Rights [18]); and

p. protect children and vulnerable users from cyber-crime;

7.2. The development of digital technologies and marked increase in their range of applications are having an impact in almost all economic sectors as part of a far-reaching structural shift. Ordinary people are affected by this not just as consumers but above all in their jobs. As well as increasing autonomy and flexibility, digital technologies create pressure to maximise efficiency in the workplace, which has considerable costs for the people concerned, including in some cases the loss of their job. In view of this, the EESC considers the virtual exclusion of these issues from almost all Digital Agenda for Europe initiatives to be a serious failing; it calls for change of thinking here and will take a position on the matter itself in an own-initiative opinion [19].

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[16] EESC opinion on *Impact of business services in industry* (OJ C 12, 15.1.2015, p. 23–32).
[17] EESC opinion on *The digital market as a driver for growth* (OJ C 229, 31.7.2012, p. 1–6).
[18] http://www.europarl.europa.eu/charter/pdf/text_en.pdf
[19] EESC opinion on *Effects of digitalisation on service industries and employment CCMI/136*, (not yet published in OJ).

8. **Towards a new Development-oriented Economic Governance**

8.1. Steps towards development-oriented governance;

a. strengthen governance at EU and Member State level as well;

b. reconfirm the need for the EU 2020 Strategy, making it more compatible with EU policies within the European strategies;

c. complement the economic coordination part of European governance by strengthening its development-oriented institutional and financial frameworks;

d. reinforce long-term strategic coordination under the EU 2020 Strategy in the targeting and implementation phases as well.

e. carry out a far-reaching territorial assessment of the renewed Europe 2020 Strategy;

Graphics *Development-oriented governance* — to see the graphic, please follow the link:

http://www.eesc.europa.eu/?i=portal.en.europe-2020-opinions.34752

f. strengthen the value chain through cross-cutting and sectorial policies;

g. enhance territorial cooperation;

h. reinforce governance through Organised Civil Society Participation.

i. recognise the EESC's potential in the coordination of multilevel cooperation between the real economy, the organised social, and institutional partners.

9. The prerequisites for 'good' development-oriented governance are for it to have:

a. fixed strategic planning capacity;

b. executive capacity for better coordination and cooperation;

c. a comprehensive system for monitoring both planning and implementation;

d. a reliable database specific to the objectives concerned and having the necessary analytical capacity;

e. adequate communication resources;

f. the requisite adaptability and

g. transparency in its activities, in order to ensure accountability.

Brussels, 19 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

505TH EESC PLENARY SESSION OF 18 AND 19 FEBRUARY 2015

Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the EU Strategy and Action Plan for customs risk management: Tackling risks, strengthening supply chain security and facilitating trade

(COM(2014) 527 final)

(2015/C 251/05)

Rapporteur: Bernardo HERNÁNDEZ BATALLER

Co-rapporteur: Jan SIMONS

On 1 October 2014, the European 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 the Regions on the EU Strategy and Action Plan for customs risk management: Tackling risks, strengthening supply chain security and facilitating trade

COM(2014) 527 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 2 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February 2015), the European Economic and Social Committee adopted the following opinion by 141 votes to 1 with 4 abstentions.

1. **Conclusions and recommendations**

1.1. The EESC welcomes the Commission communication on the Strategy and Action Plan for customs risk management. To ensure that the strategy is properly implemented, customs authorities should work together, but also with other government authorities (such as health and consumer services, and security services through judicial cooperation).

For the EESC, the important thing is to ensure effective implementation of the European Union's customs rules and the proper functioning of the cooperation mechanisms provided for by EU law.

1.2. To ensure integrated customs risk management, it is also necessary to harmonise implementation of other policies and make it coherent. As Member States already have official data on these subjects, this information needs to be pooled and shared, particularly by making the official data on serious risks interoperable.

1.3. When adopting its own roles and supplementing its framework, the EU should take as a basis the rules of the Risk Management Compendium and other standards of the World Customs Organisation (WCO), to ensure that its customs rules are in line with the majority of the existing provisions governing the matter.

1.4. Under Objective 3 of the action plan, it must be clearly determined by whom, when and where controls are to be carried out, in accordance with the definition of risks and levels of risk which it is to be hoped the Commission will adopt as an implementing measure. Given the importance of this, we consider that it should be the priority action to be implemented.

1.5. As ensuring uniform implementation of EU customs rules is a priority, Objective 5 of the action plan is also of great importance as the whole strategy is based on promoting cooperation between national authorities on all types of implementation and detection and exchange of information between national and EU administrations.

1.6. The EESC emphasises that when the strategy is defined, account must be taken of the distinctive features of customs practice in the Member States — such as the size of the relevant trade flows, volumes and practices — while these systems must be compatible and respect EU principles and legislation.

1.7. The EESC endorses the importance given in the communication to cooperation between the Commission and Member States, but would also like to stress the importance of other social stakeholders involved in the strategy and the role they can play.

1.8. Although the communication implies this without dealing directly with the issue, the Committee calls for greater visibility for pilot projects on the ground, in order to encourage stakeholders to play a greater role and thus foster additional private investment that would further the communication's strategy by boosting innovation.

2. **Introduction**

2.1. Risk management is a basic principle of modern customs control methods. Customs authorities put in place analysis and review mechanisms in order to ensure the effectiveness of control procedures throughout the area they are responsible for. The procedures have to be constantly reviewed and updated as necessary to meet new demands.

2.2. Using risk management, customs authorities aim to strike a reasonable, fair balance between combating fraud, on the one hand, and, on the other, the need to impede as little as possible the legitimate movement of goods and persons and to keep costs as low as possible.

2.3. Given the physical impossibility of inspecting what can sometimes be a significant proportion of the goods, the SAFE programme lays the basis for the 'authorised economic operator' (OEA) mechanism, whereby businesses are accredited by means of an *ex ante* audit as reliable partners in customs matters. To this end, the authorities have to have a full understanding of the nature of the activity of the operator, a clear picture of their business processes and the business environment in which they operate, and permanent access to their accounts. In the EU, Article 5a of Regulation (EC) No 648/2005 ([1]) regulates the status of 'authorised economic operator' and the granting of this status. Economic operators consider that this condition needs to be met if they are to operate properly on the market.

2.4. The TFEU provides for a customs union as an exclusive EU competence, along with import and export procedures and rights. This policy is enshrined under supranational law in primary legislation in the Title on the Free movement of goods, in Articles 28 to 37. Now, however, customs are also increasingly performing other tasks. In practice there are three strands: fiscal, security and surveillance regarding non-tariff rules, with one part, for example, governed by Article 87 TFEU on police cooperation, which is not an exclusive competence of the EU.

2.5. A Commission communication issued in January 2013 ([2]) introduces a common approach to integrated risk management, which, at the points of entry into and exit from the customs union, enables the following objectives to be met:

— enhancing the allocation of human and financial resources, concentrating them where necessary;

— full and uniform application of EU customs legislation;

— an integrated system of cooperation between customs, traders and carriers; and

— streamlining of practices and a reduction in transaction times and costs.

([1]) Regulation (EC) No 648/2005 of the European Parliament and of the Council of 13 April 2005 (OJ L 117, 4.5.2005, p. 13) and other rules such as Regulation (EC) No 2454/1993 (OJ L 253, 11.10.1993, p. 1).

([2]) COM(2012) 793 final.

2.6. The EESC supported [3] this 2013 communication, considering it vital to take a common approach to customs risk management and security of the supply chain in order to ensure uniform, non-discriminatory application of EU customs legislation by all of the authorities concerned across the whole of the customs union.

2.7. On 18 June 2013 the Council adopted conclusions on strengthening supply chain security and customs risk management, calling on the Commission to present a coherent strategy. The EU shares the common strategic objectives of protecting the security and integrity of the supply chain and the security of the public, and the financial interests of the EU and its Member States, along with the objectives of facilitating and accelerating legitimate trade to boost competitiveness.

2.8. The current recast customs code, adopted by Regulation (EC) No 952/2013 [4], not only incorporates risk management as a specific customs role but places a surveillance role at the basis of the Common Customs Tariff system. The incorporation of risk management into the customs code strengthens cooperation and information sharing between national customs and non-customs authorities and the Commission, and the Commission is even on occasions given implementing powers to this effect.

3. **The Commission communication**

3.1. The communication outlines a new strategy for improving customs risk management in the European Union, along with a detailed action plan, which will help to manage the growing volume of trade with its increasingly complex supply chain more efficiently.

3.1.1. The action plan sets out a series of measures for each objective. The measures are aimed at closing the identified gaps to achieve strengthened EU customs capacities progressively and consolidate more systematic cooperation with other agencies, economic operators and international trading partners, including support for and development of international norms and standards, where appropriate.

3.1.2. The Commission is pursuing complementarity and coherence with other EU initiatives both in customs and in other policy areas such as security, transport and protection of intellectual property rights.

3.2. Customs use risk management to implement effective and efficient controls, avoid unwarranted disruption to legitimate trading and deploy resources efficiently, organising these resources and prioritising areas posing the highest and most serious risks.

3.3. The strategy relates to the risk management and control of goods entering into, taken out of or transiting through the EU with due regard to their specific characteristics, the scale of risk and the costs. This requires the capacity to identify, evaluate and analyse the full range of threats and risks associated with goods and their movements.

3.3.1. The underlying principles of EU customs risk management of the supply chain are, according to the communication, as follows:

— ‘assess in advance, control where required’;

— multiagency cooperation;

— multi-layered and coordinated approach; and

— efficient use of resources.

3.3.2. To improve the effectiveness and efficiency of the EU-wide risk management framework, the Commission and the Member States must cooperate to implement multi-layered customs risk management in the EU with a view to taking the following necessary measures:

— improving data quality and repository arrangements;

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(3) OJ C 327, 12.11.2013, p. 15.
(4) Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ L 269, 10.10.2013, p. 1).

— ensuring availability of supply chain data and sharing of risk-relevant information among customs authorities;

— implementing control and risk mitigation measures where required;

— strengthening capacities;

— promoting interagency cooperation and information-sharing between customs and other authorities at the Member State and EU level;

— enhancing cooperation with trade; and

— tapping the potential of international customs cooperation.

3.3.3. The communication sets out the measures to be taken to achieve the strategy's objectives one by one, so that this cooperation between the Commission and the Member States can result in the adoption of the necessary measures.

4. **General comments**

4.1. The EESC supports the Commission communication, considering that a more common approach to risk management in the area of customs and supply chain security is essential to ensure legal certainty and uniform application of European customs rules, which will facilitate the free movement of goods.

4.1.1. The intention is to strengthen certain well-established customs instruments for them to be applied by national authorities, the Commission and economic operators, incorporating a risk management role in addition to the existing roles of applying tariffs and trade measures and developing statistics.

4.2. The Commission's action plan sets out objectives and means of achieving them which will strengthen the EU's customs capacities and bring about more systematic cooperation with other agencies, whether economic operators or even international trade partners.

4.2.1. The approach of complementarity with other competent authorities playing a part in supply chain movements should be explicitly provided for. Proper implementation of the strategy requires closer, more effective cooperation between customs authorities at international level, and between customs and other public authorities such as health and consumer authorities, among others.

4.2.2. Although 'official data' already exists at Member State level relating to the different border controls, it is managed using IT systems (external human, animal and plant health controls, controls on pharmaceutical and cosmetic products, etc.). However, it is neither centralised nor shared, and so the system's operation and customs' work will be made easier, as this instrument shows the risk data associated with goods throughout the supply chain.

4.2.3. Given the transnational dimension of the threats and, therefore, the related solutions, it is even more necessary to pool the 'official data' which is already produced at Member-State level. It is therefore proposed that the criteria established at EU level be based on common international standards, supplementing them for EU application. The EESC therefore stresses the need for interoperability of data to ensure effective implementation of the measures referred to in the strategy, as the transnational dimension reinforces the need for pooling of the 'official' data which already exists at national level.

4.2.4. In principle, to enhance administrative cooperation on using a system of risk detection, the EESC advocates basing the system employed, inter alia, on the following principles:

— the risk measures, criteria and standards and amendments thereto, to accurately identify the products which present associated risks, should be covered by the 'Customs Risk Management System' (CRMS) established under Regulation (EU) No 952/2013, taking into account early warning systems and data protection legislation;

— links with all other relevant systems such as the ones developed under Council Regulation (EC) No 515/1997 ([5]) are encouraged;

— use of the basic principles of the Internal Market Information System (IMI), in the knowledge that the system contains tools that have already been evaluated, and adapt them to customs;

— measures, criteria and standards defining levels of risk relating to products, materials, itineraries, origin or other factors identifying the risk, using the TARIC system to highlight major risks as far as possible and whenever feasible;

Furthermore, the EESC reiterates the need for authorities to pool information.

4.2.5. With regard to the complementary cooperation provided for in the strategy, relevant political measures in the area of product safety, animal well-being, food and feed safety and environmental protection should also be taken into account, along with related initiatives in the area of intellectual property rights (IPR). The EESC attaches great importance to information-sharing relating to serious public health and environmental problems and serious public safety and protection problems.

4.3. With regard to the World Customs Organisation (WCO) Risk Management Compendium and other rules, the criteria established at EU level should be based on common international standards, supplementing them for EU application.

4.4. It is encouraging that the authorised economic operator (AEO) programmes associate this entity with risk management, given the comprehensive evaluation process to which the operator and their environment are subjected in order to receive the certificate, which is consistent with the simpler customs procedures from which the holder benefits.

4.5. In the implementation of risk mitigation and control measures, where required, the methodology set out in the World Customs Organisation compendium should be considered.

4.6. In the context of the definition of levels of risk to be adopted by the Commission, after appropriate, transparent consultation of Member State experts and eliciting the views of economic operators under Articles 50(1) and 284 of the code, Objective 3 of the Action Plan should be fleshed out further in order to clarify exactly by whom, when, at what time and to what the advance assessment procedure is to be applied. In fact, this should be the first action to be completed, as it would lend greater clarity to the implementation of the action plans and risk assessment and provide greater legal certainty.

4.7. Objective 5 of the Action Plan is also extremely important, given that the main aim of the strategy is to promote cooperation and information sharing between national and EU authorities, which the EESC has always deemed to be extremely important. For the sake of brevity, the EESC points to the recommendations it made on this issue in points 1.9 and 1.10 and point 4 'Risk management of the supply chain' in its 2013 opinion, relating to more structured, systematic cooperation between customs and other authorities operating in the internal market, and the coherent, coordinated implementation of the measures of the action plan.

4.8. The EESC stresses that this risk management strategy should not prevent Member States from implementing customs legislation, so that they can continue to take into account the volume of relevant trade flows while preserving the consistency of EU law.

4.9. To this end, the EESC believes that it is possible to maintain a high level of protection while at the same time stepping up Member State measures to facilitate trade, cutting red tape by promoting paperless processes and simplifying application of the authorised operator status and related procedures.

4.10. It is important to promote close cooperation with other national government departments and relevant national enforcement bodies in this area, inter alia, to minimise burdens — including administrative burdens — for traders. To this end, the Committee recommends using the basic principles of the IMI. Whether, at the end of the day, the option chosen is harmonisation, customs cooperation or a combination of the two, the proposals should be based on best practices rather than a European average level.

([5]) OJ L 82, 22.3.1997, p. 1.

4.11. The Committee calls for the forthcoming amendments to Regulation (EC) No 515/97 on mutual assistance in customs matters (proposal COM(2013) 796) to be taken into account in the definition and implementation of the strategy, given the huge similarity between the cases dealt with.

4.12. The EESC reiterates the need to give the pilot projects greater visibility, promoting use of these projects in order to encourage stakeholders to play a more important role. This could facilitate private investment, which would in turn continue to advance the strategy referred to in the communication, driving innovation.

5. **Specific comments**

5.1. In the activities described by the Commission as support and development of international rules and standards, as referred to in point 3.1.1, it should be possible to promote legislation providing for customs seal checks by automated systems, in order to integrate it into the regulatory framework of the World Customs Organisation to Secure and Facilitate Global Trade (SAFE).

5.2. The strategy does not mention the risk of fraud in the information or the possibility of 'taking advantage of' a good reputation ('identity tag'). Risk management should allow customs authorities to detect fraudulent information and abuse of a good reputation in order to prevent counterfeit and dangerous products being imported.

5.2.1. Although the Commission already mentions this in Objective 6, the Committee calls for pilot projects intended to introduce innovations in control systems to be more clearly authorised — with a number of conditions, of course — and, if positive results are obtained, for the subsequent implementation thereof to be authorised as well.

5.3. According to the European Commission, the new strategy will help to manage the growing volume of trade with its increasingly complex international supply chain more efficiently (point 3.1), and it should therefore involve greater management efficiency, which will lead to an improvement in the supply chain.

5.4. The EESC regrets that the Commission strategy only provides for cooperation between Member States and the Commission, ignoring the recommendations made in previous opinions regarding the need to provide for cooperation with economic operators.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on requirements relating to emission limits and type-approval for internal combustion engines for non-road mobile machinery

(COM(2014) 581 final — 2014/0268 (COD))

(2015/C 251/06)

Rapporteur working alone: Brendan BURNS

On 12 November 2014 and 19 February 2015 respectively, the European Parliament and the Council 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 requirements relating to emission limits and type-approval for internal combustion engines for non-road mobile machinery

COM(2014) 581 final — 2014/0268 (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 2 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February), the European Economic and Social Committee adopted the following opinion by 164 votes to one with three abstentions.

1. **Recommendations**

1.1. Due to the fact that the introduction of testing equipment and the development of testing procedures for the 'in-service emission performance of engines' is a new concept for non-road mobile machinery (NRMM), the EESC recommends that thorough pilot programmes be carried out for all types of engines and machinery to verify whether it is possible to install the necessary instruments. These studies should also look into whether the engine used in the machinery should be tested on a test bench, if the challenges of measuring directly on the machinery prove to be excessive.

1.2. Given the strong public health concerns about nanoparticles resulting from combustion processes and the high level of protection that can be achieved by implementing the proposed Stage V for NRMM engines, and considering the consensus on the Commission proposal expressed by many stakeholders including the engine and machinery manufacturing industry, the EESC recommends that the new regulation be approved rapidly. Thanks to intensive interaction during the drafting stage with all parties involved (including industry and NGOs), the Commission proposal recognises the different technologies available for emissions control depending on engine size and combustion cycle.

2. **Basic principle of concept**

2.1. The European Economic and Social Committee (EESC) believes that reducing harmful emissions of carbon monoxide, nitrogen oxides, hydrocarbons and particulates from engines intended for agricultural and forestry tractors is a vital step towards achieving the EU's air quality targets.

2.2. The EESC also believes that any proposed legislation aiming to benefit human health and the environment must be founded on robust technical, economic and practical proposals.

3. **Background**

3.1. The definition of NRMM includes a vast number of different types of machinery and combustion engines. These engines are installed in both handheld equipment, wheeled and track based machines. They operate in construction, agriculture, mining, railways, inland waterway and many other industries. The emissions limits for these engines are currently set out in Directive 97/68/EC. New emission stages were last introduced when the Directive was amended in 2004. The conclusion by the European Commission is that these no longer reflect the current state of technology and therefore NRMM can be brought into line with emissions limits used for road vehicles (e.g. busses and lorries/trucks).

3.2. However, substantial development work and resources will be required for adaptation of on-road technology to NRMM engines and machines. Because of this, the EU Commission proposal sets Euro VI limits for cases where the technology is already mature and elsewhere suggests applying the EPA limits which are already in use in American legislation which has made considerable progress in this sector.

3.3. Unlike on-highway emission regulations where there is a distinction made between the regulation of the smallest and largest vehicles, with separate legislation for motor cycles, light duty and heavy duty vehicles, the proposed non-road regulations are a blanket proposal and will include a huge range of machinery and equipment with engine power from less than 8 kW to around 3 500 kW. This will include all engine cylinder capacity ranging from a fraction of a litre to more than 100 litres per cylinder.

3.4. NRMM engines operate under different circumstances to engines installed in road going vehicles. Most NRMM machines do not operate like a lorry where there is a delayed period of time between standstill to when maximum power is reached. NRMM machines mostly operate from start to immediately requiring maximum power, then a short stationary period, then max power, then stop. The cycle is then repeated. These are the normal working conditions of most NRMM machinery. This differs from the near constant levels of engine revs and power output of road going vehicles.

3.5. The following issues need to be considered during any adaptation process for NRMM engines:

— design changes to withstand the appropriate non-road conditions, including long term exposure to more aggressive environments, high shock loading and vibration compared with road vehicles used on straight, level highways;

— physical shape and size reconfiguration that would be required to fit within dimensional space of the variety of non-road machines and the requirement to minimise overall size of after-treatment systems;

— wide variety of work/load cycles over which after-treatment systems must work effectively, including rapid transient loading;

— ensuring appropriate thermal and chemical balances in the exhaust system for effective after-treatment system operation including regeneration of particle filter systems under a wide range of conditions;

— re-optimisation of engine and after-treatment system to ensure acceptable transient response and minimise fuel and reagent consumption.

4. **Problems**

4.1. Within the Commission's recommendations it states that 'in-service emission performance of engines' will be monitored and 'pilot programmes are proposed with a view to developing appropriate testing procedures'. It is important to verify the feasibility of installing portable emission measurement systems (PEMS) on a number of machines that engine manufacturers will select as representative of the use of their products. Permanent installation on all machines is not considered in this legislation.

4.2. The Stage V introduction schedule set out in the EU Commission proposal will only be possible if the legislation is adopted in a timely manner. Should there be any meaningful delay in the decision process, there will be no time to finalise product development and to carry out all type approvals.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

Opinion of the European Economic and Social Committee on the Report from the Commission to the European Parliament and the Council on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS)

(COM(2014) 509 final)

and the Report from the Commission to the European Parliament and the Council on the mission and organisation of the European Systemic Risk Board (ESRB)

(COM(2014) 508 final)

(2015/C 251/07)

Rapporteur: Carmelo CEDRONE

On 8 August 2014, the European 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

Report from the Commission to the European Parliament and the Council on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS)

COM(2014) 509 final

and the

Report from the Commission to the European Parliament and the Council on the mission and organisation of the European Systemic Risk Board (ESRB)

COM(2014) 508 final.

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 3 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February), the European Economic and Social Committee adopted the following opinion by 166 votes to 5 with 11 abstentions.

1. Conclusions and recommendations

1.1. The Committee welcomes the information provided by the Commission [1] and agrees on the need for corrective action to improve the operation of the European System of Financial Supervision (ESFS). It also believes that it is necessary to promote a medium-to-long term systemic approach and move faster on building structures to streamline the European Supervisory Authorities (ESAs)' work as far as possible. It is of the utmost importance that the new supervisory and regulatory set-up be equipped to secure the stability of the financial system and growth — the substance of this must be anticyclical — and halt asymmetric growth of the shadow banking economy.

1.2. The Committee considers that the work done by the European Systemic Risk Board (ESRB) and the ESAs needs to be made more effective; to that end the ESAs' regulatory role should be reviewed and **the cost-benefit analysis of structures, governance and decision-making processes** adopted by the ESRB and the ESAs applied in practice, the operational instruments available to them should be fine-tuned and the overall structure of the ESFS should be streamlined.

1.3. The Committee considers that these corrective measures should be aimed primarily at **minimising the pro-cyclical impact** of supervisory regulations and **conflicts between EU and national interests**, **optimising** the supervisory system's **cost-benefit ratio**, and **protecting consumers** from any unfair practices on the part of intermediaries. Nevertheless, the Committee considers that, at the present stage, there are still two questions that need answering:

a) whether the new supervisory mechanism might entail excessive regulation that could have a negative impact on banks' operational flexibility and management costs;

(1) COM(2014) 508 final and COM(2014) 509 final, 8 September 2014.

b) and whether it will be possible to avoid, or at least to reduce, the risk of a new crisis and make the financial system more effective, safer and more transparent, thus protecting customers/consumers.

1.4. **When it comes to the ESRB** and its governance, the Committee welcomes the Commission's proposal to make **the president of the European Central Bank (ECB) its chair**, while also appointing **a managing director** with an operational remit, to provide a link between the chair and the General Board, also giving consideration to potential conflicts of interest. As regards the need for the ESRB bodies to be restructured in both quantitative and qualitative terms, the Committee, though considering this to be appropriate, believes that thought must be given to ensuring the Member States are properly represented within the General Board and to enhancing the independence of Advisory Scientific Committee (ASC) members.

1.5. With reference to the functions and processes adopted by the ESRB, the Committee considers it vital to implement forms of **coordination between the ESRB, the ECB and the Single Supervisory Mechanism (SSM)**, making the most of the ESRB's specific characteristics, including both its ability to represent non-eurozone countries and also its broad remit, covering the financial system as a whole. The Committee is in favour of **stepping up ESRB involvement in the legislative process** where relevant and of boosting coordination with the ESAs.

1.6. When it comes to the ESAs, the Committee believes that it would be worthwhile taking corrective measures in order to ensure that the EU's interests prevail; to this end **the ESAs' governance must allow for the effective use of peer review and binding mediation, so as to secure convergence between systems and reinforce a culture of joint supervision**.

1.7. In the Committee's view, the procedures governing the ESAs' regulatory role need to be more transparent, including where public consultations promoted by the authorities are involved, so as to **step up the involvement of the sector's consumer and worker representatives**; it also believes that **the ESAs should be more closely involved in the process of shaping primary legislation**. More coordination is needed among the ESAs, and between them and the ESRB, making more of the **role of the Joint Committee**.

1.8. The Committee considers that **the structural and organisational costs of the ESAs must be rationalised**; this should be accompanied by a transparent process of accountability geared towards logistical and functional streamlining.

1.9. In order to improve economic and financial risk forecasting capacity, the Committee considers that it would be useful for the ESFS to develop effective interaction with other national and international institutions in order to share the management of systemic risks.

1.10. *Summary of the Committee's proposals*

1.10.1. *Single market*: promotion of measures to facilitate coordination between the ESFS, the new SSM arrangement and the Single Resolution Mechanism (SRM), to foster the development of an efficient and effective European system of supervision.

1.10.2. *Simplification, transparency and effectiveness*: rationalisation of the regulatory functions of the ESFS institutions with a view to simplifying the regulatory framework and making procedures more transparent and effective.

1.10.3. *Governance:* promotion of a medium-term strategy designed to bring about a process of organisational and functional consolidation on the part of the supervisors, which could make economies of scale and scope by considering the possibility of a single seat and the adoption of a twin peaks model.

1.10.4. EMU: promotion of mechanisms to support the priorities of the eurozone countries with particular reference to the banking market and the Single Supervisory Mechanism, which sets out specific provisions for membership of non-eurozone countries.

1.10.5. The EESC considers that, on the basis of the pointers set out in this opinion:

a) the ESRB's Advisory Scientific Committee and relevant ESA committees or expert groups — having obtained the opinion of the stakeholder groups — should waste no time in making specific proposals for improvement;

b) in parallel, the European Commission should assess the feasibility of more structural measures regarding the organisation of the ESFS and the authorities' funding mechanisms.

2. **Background**

2.1. The economic and financial crisis in Europe has demonstrated the need to review the supervisory and regulatory framework governing banking and financial intermediaries; considerable emphasis has been placed on the ESFS's functionality and the effectiveness of the action of its constituent institutions.

2.2. On the basis of the recommendations set out in the 2009 de Larosière report ([2]), the Commission has prepared a comprehensive package of measures to reinforce interdependency and coordination between national supervisors and promote the importance of macro-prudential supervision.

2.3. In January 2010, the EESC issued an opinion on the founding regulations of the ESRB and the ESAs ([3]). In this opinion, the Committee stressed the importance of having a single supervisory mechanism for the EU's financial system and made specific suggestions for amending the ESRB and ESA founding regulations.

2.4. In 2010, by means of specific regulations, the European Parliament and the Council established the European Systemic Risk Board (ESRB) and three European Supervisory Authorities (ESAs) — the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) — which, together with the Joint Committee of the ESAs and the ESRB, comprise the European System of Financial Supervision (ESFS).

2.5. The ESFS commenced its own activities in January 2011; the ESFS founding regulations ([4]) required the Commission to publish a report on the operation of the ESRB and the ESAs after the first three years of their activity, a period which commenced in January 2011.

2.6. To perform the mandate conferred upon it, the Commission organised a public hearing (May 2013) and a public consultation (April-July 2013) as part of the ESFS review process.

2.7. Based on the results of the stakeholder input, the self-assessments supplied by the ESAs ([5]), the European Parliament resolution of March 2014 on the ESFS review ([6]) and studies conducted by the IMF ([7]) and the European Parliament ([8]), the Commission issued two separate reports, one on the ESRB and the ESAs and the other on the ESFS.

3. **General comments**

3.1. The present opinion on the Commission's reports on the operation of the ESRB and the ESAs is based on the assessment of the activities carried out by the ESRB and the ESAs and the stepping up of the single supervisory mechanism over the past year.

3.2. The Committee has expressed its approval regarding the ESFS on a number of occasions and would now reiterate its appreciation for the work carried out by the ESRB and the ESAs in their first three years in operation.

3.3. Areas for improvement in the running of the European System of Financial Supervision have been identified at both organisational and governance levels and with regard to operational processes and instruments; the Committee agrees on the areas for potential action that the Commission has identified in its reports. It would also point out the need to adopt a medium-to-long term systemic approach and highlights the need to flesh out the consumer and worker protection proposals.

([2]) Report of the High-Level Group on Financial Supervision in the EU, 25 February 2009, http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf
([3]) OJ C 339, 14.12.2010, pp. 33-40.
([4]) Regulations (EU) No 1092/2010, (EU) No 1093/2010, 1094/2010 and 1095/2010 of 24 November 2010 (OJ L 331, 15.12.2010, p. 12).
([5]) Joint Committee (JC 2012 100), *Self Assessment Report of the European Supervisory Authorities*, 21 December 2012 (confidential document).
([6]) European Parliament resolution of 11 March 2014 with recommendations to the Commission on the European System of Financial Supervision (ESFS) Review.
([7]) IMF, *Financial Sector Assessment Program at EU Level*, March 2013.
([8]) EP 507.490 (on the ESRB) and EP 507.446 (on the ESAs), October 2013.

3.4. The Committee considers that the running of the ESRB has highlighted the need to examine possibilities for a quantitative and qualitative reconfiguration of its various organs — General Board, Steering Committee, Advisory Technical Committee, Advisory Scientific Committee — and to find a solution for the appointment of the board's second chair, given that the first chair's term will come to an end in December 2015. In terms of process, room for improvement has been identified in the procedures by which the board is involved in the legislative process and also with regard to the time frame for internal decision making.

3.5. In the Committee's view, the running of the ESAs has highlighted the need to rethink the regulatory and supervisory function, boost the consumer protection dimension and review the membership of the bodies in order to strike a better balance between EU and individual Member States' interests. The overall supervisory structure may need to be reviewed, in relation to both the mechanisms for financing the various authorities and the logistical structures and the supervisory model itself. Issues raised in this respect include a rationalisation of headquarters and also organisational streamlining regarding functions and spheres of competence.

4. **Specific comments**

4.1. *The European Systemic Risk Board (ESRB)*

4.1.1. The Committee believes that the ESRB can continue to play a significant role in systemic risk prevention even after the introduction of the SSM. There are at least three reasons for this: a) the adoption of a common supervisory system calls for closer coordination in the banking sector as well as between other financial markets; b) supervision of the major banking groups with systemic relevance also enhances the role of the ESRB in terms of its interaction with the ECB; c) the fact that representatives of both eurozone and non-eurozone countries participate in the ESRB means that it also has a stabilising effect on variables that are external to monetary union. Against this background, changes to governance and internal procedures can also improve how the ESRB operates and how it interacts with the ESAs and the ECB.

4.1.2. The Committee is in favour of changing the quantitative and qualitative composition of the ESRB bodies. It believes, nevertheless, that it would be worthwhile assessing the impact that reducing the number of members of the General Board might have on the representativeness of the individual Member States. Any reduction in the number of board members should be accompanied by the establishment of theme-based committees and working groups. The Committee also considers it necessary to maintain balanced representation of the various stakeholders, while also boosting the role of the Advisory Scientific Committee. In this respect the suggestion that this committee might merge with the Advisory Technical Committee does not seem appropriate.

4.1.3. The Committee believes that the ESRB could be made more effective by implementing the Commission's proposal to make the president of the ECB its chair, while also appointing a managing director with an operational remit, to provide a link between the chair and the General Board.

4.1.4. The Committee considers it necessary to strengthen the ESRB's involvement in the legislative process by establishing specific mechanisms for consulting the ESRB prior to the adoption of legislative proposals on relevant issues. On this note, the Committee supports the idea of an ESRB representative participating formally in the Ecofin Council and the Economic and Financial Committee (EFC), in accordance with terms and conditions still to be defined.

4.1.5. A swifter and more streamlined decision-making process would make the ESRB more effective: the Committee considers that it would be useful to ask the ESRB to task the Advisory Scientific Committee with a self-assessment of its internal procedures, with a view to proposing an alternative model that is more closely geared to the dynamics of the financial system. The Committee also considers it necessary that the ESRB adopt procedures to strengthen follow-up to guidelines and recommendations.

4.1.6. The operation of the ESRB should be grounded in closer interaction with other European bodies, particularly the various ESAs; the Committee considers that the ESRB should be asked to come up with a proposal as swiftly as possible outlining ways of communicating and exchanging data with the various ESFS institutions. The Committee would also stress the need to establish coordination between the ESRB and the national macro-prudential supervisory authorities to be set up, inter alia, to avoid duplication of representatives in the ESRB. The Committee considers it necessary to lay the foundations for more fruitful interaction between the ESRB and the ECB in light of the new responsibilities assigned to the Bank in the area of macro-prudential supervision.

4.2. *European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS)*

4.2.1. The Committee believes that a number of changes must be made to the current institutional and operational arrangements of ESAs if they are to operate more effectively. In particular, measures are required to make their regulatory and consumer protection role, governance and procedures more efficient; corrective measures should also be developed for the authorities' financing mechanisms and organisational structure.

4.2.2. The regulatory role must be accompanied by more transparent procedures to secure time lines that are more finely attuned to the stages of public consultation and impact assessments that combine a statistical-accounting approach with a qualitative one. The Committee is of the view that the ESAs need to establish effective mechanisms for interacting with consumer and worker representatives in the sector. The ESAs should be more closely involved in the process of defining Level 1 legislation. The Committee considers that it is vital to establish a transparent mechanism for consulting ESAs prior to the adoption of legislative proposals on relevant issues, as this will assist the Parliament and the Commission in assessing the impact of measures taken and in establishing a more accurate and effective time frame for implementing them. Moreover, the Committee supports the idea of making provision for the chairs of the ESAs to participate formally in the Ecofin Council.

4.2.3. The Committee endorses the Commission's request to the ESAs to reinforce, as part of their current governance, functions and mechanisms that would help to ensure that timely measures are taken in the interests of the EU as a whole. First and foremost, the mechanism for resolving disputes between national authorities must be strengthened, bringing clarity to current arrangements and assessing potential corrective measures.

4.2.4. In the medium term, the Committee considers that it would be useful to assess potential structural corrective measures to the ESAs' current system of governance, with the aim of strengthening independent representation at the various tiers of decision making.

4.2.5. Each individual ESA should be able to coordinate its activities more closely with those of the others. In the Committee's view, it would be useful for the ESAs to establish a committee or group of experts to carry out, as quickly as possible, a self-assessment to promote the peer review mechanism, bolster the role of the Joint Committee and frame specific procedures for coordination and data exchange. The Committee believes it would be worthwhile requiring that the ESAs waste no time in streamlining their activities and making recommendations for a possible reorganisation of the responsibilities to be assigned to the individual authorities and the Joint Committee.

4.2.6. Coordination between the ESAs should be based on an equivalent system of functions and powers; the Committee thinks it would be useful for all the ESAs to have the option of conducting stress tests along the lines of the EBA model. Coordination between the ESAs should also take into account variations in the degree of EU-level integration and harmonisation of the various sectors supervised.

4.2.7. The Committee endorses the Commission's emphasis on the need for closer cooperation between ESAs in the area of consumer protection, with particular regard to the type of products supplied and their compatibility with customer profiles. Action to promote financial education must also be stepped up. It also considers it necessary to extend the ESAs' remit officially to include protection of workers in the sector, particularly regarding the impact of sales models and remuneration schemes used by financial intermediaries. It would suggest here that the ESAs adopt a code of ethics in relation to their activities, and publish a joint annual report on consumer and worker protection. The Committee considers that, in these areas, the Joint Committee should take on a primary role, aimed at aligning standards of consumer and worker protection for the sector across the various authorities' different areas of responsibility.

4.2.8. The tasks entrusted to the ESAs and financial market trends make it necessary to strengthen:

a) the ESAs' powers and their coordination throughout the financial sector, especially in microcredit and impact investing, by stepping up the involvement of experts and representatives from the sector in the ESRB's Advisory Scientific Committee and in the ESAs' stakeholder groups;

b) the role of the Joint Committee, and its adoption of swift and effective procedures, while also giving boosting ESA staff a stronger role in the preparatory bodies.

4.2.9. When it comes to ESA financing procedures, the Committee believes that the transition to a funding model based on private resources should be assessed on the basis of a thorough analysis of the advantages and potential problems. The Committee proposes that the option of increasing the share of ESA budgets covered by fees and levies could be considered as a temporary five-year measure, meeting increased costs entirely from any additional resources allocated to the ESAs. It would urge the Commission to carry out an impact assessment within the five-year transition period, not least so as to evaluate alternative financing mechanisms with a view to reducing the risk of duplicating supervisory costs, rationalising public financial commitments and preventing the burden from being passed on to the end users.

4.2.10. If the ESAs were to rationalise costs by means of logistical reorganisation, this could support their sustainability. The Committee supports the Commission's proposal for a single seat for the ESAs, as this would also make for more efficient dialogue and coordination between the authorities.

4.2.11. The Committee considers logistical and operational rationalisation to be closely linked to the underlying supervisory model; this being so, it would invite the Commission to explore in the medium term the case for reviewing the architecture of European supervision, optimising it in relation to the three variables of functions, markets and intermediaries, and if appropriate considering adopting a twin peaks approach.

4.2.12. Lastly, the Committee considers that it is necessary to reinforce the democratic control and monitoring of activities carried out by the ESRB and the ESAs.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

Opinion of the European Economic and Social Committee on the Green Paper — Making the most out of Europe's traditional know-how: a possible extension of geographical indication protection of the European Union to non-agricultural products

(COM(2014) 469 final)

(2015/C 251/08)

Rapporteur: Kathleen WALKER SHAW

On 1 October 2014, the European 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 — Making the most out of Europe's traditional know-how: a possible extension of geographical indication protection of the European Union to non-agricultural products

COM(2014) 469 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 2 February 2015.

At its 505th plenary session, held on 18 and 19 February 2015 (meeting of 18 February), the European Economic and Social Committee adopted the following opinion by 155 votes to three with one abstention.

1. **Conclusions and recommendations**

1.1 The EESC supports the extension of Geographical Indication (GI) protection to non-agricultural products through a unitary EU regulation, which it considers will provide valuable and necessary protection to companies that have a proven record of stimulating economic growth and innovation, and providing high skilled and better paid jobs.

1.2 The EESC recommends that both the voluntary GI system and the mandatory origin marking on consumer products from the product safety package should be supported, taking into account results of the studies already undertaken, to provide greater traceability, transparency and information for consumers and to give recognition of provenance to producers across the EU.

1.3 As far as possible, this system should follow the existing framework for agri/food products to keep uniform systems for registration, protection, monitoring and enforcement, and to avoid confusion for administrations and consumers. It should also guarantee the same level of protection and safeguards under TRIPS enjoyed by agro-food products.

1.4 GI and other intellectual property intensive companies generally invest heavily in high level skills training and should be supported in protecting their products and know-how, allowing them to channel investment into positive skills training and developing social capital rather than into defensive legal action.

1.5 The EESC believes a formal registration process is needed. Registration should be valid for an unlimited period to avoid bureaucracy and cost, but subject to ongoing monitoring and enforcement to ensure that the products maintain the criteria of the status. A procedure for removal from the register where warranted should also be available.

1.6 The registration process should be transparent and independent, preferably publically funded and administered, and free of charge. If it is decided to introduce a fee, this should be kept very low to avoid being a deterrent to registration, or to risk costs being passed on to consumers. Registration should be completed within a set timeframe to avoid drawn out bureaucracy and uncertainty for companies and consumers alike — 18 months would seem reasonable. The EESC recommends that SMEs' suggestions for avoiding additional costs should help to shape the application of the system.

1.7 Protection of provenance and the association this carries with heritage, tradition, quality, product specification, craftsmanship and know-how is important. A strong link between the product and place of origin is required. The EESC believes that the combined approach adopted for agricultural products — protected designations of origin (PDO) and the more flexible protected geographical indications (PGI) — would ensure an inclusive coverage of products which need protecting.

1.8 The EESC believes that the relationship between the GI system for non-agricultural products and trade mark law should be defined in a similar way to that currently used for agricultural products, providing continuity across all products and avoiding confusion.

2. **Background and Introduction**

2.1 The Green Paper 'Making the most out of Europe's traditional know-how: a possible extension of geographical indication protection of the European Union to non-agricultural products' follows up on the study published by the Commission in March 2013 ([1]) which takes the view that existing legal instruments available for producers at national and European level are insufficient. The Commission organised a public hearing on 22 April 2013 to discuss the results of the study and provide a platform for a wide debate on the need for more efficient GI protection of non-agricultural products at EU level. In the light of the results of the study and the outcome of the public hearing, the Commission decided to pursue its analytical work through this consultation Green Paper.

2.2 In September 2013, the European Patent Office and the Office for Harmonisation in the Internal Market produced a joint study in cooperation with the Commission entitled 'Intellectual property rights (IPR) intensive industries: contribution to economic performance and employment in the EU' ([2]).

The study highlights the economic value of intellectual property intensive industries (including GI-intensive industries) in terms of output, employment, wages and trade, and the contribution they are making to the Europe 2020 objectives of employment and growth. The study shows that IP intensive industries generate over 26 % of employment in the EU and 39 % of EU economic activity. They also generally pay higher wages with a premium of over 40 %.

2.3 At the EU summit in March 2014, President Barroso presented the Communication 'For a European industrial Renaissance' ([3]), which reinforced the importance of IPR and GI intensive industries to sustainable economic growth in the EU, and the need for the EU to support such industries. It highlighted that many of these companies had seen better growth and performance than other industries over the crisis.

2.4 Currently, only agricultural products and foodstuffs (wines, spirits) enjoy unitary protection granted exclusively at EU level. Non-agricultural GIs are protected only at national/regional level, through various national legal frameworks. These have not been harmonised across Member States, and there are significant differences in definitions, procedures, levels of protection and enforcement, which is not helpful to either companies or consumers. Non-agricultural products are, however, covered by laws on unfair competition or consumer deception, but again with different scope and approaches.

2.5 Many companies producing non-agricultural products with high levels of geographically based traditional craft skills and know-how operate in an international environment, and are finding it increasingly difficult to protect the quality, authenticity and integrity of their products from bad faith labelling, fraud and counterfeit and trade mark abuse. With no unitary protection, companies and consumers have to rely on a confusing variety of approaches and levels of protection across the EU. Many companies find this costly and ineffective, and spend considerable sums of money defending themselves on a case by case basis. This is a burden both financially and in terms of human resources. Companies have been calling on the Commission to extend GI protection to non-agricultural products.

([1]) http://ec.europa.eu/internal_market/indprop/docs/geo-indications/130322_geo-indications-non-agri-study_en.pdf
([2]) http://ec.europa.eu/internal_market/intellectual-property/docs/joint-report-epo-ohim-final-version_en.pdf
([3]) COM(2014) 14 final.

2.6 Whilst existing national GI instruments, together with laws on unfair competition and consumer deception which exist in all EU Member States, provide a certain level of protection for non-agricultural products, in practice these laws are limited and many companies complain that they fail to provide effective protection against the misuse of non-agricultural GI names.

3. **General comments**

3.1 Extending GI protection in the EU to non-agricultural products would benefit both producers and consumers. It is not a protectionist measure. Rather it would ensure fair competition for producers, to help protect the quality and integrity of their traditional products, crafts or processes (which are often highly skilled) and, at the same time, would provide the consumer with reliable information on the place and/or method of production and a guarantee of the authenticity and quality of the product.

3.2 The EESC believes that extending the GI system to non-agricultural products would bring clear economic benefits to the EU. It is an opportunity to promote and protect traditional products, know-how and high level skills, often developed through specialist vocational schools and colleges, that have a proven record of creating good and stable jobs. By providing guarantees of provenance and quality of products, this would increase their attractiveness, and help build their profile and boost sales. A more universally recognised status could also contribute to promoting tourism and other income related to the products, bringing further economic benefit. It would also offer more uniform and effective EU-wide protection against losses caused by counterfeiting and imitation.

3.3 There are many non-agricultural products with a strong GI recognition and reputation across the EU which are regularly subject to misuse and imitation. Though some of these companies have weathered the crisis better than others, the instance of abuse of trademarks and counterfeiting and imitation has increased with the pressure of the crisis. Unscrupulous companies have sought to make fast money on the back of the name and reputation of quality GI products, but without any connection to the origin, provenance, quality or craftsmanship/know-how associated with the product. This results in loss of revenue and market share for legitimate traders, as well as potential reputational damage and additional legal costs. Producers of products such as Bohemian Crystal, Savile Row Bespoke, Marmo di Carrara, Harris Tweed, Paška čipka (Pag lace), Schwarzwälder Kuckucksuhr, Ceramica Artistica e tradizionale di Vietri sul Mare, Stoke on Trent potteries, Brački kamen (Brač stone and sculpture), Deruta ceramics and Murano, face a constant challenge to protect themselves by launching campaigns, registering trademarks and taking legal action. Extending GIs to such products could help avoid this constant and costly defensive legal action.

3.4 Harmonised legislative protection matching the protection afforded to the agri/food sector and compatible with existing European and international legal frameworks will help to preserve traditional cultural and artistic heritage reflected in many eligible products and reduce misuse. By reducing the costs to SMEs of protecting the reputation of their products through litigation, they will be able to invest more in innovation, product development, and broadening their market, and avoid increasing prices of their products for consumers.

3.5 Many customers of GI products are discerning consumers making informed choices based on quality craftsmanship and authentic products. They have a right to expect protection of the integrity of the products for which they are often paying a premium. This does not restrict choice or competition, because GI protection can be granted to any company that meets the product specification, provenance, quality, characteristics, craftsmanship and know-how criteria defining the status.

4. **Specific comments**

4.1 The EESC believes that a unitary EU Regulation is required for harmonisation of non-agricultural GI products. Existing current alternatives are too fragmented, confusing, costly and ineffective for many valuable businesses to survive as they lack the resources to deal with such diverse structures and laws operating at regional or national level across the EU. Greater consistency will help companies survive and grow, and ensure their products are less vulnerable to abuse.

4.2 The EESC encourages the Commission to simplify the process of this extension by keeping close to the existing harmonised legislative framework applied to agricultural/food products where relevant, applying best practice, and learning from the experiences of introducing protection for this sector to inform the system to be applied to non-agricultural products. Whilst accepting that some sectoral specificities may require a different approach, as was applied with wines and spirits, continuity of application and an inclusive approach to products to be covered across the sectors should be the general rule. Non-agricultural products should enjoy the same safeguards and protections provided to agricultural GIs in relation to the TRIPS agreement. The EESC would, however, urge the Commission to assess the scope for improving on these protections in the light of experience of the application of TRIPS to date, particularly in relation to clear, consistent and structured notification and registration systems, and consistency in treatment.

4.3 Whilst the EESC understands that the GI system is a voluntary provision distinct from current proposals for mandatory origin marking on consumer products manufactured or imported into the EU contained in the product safety package, it recommends that both of these proposals are adopted to provide greater traceability, transparency and information for consumers and to give recognition of provenance to producers across the EU.

4.4 The EESC anticipates that harmonisation of GI protection of non-agricultural products will also provide benefits in EU trade relations with third countries as it will simplify procedures and give clarity for products which receive automatic protection. It will provide a more focussed approach to trade negotiations and help to protect valuable EU products, which often have a high export value. This enhanced protection will also act as a ‘chill factor’ to those considering counterfeit or misuse of the status.

4.5 Many GI products require extremely high skill levels in their production. Companies have invested heavily in skills and know-how training over generations. Many have well established and successful apprenticeship and continuous training schemes, developing highly qualified people with very marketable skills. The EESC believes such companies should be supported in developing this valuable social capital by helping them to protect their products and know-how, and allowing them to channel investment into positive skills training rather than defensive legal action. GI companies provide valuable jobs and learning opportunities to people, who have found their talent nurtured in craft training. The EESC also recognises the mutual dependence of many specialist vocational training colleges and GI producers in certain countries and regions, for example the vocational college training stone cutters in Brački kamen. Some of those companies are located in remote and high unemployment areas, which makes their role in the labour market even more important.

4.6 In determining the association with a given place, the key focus has to be providing protection of provenance and the association this carries with heritage, tradition, quality, product specification, craftsmanship and know-how. A strong link between the product and place of origin is required. The EESC believes that the two types of link approach adopted for agricultural products — protected designations of origin (PDO) and the more flexible protected geographical indications (PGI) — would ensure an inclusive coverage of products which need protecting. Any symbols accepted under the scheme would have to stand up to unambiguous association and recognition and meet the criteria of the GI and be uniform throughout Europe to avoid confusion for consumers and to help establish recognition.

4.7 Whilst the EESC acknowledges that quality and origin are not necessarily synonymous, it recognises GI products have a reputation built on a value to customers, and that quality characteristics are often in the DNA of GI products and can be important in defining and protecting the quality craftsmanship and know-how, and in monitoring and enforcing standards across companies. Many producers or associations of GI products already have their own benchmarks defined, and actively ‘self-police’ these standards to protect the integrity of their products. However, the EESC recognises that these voluntary monitoring schemes and codes of conduct do not work in all Member States and need to be accompanied by formal mechanisms for monitoring and enforcement at national and EU level. The EESC notes that, due to the crisis and austerity measures, many monitoring and enforcement agencies have been subject to cuts, and that measures to ensure effective monitoring and enforcement need to be considered.

4.8 As with agricultural products, the EESC believes a formal registration process is needed. It should be valid for an unlimited period to avoid bureaucracy and cost, but subject to ongoing monitoring and enforcement to ensure that the products maintain the criteria of the status. The registration procedure should also include provisions for removal from the register where products no longer comply with the standards or are no longer produced. There should also be an objection process, including a right of appeal to avoid vexatious cases of objection.

4.9 A two phase system of national authority involvement combined with EU level legislative protection and oversight would be a sensible approach. The registration process should be transparent and independent, and preferably publically funded and administered. The EESC notes that there is currently no registration fee for agro-food product registration and therefore the same principle should be applied to non-agricultural products. If it is decided to introduce a fee, this should be kept very low to avoid being a deterrent to registration, or to risk costs being passed on to consumers. Registration should be completed within a set timeframe to avoid drawn out bureaucracy and uncertainty for companies and consumers alike — 18 months would seem reasonable.

4.10 The EESC believes that the relationship between a GI system for non-agricultural products and trade mark law should be defined in a similar way to that currently used for agricultural products, providing continuity across all products and avoiding confusion, whilst learning from experience in its application in this sector to refine the process and minimise potential for dispute. The EESC notes that any business operating in a given region should be allowed to apply for a protected designation of origin in that region.

Brussels, 18 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank — Annual Growth Survey 2015'

(COM(2014) 902 final)

(2015/C 251/09)

Rapporteur-general: Gonçalo LOBO XAVIER

On 19 December 2014 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

'Annual Growth Survey 2015'

COM(2014) 902 final.

On 9 December 2014 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 Lobo Xavier as rapporteur-general at its 505th plenary session, held on 18 and 19 February 2015 (meeting of 19 February), and adopted the following opinion by 174 votes to 8 with 1 abstention.

1. **Conclusions and recommendations**

1.1. The EESC welcomes the Commission's Annual Growth Survey (AGS) 2015 ([1]) with its conceptual objective of promoting suitable growth levels to support Europe's recovery. The three pillars approach — boosting investment, structural reforms and responsive fiscal and budget consolidation — seems to be a good response to Europe's needs and the EESC supports the implementation plan aligned with a more effective European Semester. However the Committee also highlights that there are still some weaknesses in the process, bearing in mind that the AGS does not include social and environmental aspects, for example, and in particular it should make combating continuing mass unemployment and managing the social crisis an explicit policy priority. The AGS is the starting point for an effective European Semester and therefore the EESC believes that more commitment should be present concerning timeline obligations in order to get better involvement and better results.

1.2. The EESC believes that the confidence to invest also relies on the clarity and simplicity of the timeline proposed, combined with the involvement of the key stakeholders. Social partners and other civil society organisations in general must be involved in the process in order to achieve credibility. The EESC considers it vital that the Commission engages with the European Parliament and the social partners as well as other civil society organisations at European level, before the AGS is presented. The EESC acknowledges the efforts made by the Commission to encourage more civil society participation, also in cooperation with national parliaments, but cautions that a new 'civil society calendar' ([2]) must be implemented to achieve efficiency and real involvement, with effective results. A major effort from all the partners and institutions must be made to move from good intentions to consequences, and the EESC calls for a proactive role from the social partners.

1.3. The EESC believes that it is not possible to implement a growth plan that supports job creation measures without investment. Therefore it is crucial for Europe to establish appropriate conditions for partnership-based investment involving both the private and public sectors. The effectiveness of the combination of policies proposed would be the right signal to boost confidence — essential for investment. The EESC considers it a major shortcoming that in its Investment Plan, which is in itself welcome, the Commission targets mainly private investment, largely ignoring the need for public investment. The EESC supports the ongoing discussion in the European Commission on applying the financial 'golden rule', i.e. on excluding future-oriented public investments from the calculation of net public deficits under the EMU's fiscal rules ([3]).

([1]) For the 'Annual Growth Survey 2015' see the European Commission website http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm
([2]) See Appendix.
([3]) EESC opinion on *Impact of Social Investment* (OJ C 226, 16.7.2014, p. 21–27).

The EESC also points out that, no matter who is going to lead the investment, the key to success is a clear definition of the type of investment and its sustainability in the future. In this context, increased long-term investment in education and training systems will really benefit the labour market and enable Europeans to understand the social dimension of the challenge.

A proper approach is essential to combat youth unemployment — an unfortunate reality in Europe — and the Member States must combine their national policies to avoid exclusion and to promote the integration of disadvantaged groups of society into the labour market.

1.4. The EESC is truly convinced that industry plays a crucial role in the development of Europe. There is a wide variety of good examples of innovation in industrial sectors and this environment must be upscaled, in order to promote job creation and highly skilled human resources. The investment plan must recognise the added value of 'European industrial champions' and promote examples of innovation and good practice.

1.5. The EESC calls for attention to the promotion of social investment in this process. The EESC believes that social investment can play a critical role in the promotion of welfare and the eradication of poverty and exclusion; it has therefore already called for priorities to be set explicitly in the Annual Growth Surveys and country-specific recommendations ([4]) and urges the promotion of measures enabling the relevant civil society actors to unlock the full potential of social economy enterprises and to reinforce the role of local communities ([5]).

1.6. The EESC welcomes the effort made to promote Europe's potential through the digital market. The digital market can really boost the economy and employment growth if some key measures are taken. Only when common European data protection rules setting high standards are in place and when consumer confidence is restored will businesses be able to tap the full potential of the digital agenda. The EESC urges the Commission to accelerate internal market implementation to get the best out of this agenda.

1.7. The EESC believes that fiscal responsibility is needed from all Member States and it should be directly linked with employment promotion and social accountability. Respect for the compromises regarding balanced and responsible governance is essential to promote growth. The EESC supports growth-friendly fiscal consolidation and asks — where possible — the Member States to reduce the tax burden imposed by austerity policies on the citizens and calls for other measures to re-stimulate private investment without neglecting smart public investment.

1.8. The governance system aimed at achieving fiscal responsibility by more conscious and integrated budgetary surveillance is an interesting approach that could allow appropriate integration of EU policy recommendations into the preparation of national budgets. The EESC welcomes the simplification of the Semester, already recommended by the opinion on the 2014 AGS ([6]) and would like such changes to be effective.

1.9. The Committee advocates more uniformity in the presentation of each Member State's budgetary situation. This will simplify comparisons and could be more efficient in achieving solutions at European level. It might also be interesting to review the calculation of the internal debt in order to get more real and balanced information.

2. **Introduction**

2.1. The Committee welcomes the AGS as a guideline for 'refreshing' European policies aimed at boosting the economy and sustainable growth for all.

([4]) EESC opinion on *Towards Social Investment for Growth and Cohesion — Including implementing the European Social Fund 2014-20* (OJ C 271, 19.9.2013), p. 91–96 and EESC opinion on Impact of Social Investment (OJ C 226, 16.7.2014, p. 21–27).

([5]) See the Milan Declaration: EESC calls for innovation in the Union's welfare systems to adapt to the new challenges ahead | European Economic and Social Committee.

([6]) EESC opinion on *the Annual Growth Survey 2014* (OJ C 214, 8.7.2014, pp. 46–54).

The European semester has proved to be working as a benchmark for introducing or strengthening fiscal policies or the structural reforms needed to ensure growth, and it has achieved tangible results; however, it could be criticised for the slowness of procedures and a lack of decisiveness regarding the best ways of emerging from the severe crisis that has racked Europe and is still being felt, to a greater or lesser degree, in all Member States.

2.2. The initiative's value cannot therefore be called into question, especially given the awareness of the constraints faced by each Member State in the light of growth policies, reflecting their specific circumstances and the speed at which they have implemented measures and reforms that have had an impact and achieved results.

2.3. In its AGS for 2015, the Commission clearly recommends an economic policy based on three main integrated pillars: investment growth, swifter structural reforms and responsible growth-friendly fiscal consolidation.

In the Commission's view, the way in which these three economic policy pillars are integrated will be the key to success and to achieving results that make it possible to reduce unemployment, in particular among young people. This will require structural reforms in the labour market, further pension reform, modernising social protection systems, making the markets for goods and services more flexible, improving the investment climate and business environment, improving the quality of investment in research, innovation, education and training and stepping up the quest for efficiency in public administration.

2.4. Interestingly, the Commission also makes a call for civil society participation throughout the process of growth and change, with particular emphasis on involving the social partners ([7]). It also calls on Member States to engage national parliaments more actively, and to reach out to the public to become actively involved and help assess the policies to be implemented.

It is worth noting this effort to improve public participation at a time when there is concern that people feel far removed from the European project.

3. **An integrated approach**

3.1. *Promoting investment*

3.1.1. The EESC is convinced that the recovery of investment levels, in conjunction with investor confidence (among both institutions and individuals) is a key component of growth. It therefore welcomes the Investment Plan for Europe ([8]), which addresses the need to promote crucial structural investments that create the conditions for the growth and sustainability required for competitiveness. However, the EESC considers it a major shortcoming that in its Investment Plan, which is in itself welcome, the Commission targets mainly private investment, largely ignoring the need for public investment. The EESC supports the ongoing discussion in the European Commission on applying the financial 'golden rule', i.e. on excluding future-oriented public investments from the calculation of net public deficits under the EMU's fiscal rules ([9]).

3.1.2. An analysis of the current situation shows that Europe has become less competitive than other global economies, due precisely to the fall in investment in critical areas such as upgrading equipment and access to technologies and improving education, to give just a few examples. While the EESC consequently endorses this plan to promote investment, a number of variables remain unclear and could undermine the plan's usefulness. The conceptual basis appears sound, but the EESC has doubts as to how the plan could be implemented fully and on a large scale.

([7]) See the recommendations made in the EESC opinion on the Annual Growth Survey 2014, and the EESC report on the mid-term review of Europe 2020 at http://www.eesc.europa.eu/?i=portal.en.europe-2020-meetings.34402

([8]) For the 'Investment Plan' see the European Commission website http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm

([9]) EESC opinion on *Impact of Social Investment*, OJ C 226, 16.7.2014, p. 21–27.

3.1.3. The reservations that the EESC feels obliged to express with regard to the AGS recommendations largely concern the constraints still facing some Member States in terms of the levels of investment required. There is still considerable inequality in access to finance, especially for SMEs, which could undermine the initiative's usefulness, even if national governments demonstrate political will. At this stage, it remains unclear how this inequality will be tackled and reduced in order to promote inclusive investment in Europe, in spite of the most welcome Commission recommendations on SME access to finance, involving a new approach to insolvency and business failure and improvements to the regulatory framework aimed at enhancing long-term investment in SMEs.

3.1.4. The EESC also believes that existing and available investment programmes will be crucial to achieving growth-related goals and endorses the need to encourage Member States — including the general public, businesses and official bodies — to play an active part in programmes geared towards them which are designed to be inclusive and promote excellence, such as Horizon 2020 ([10]) (for innovation and research), the Connecting Europe Facility ([11]) (for infrastructure investments) and COSME ([12]) (for financing SMEs). The EESC also calls, however, for the programme-monitoring structures to be made more inclusive and 'user-friendly' so as to foster excellence and fairer access for all institutions and Member States, without losing the rigour and excellence required of the programmes.

3.1.5. The EESC truly believes in the effectiveness of social investment and its direct impact on the well-being of the population. Public policy must not overlook the strength of social economy enterprises, not only because they are closely connected to civil society but also because there are good examples that could be replicated in similar situations. Europe must promote best practice from the Member States throughout the Community ([13]).

3.2. *Structural reforms*

3.2.1. The single market for goods and services has always been at the heart of European integration. A great deal has already been achieved, through enormous efforts, but some areas that are critical for growth have still not changed. The EESC therefore welcomes Member States' efforts to break down barriers to the creation of a single market that is effective, efficient and fair. Nor does the EESC doubt the benefits to European consumers of an efficient single market for goods and services, which would make Europe a more attractive location for investment, thus having a direct impact on job creation and social well-being. The Committee believes, however, that it is important to make extra efforts and take practical steps towards achieving this objective.

3.2.2. The leading position that would be gained by creating a single digital market is therefore essential and is clearly something to which the EESC is fully committed. The EESC is fully convinced of the benefits of an efficient single digital market and considers that the financing arrangements for investments in infrastructure and knowledge should be geared toward this objective; however, it again notes the differences between Member States, which could hinder efficient integration.

3.2.3. Similarly, while fostering excellence and efficiency in the single digital market ([14]), Europe must require its competitors to adhere to European rules and standards, as anything less would be unfair to the internal market itself. The EESC is not referring to protectionism or any other such measure, but it is simply calling for clarity throughout the process and for the proper implementation of the measures and requirements needed to lead the way in different parts of the economy and society.

3.2.4. The Committee takes the view that the plans for growth and job creation must be aligned with national reforms that boost high-quality labour participation, increase productivity and take the best from training and education systems.

([10]) For 'Horizon 2020' see the European Commission website http://ec.europa.eu/programmes/horizon2020
([11]) For the 'Connecting Europe Facility' see the European Commission website http://ec.europa.eu/digital-agenda/en/connecting-europe-facility
([12]) For 'COSME' see the European Commission website http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm
([13]) EESC opinion on *Social Impact Investment* (OJ C 458, 19.12.2014, pp. 14–18).
([14]) EESC opinion on *Progress on implementation of the Europe 2020 strategy*, EUR/7 — EESC-2015-00034-00-00-AC-TRA.

3.3. *The quest for responsible fiscal policy*

3.3.1. Despite the improvement in Member States' performance on their domestic sovereign debt — the number of countries in excessive deficit fell from 24 in 2011 to 11 in 2014 ([15]), which is a positive development — much remains to be done in this regard, especially with a view to medium- to long-term growth.

3.3.2. Member States' adjustment processes have been carried out at the expense of the public's social well-being, affecting everyone, both individuals and businesses. The EESC therefore considers that the Annual Growth Survey should make combating continuing mass unemployment and managing the social crisis an explicit policy priority.

3.3.3. The EESC welcomes a policy that combines fiscal responsibility with policies for economic growth but warns of the need to implement policies that reflect the true situation in each Member State. Applying generic measures to different situations has proven to be a recipe for failure. The Commission would not want to repeat recent mistakes.

3.3.4. The Committee urges the Commission to step up the fight against tax fraud and tax evasion. Good practices in combating tax fraud and tax evasion should be promoted and shared in order to obtain more efficiency and justice.

4. **Improve the system of governance, making it more effective**

4.1. The EESC has been particularly active in the assessment and review of the Europe 2020 strategy's implementation ([16]). It is therefore with a sense of responsibility that the Committee considers that aligning the timing of the strategy's review with the European Semester and Council is a key measure for achieving the proposed objectives and for making the proposed measures more efficient, and also for reviewing the objectives themselves.

4.2. This alignment, as has been widely noted by the EESC's Europe 2020 Steering Committee, is crucial to assessing the effectiveness of the measures in place, to evaluating the set objectives and to adjusting any measures that are implemented, making them more efficient in the light of the real situation in Europe in general and in the Member States in particular.

4.3. The EESC welcomes the streamlining of the European Semester, especially the proposal to present a comprehensive single economic assessment per Member State and the advancement of its publication to March. The Committee considers it important that the country-specific recommendations (CSR) will also be presented earlier.

4.4. The EESC agrees with the Commission that the NRPs should be refocused and considers it essential that the social partners, as well as other civil society organisations, are involved at an early phase in their formulation. This will increase the ownership of the European Semester and lead to better implementation, by ultimately improving its democratic legitimacy.

4.5. The EESC underlines that the mid-term review of the Europe 2020 strategy should be published in a timely manner in order to give stakeholders sufficient time to prepare their positions.

4.6. The Committee believes that social innovation and social investment policy should be included in the review of the Europe 2020 strategy and supported by a dedicated flagship. The EESC calls for the introduction of social impact measurement in view of the progress of social policies, including social indicators in national progress reports.

4.7. Europe must take firm action by showing solidarity and respect for Member State sovereignty, responsiveness and above all, intelligent leadership in finding solutions that are inclusive and balanced, building a consensus that can rally the public around a project that is truly European and which benefits everyone.

([15]) For the 'excessive deficit' see the Annual Growth Survey 2015 on the European Commission website http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm, paragraph 4. PURSUING FISCAL RESPONSIBILITY

([16]) See EESC report on the Mid-term review of Europe 2020 at http://www.eesc.europa.eu/?i=portal.en.europe-2020-meetings.34402

4.8. The EESC is aware of the challenges ahead and is therefore concerned at the lack of ideas in the AGS report regarding environmental issues. It is to be expected that the investment plan should take account of these concerns, but a specific section on environmental challenges, opportunities and policy will also empower Europe's leadership in this area. It will also have an impact on trust and confidence in the future of industry in the EU as well as on people's welfare and on sustainability.

Brussels, 19 February 2015.

The President
of the European Economic and Social Committee
Henri MALOSSE

APPENDIX

Timetable of the European Semester — to see the timetable, please follow the link:

http://www.eesc.europa.eu/?i=portal.en.europe-2020-opinions.34757

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