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I

(Resolutions, recommendations and opinions)

RESOLUTIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

514TH EESC PLENARY SESSION OF 17 AND 18 FEBRUARY 2016

Resolution of the European Economic and Social Committee in support of the Schengen agreement**Free to move, support Schengen**

(2016/C 133/01)

Free movement is the most tangible achievement of European integration. The Schengen Agreement, which allows people to travel freely between countries for work, study and leisure, and which removes physical barriers to the movement of goods and services, is a cornerstone of the Internal Market which is worth EUR 2 800 bn, involves 1,7 million workers crossing internal borders and represents 57 million annual cross-border road transport movements. Removing internal border controls has played a significant role in breaking down barriers, bringing people closer together and boosting the European economy. Several generations of Europeans have grown up benefitting from Schengen without even realising it. Bringing back internal border controls would cost an estimated EUR 100 bn, representing 0,8 % of GDP; it would leave us all poorer culturally, socially and economically.

The European Economic and Social Committee fully supports the principles that led the Member States party to the 1985 agreement to declare themselves 'aware that the ever closer union of the peoples of the Member States of the European Communities should find its expression in the freedom to cross internal borders for all nationals of the Member States and in the free movement of goods and services' and 'anxious to strengthen the solidarity between their peoples by removing the obstacles to free movement at the common borders between the States [...]'. This agreement aimed to promote the union of the peoples and solidarity between the peoples. Undermining it, therefore, in addition to having alarming economic consequences, would amount to a potentially fatal blow to solidarity and to the Union itself.

The Committee also fully supports the principle which led the Member States party to the Treaty on the Functioning of the European Union to state that 'The Union shall develop a policy with a view to [...] ensuring the absence of any controls on persons, whatever their nationality, when crossing internal borders', while also providing for effective management of external border controls (Article 77(1)).

The members of the EESC, as representatives of European civil society, are therefore increasingly concerned about the pressure being put on the Schengen Agreement. The EESC appeals to Europe's governments not to bow to populist pressure and fear but instead to defend the rights we have striven for. The Committee recognises that recent events have revealed serious shortcomings in the management of Europe's borders and our ability to trace the movements of those who want to cause harm. These concerns must be addressed, but Schengen is not the problem and should not be used as a scapegoat. The EU institutions must avoid at all cost the piecemeal unravelling of the Schengen rules, and with it the Internal Market, which will ultimately be to the detriment of us all.

The strength of the Schengen area cannot be reduced to that of its weakest link. Protecting the EU's borders should be a joint effort, with all Member States sharing the responsibility. The commitments undertaken by Member States to put in place and strengthen an efficient and operational Frontex must be respected. Without efficient external border controls, the Union will not be able to grant access to those refugees who need help. Effective external border controls are ultimately a precondition to maintain the Schengen System. Securing borders must not mean shutting out those who need protection for humanitarian reasons, according to the Geneva Convention.

We must be prepared to reach bold solutions that can safeguard our rights and protect our Union with no internal borders, allowing people to work, trade, study, and exchange ideas, goods and services freely. This is about defending our Europe, our Schengen and our social and fundamental rights.

The Committee therefore appeals to European and national civil society organisations to show their support, not only for maintaining but also for strengthening and enlarging the Schengen area. It commits, for its part, to make representations to the EU institutions, in particular the Council, to ensure that the Member States remain faithful to the principles of the treaties and agreements that clearly constitute positive achievements for the Union of the peoples of Europe.

Brussels, 17 February 2016.

*The President
of the European Economic and Social Committee
Georges DASSIS*

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

514TH EESC PLENARY SESSION OF 17 AND 18 FEBRUARY 2016

Opinion of the European Economic and Social Committee on ‘The future of the EU Urban Agenda seen from the perspective of civil society’**(exploratory opinion requested by the Dutch presidency of the EU)**

(2016/C 133/02)

Rapporteur: Mr Roman HAKEN

On 28 August 2015, Mr R.H.A. Plasterk, Ministry of the Interior and Kingdom Relations of the Netherlands, acting on behalf of the Dutch Presidency of the Council of the European Union, asked the European Economic and Social Committee to draw up an exploratory opinion on

The future of the EU Urban Agenda seen from the perspective of civil society.

(exploratory opinion requested by the Dutch presidency of the EU)

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 26 January 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 214 votes to 1.

1. Conclusions and recommendations

1.1. The EU Urban Agenda (EU UA) ⁽¹⁾ will directly influence the lives of the 80 % of EU citizens who will be living in towns and cities by 2050. To formulate the most effective provisions and ensure public acceptance of those provisions it is important to ensure that civil society organisations (CSOs) will be an equal partner in discussions and implementation of the UA. The Dutch Presidency’s initiative brings cities to the centre of development discussions for the first time in EU history. The EESC calls on the Council to acknowledge the municipal level in all its diversity as a valuable partner in the European integration process.

⁽¹⁾ http://ec.europa.eu/regional_policy/index.cfm/en/policy/themes/urban-development/agenda

1.2. The EESC sees working in partnerships as an effective way of approaching these extensive and complicated issues. The EESC therefore values the partnership principle, which is finally being applied in the course of developing and implementing the 2014-2020 programming period ⁽²⁾.

1.3. Partnership is a principle for modern public services — both vertical and horizontal. As another example of such cooperation, the EESC suggests looking at public-private partnerships (PPPs) as a model for financing urban projects, various social enterprises, and also European partnership-based programmes such as Equal ⁽³⁾. It is up to public administration at various levels, notably in cities, to bring the relevant partners together in joint projects and to use financing effectively.

1.4. One of the challenges that the UA will face is how to implement strategies developed by thematic partnerships. It is crucial to use the bottom-up approach in creating partnerships, and in developing and implementing strategies. Therefore the EESC supports the bottom-up approach which is not the same as an approach based on expert groups. It is important to clarify how CSOs will work with their stakeholders — how they will report back, consult, etc.

1.5. When developing the new EU UA, horizontal partnerships are just as important as vertical (thematic) partnerships. These will operate mainly at local level in cities. They are important not only for strategic thinking but especially for ensuring implementation, monitoring and evaluation. Local strategies developed by local partnerships with knowledge of the local situation are the best way of incorporating recommendations from the EU level and implementing these effectively. One of the tools the EESC recommends for this purpose is the CLLD ⁽⁴⁾.

1.6. To ensure effective implementation of the new EU UA it is necessary:

- (a) to consider the basic needs of the partners involved and pay attention to capacity-building (mainly for horizontal municipal partnerships). For this the EESC recommends using the 'technical assistance' resources of the European Structural and Investment Funds (ESIF);
- (b) to prepare methodological recommendations on principles of responsible urban partnerships. It is important to have a methodology for monitoring and evaluating the UA, including indicators that will be able to measure changes achieved. It is necessary for partners, including CSOs, to be involved in evaluation and monitoring.

1.7. The EESC would like to see clarification of how the thematic partnerships will deal with the issues and challenges of urban development. Horizontal partnerships should be those that implement specific measures in specific urban areas. It is therefore necessary to ensure that good practices are shared through specific events. It is essential that all regions of the EU are equally included (especially in southern and eastern Europe). The UA will have to recognise the relationships between cities and towns and the adjacent/surrounding peri-urban areas which contribute to urban quality of life. The UA should not be in conflict with or limit the development of rural areas.

⁽²⁾ See relevant work of the EESC, the European Council, the European Commission, the European Parliament and the Committee of the Regions:

How to foster efficient partnership in the management of cohesion policy programmes, based on good practices from the 2007-2013 cycle (OJ C 44, 11.2.2011, p. 1).

The partnership principle in the implementation of the Common Strategic Framework Funds — elements for a European Code of Conduct on Partnership (OJ C 44, 15.2.2013, p. 23).

Community Led Local Development (CLLD) as a tool of Cohesion Policy 2014-2020 for local, rural, urban and peri-urban development (OJ C 230, 14.7.2015, p. 1).

Strengthening the participatory processes and the involvement of local authorities, NGOs and the social partners in the implementation of Europe 2020 (OJ C 299, 4.10.2012, p. 1).

Evaluation of European Commission stakeholder consultations (OJ C 383, 17.11.2015, p. 57).

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A8-2015-0218+0+DOC+PDF+V0//EN>

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013IR6902>

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:c10237>

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013R1303> Article 5(3) on a European code of conduct on partnership.

⁽³⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:c10237>

⁽⁴⁾ *Community Led Local Development (CLLD) as a tool of Cohesion Policy 2014-2020 for local, rural, urban and peri-urban development* (OJ C 230, 14.7.2015, p. 1).

1.8. A number of themes are interconnected and to some extent overlapping. The implementation of measures dealing with one theme will influence one or a number of other themes. It is necessary to ensure that measures to improve the situation in one area do not have an adverse effect on another area. This concerns not only the EU but also the national level.

1.9. The EESC suggests including Urban Communities and Citizens Participation as a new theme in the UA. Cities need a functioning mechanism for strengthening citizens and groups of citizens so that they can be real and solid partners in discussions and implementation of development priorities for their cities and in implementing the UA. Only a self-confident and strong community with high social capital will be able to deal with the challenges that are emerging. The EESC is prepared to work on fleshing out this idea.

1.10. Elements such as the UN 2030 Agenda for Sustainable Development, with its 17 Sustainable Development Goals, and in particular Goal 11 ('Make cities and human settlements inclusive, safe, resilient and sustainable') should also be included. The EESC adopted a position on this topic in September 2015 ⁽⁵⁾. The EU does not have equal competencies in all policy areas, and its powers in relation to social matters in particular do not seem to be strong enough. It is questionable whether the EU can influence urban development in the social domain or adequately assess the social impact of measures implemented in other policy areas. Although environmental impacts can be identified through the EIA procedure, social impact assessment is still lacking.

1.11. The EESC is interested in becoming a fully-fledged member of the EU UA steering group and in participating in UA partnerships. The EESC represents CSOs from all the Member States, organisations which are respected and have expertise, and which can contribute to urban development.

2. Partnership as a principle in the EU's Urban Agenda and EESC involvement in the UA

2.1. The UA suggests creating partnerships of around 15 members, of which 11 will be representatives of public administrations (cities, Member States, Commission representatives). Other members could come from the managing authorities of the ESIF, experts and NGOs. The EESC regrets that it was invited to comment on this topic only after some of the partnerships were already established.

2.2. The EESC suggests adopting more balanced representation in partnerships. A good example of fair representation is provided by the LEADER programme, where a maximum of 50 % of partnership members may come from public administration. The EESC recommends much greater involvement of target groups (urban residents). It is important that residents themselves have a greater say in the future of cities. Most of the themes identified cannot be addressed without the commitment of NGOs, social partners and business. All successful examples in Europe have proven to be due largely to the engagement of non-governmental forces and to effective public-private cooperation.

2.3. While all the priority themes in the UA are relevant to CSOs, they go beyond the traditional roles associated with civil society. NGOs, social enterprises, and cooperatives are increasingly developing their capacity or establishing new economic or organisational models to provide public-interest services. It is necessary for public authorities to be able to see themselves from the point of view of groups and organisations working in urban areas. The EESC suggests that involving national or regional networks or local organisations with a lot of experience on a given issue would be just as useful as having European networks.

2.4. The EESC does not have information about the ways in which relevant CSOs will be identified and/or selected. The EESC offers its capacity and knowledge of organised civil society in choosing representatives of NGOs and social partners for thematic partnerships.

⁽⁵⁾ <http://www.eesc.europa.eu/?i=portal.en.press-releases.37475>

3. Recommendations for the work of UA partnerships and the participation process

3.1. It is the right of every EU citizen to know, understand and also influence EU policies. The EESC points out that a partnership should not become a closed shop. The way that partnerships communicate with the outside world is very important. Open public administration communicating with the general public and organisations representing citizens' interests should be a key element of urban development. As it is not possible to achieve strategic goals without the support of local citizens and CSOs, and it is important to ensure transparency and effective involvement of stakeholders in the preparation and implementation of the UA. Involving people who want to be involved is the best way to win their support for outcomes. The EESC suggests opening an invitation to organisations that might want to share their experiences and ideas on UA themes and could join some of the partnership meetings.

3.2. Partnerships need to use a number of communication and participation tools for sharing, communicating and consulting. Involving and consulting citizens cannot be effectively achieved with just one tool. A combination of methods is needed that is able to address different types of stakeholders, provide different types of input, and allow different levels of involvement. Partnerships should utilise up-to-date techniques such as social media, as well as surveys, workshops, focus groups, etc. so as to receive feedback on their work. The EESC recommends that additional (wider) public involvement be organised on specific issues where there is clear need for wider public discussion as well as feedback to citizens.

3.3. Partnerships should organise site visits and meetings with various stakeholders beyond the limited circle of the partnership. Encountering on-the-ground civil initiatives and learning about their limitations and their cooperation with public administrations can significantly influence the partnership discussion. If the UA is not based on existing practices, the resulting policies risk overlooking available knowledge.

3.4. Action plans should be the subject of open online consultation. This would ensure that all the relevant stakeholders can contribute to their content and that all interests are covered.

4. Priority pillars for thematic partnerships

4.1. *Inclusive cities*

4.1.1. **Jobs and skills in the local economy** — CSOs fulfil a number of roles — e.g. as employers, educators or trainers — that are relevant to creating new jobs. The EESC recommends consulting organisations like Eurochambres representing SMEs, job centres, and education and training establishments. The UA must address the issue of how cities will carry out a survey of expertise needs in their area; CSOs must be informed about these needs and there must be cooperation to promote the education, life-long learning and training that will provide the skills missing in the labour market.

4.1.2. **Urban Poverty** — CSOs are delivering the majority of programmes aimed at preventing and fighting urban poverty in cities. The EESC suggests involving organisations such as the European Anti-Poverty Network. We are also aware of the importance in relation to this theme of: a) suburbs and marginalisation, b) ghettos, c) deprived neighbourhoods, d) children in institutional care and the transition from institutional to family and community-based services, and e) ageing and vulnerability among the elderly.

4.1.3. **Housing** — To ensure good-quality, sustainable housing as defined in the UN Charter on Sustainable Housing, CSOs play an important role in representing and working with both sides — owners and users. The EESC recommends addressing organisations such as the International Union of Tenants, associations of flat and house owners, cooperative building societies, architects or city planners. This theme raises important issues of: a) urban planning, b) social housing, and c) moving of citizens to peri-urban areas to find better-quality housing.

4.1.4. **Inclusion of migrants and refugees** — It is necessary to address not just the short-term issues (providing for basic needs), but also — once migrants are settled — their integration into EU society: helping with education, getting jobs, etc., sharing EU values and traditions with them, and incorporating those values and traditions into their lives while respecting their culture of origin. CSOs such as churches, social organisations, education and training organisations, children's and parents' groups, etc. play a crucial role alongside the state. The EESC recommends consulting Solidar or Lumos, among others. Issues such as unaccompanied minors — a particularly vulnerable group requiring special attention — should be addressed.

4.1.5. **Sustainable use of land and nature-based solutions** — The objective of the UA is closely related to changing people's attitudes and lifestyles. Making sure that changes in cities respect the environment is an area where the involvement of CSOs such as representatives of land-owners, associations of SMEs, and community organisations which are behind movements for improving neighbourhoods is crucial. The EESC recommends involving for example Friends of the Earth Europe or ELARD. The EESC regards the following as important: a) spatial (vertical) planning, and b) problems of suburban areas that supply products (food, clean water), but also essential ecosystem services, which improve urban citizens' quality of life.

4.2. Urban economy

4.2.1. **Circular economy** — For an effective circular economy it is important to change the way people see waste and to present it as a potential resource. The education and information activities of environmental organisations and education establishments are important. Research and innovation centres, together with specialised companies and associations of SMEs, focusing on this area will be key players in exploring and implementing new approaches in cities. The EESC recommends inviting for example REVES to hold discussions.

4.3. Green cities

4.3.1. **Climate adaptation** — High-tech companies, research institutes and universities are crucial. It is also necessary to educate and inform ordinary people to facilitate their involvement in and acceptance of relevant provisions. The EESC suggests consulting Green 10, for example.

4.3.2. **Energy transition** — Structural changes in energy systems, such as a substantial shift towards renewable energy and increased energy efficiency, can be achieved only with the full involvement of partners from relevant businesses and the support of citizens. Greenpeace, for example, is active in this area.

4.3.3. **Urban mobility** — Sustainable urban mobility is a sphere where little can be done unless people themselves are willing to change their mobility habits. The EESC therefore suggests involving organisations such as CEEP (the European Centre of Employers and Enterprises providing Public Services), BusinessEurope, ETF (the European Transport Workers' Federation), Polis (network of European cities and regions developing innovative technologies and policies for local transport), the European Cyclists' Federation and IPR Prague (the Prague Institute of Planning and Development). We also understand this theme to include the importance of integrated approaches such as Sustainable Urban Mobility Plans (SUMP), and we thus see urban mobility as an enabler for economic development, for improving environmental conditions, and for the energy transition in cities. The EESC emphasises the importance of specific EU financing instruments for urban mobility, which is an area in need of capital-intensive investment.

4.3.4. **Air quality** — The cooperation of businesses, healthcare organisations, environmental NGOs, universities and research institutions and others is essential. Partnerships should involve organisations such as CAN (Climate Action Network Europe).

4.4. *Smart cities*

4.4.1. **Digital transition** — The digitalisation of society represents a paradigm shift. The objective is to provide better services to citizens and create business opportunities. A case in point in smart cities is the triple helix and the quadruple helix, which bring stakeholders in city management, higher education, business and civil society together in joint projects. This model should be disseminated in Europe. Under this heading we consider the issues of: a) predictable urban planning in any municipality, and b) use of social networks and the internet for communication between municipalities and citizens. Partnerships should also involve organisations such as Transparency International.

4.5. *Innovative and responsible public procurement*

4.5.1. The potential for cities to implement innovative approaches is significant: they can act as forerunners, and not only in the area of public procurement. However it is important to cooperate with business innovation and support centres and EU CSOs such as CEE Bankwatch Network. The EESC highlights the importance here of: a) using public procurement to contribute to the local social economy, and b) specific methods of motivating cities to opt for innovative public procurement instead of the cheapest solutions.

4.6. Cities are part of complex systems, where a wider peri-urban area provides essential support and resources which enable cities to function and succeed. It is necessary to involve partners from areas surrounding cities, including Local Action Groups, so as to provide a valuable link between urban and rural areas, particularly in relation to desirable rural/urban partnerships. When planning their development, cities must take into account existing strategies such as macro-regional strategies and relevant micro-regional development strategies.

Brussels, 17 February 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

Opinion of the European Economic and Social Committee on ‘Fighting poverty’**(exploratory opinion)**

(2016/C 133/03)

Rapporteur: Mr Seamus BOLAND**Co-Rapporteur: Ms Marjolijn BULK**

In a letter dated 16 December 2015, the Ministry of Social Affairs and Employment asked the European Economic and Social Committee, on behalf of the Dutch presidency of the Council and under Article 304 of the Treaty on the Functioning of the European Union, to draw up an exploratory opinion on

Fighting poverty

(exploratory opinion).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 28 January 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 18 February), the European Economic and Social Committee adopted the following opinion by 197 votes to 4 with 4 abstentions.

1. Conclusions and recommendations

The EESC

1.1. supports the intention of the Dutch Presidency of the Council to address poverty and social exclusion through integrated approaches and through cooperation with relevant public and private stakeholders. However, the EESC also finds that Member States should be supported by a common European framework that fosters such approaches and facilitates the exchange and circulation of best practices in the fight against poverty and rising inequalities, which are not only a major concern in themselves, because they mean a lack of social justice, but also harm economic performance and growth, as well as social cohesion;

1.2. supports the Dutch Presidency of the Council in its efforts to promote peer reviews of multilevel best practices for fighting poverty, but stresses that municipalities and other actors of such best practices should be supported by sound national strategies;

1.3. urges the EU Council to reiterate the commitment made in the Europe 2020 strategy, namely to reduce the number of people living below the poverty line by at least 20 million by 2020;

1.4. recommends that, when doing so, the Council take the Sustainable Development Goals — as set out in 2030 Agenda for Sustainable Development — into consideration and that it make sure this agenda is linked with Europe 2020;

1.5. is convinced that governance structures at Council level should be more balanced and calls for enhanced cooperation between the ECOFIN and EPSCO Councils;

1.6. considers that, during the European Semester, employment and social goals should be put on an equal footing with macroeconomic considerations;

1.7. recommends that the European Semester take the Europe 2020 poverty reduction target fully into account and that this issue be systematically addressed throughout the process, starting with the Annual Growth Survey (AGS), followed by the National Reform Programmes (NRPs) and ending with the Country Specific Recommendations (CSRs), through (1) specific poverty alleviation measures, (2) comparable indicators for the state of poverty and for policy effectiveness, and (3) mandatory social impact assessments of all reform agendas proposed by the NRPs and CSRs;

1.8. calls, particularly in connection with combating poverty, for a move away from EU economic policies which continue to be only austerity-orientated;

1.9. urges Member States to launch their own integrated national strategies to fight poverty, and, when doing so, to seek guidance from the Commission's 'Recommendation on the active inclusion of people excluded from the labour market' ⁽¹⁾, which, thanks to the interplay between its three strands (1) Adequate income support, 2) Inclusive labour markets and 3) Access to quality services), is largely considered to be the most comprehensive and efficient strategy to eliminate poverty and social exclusion;

1.10. highlights the high level of child poverty across Member States and the immediate need to implement the Commission's Recommendation 'Investing in children: breaking the cycle of disadvantage' ⁽²⁾, which is part of the 2013 Social Investment Package and which employs a very similar structure to the Active Inclusion Recommendation, containing similar three strands: 1) Access to adequate resources; 2) Access to affordable quality services and 3) Children's right to participate;

1.11. expresses utmost concern about the rising levels of in-work-poverty, which calls for a critical review of recent reform measures taken to boost employment by liberalising labour relations;

1.12. strongly encourages the Commission to initiate a separate process for improving EU and national statistics on poverty and inequality, which should lead to a more elaborate set of common indicators providing relevant data for national and EU actions, including measures related to the SDGs and the European Semester;

1.13. reiterates its proposal to introduce an adequate minimum income at EU level;

1.14. asks the Commission to push for measures for preventing and fighting against over-indebtedness at EU level and especially against irresponsible extended credit and usury;

1.15. calls on the Commission to propose, without delay, new guidelines for consulting stakeholders in the social field, allowing them to provide input in a structured way as part to the European Semester, at all stages of the process, namely during: design, delivery and evaluation;

1.16. urges Member States to make better use of the EU Funds available to support social inclusion and asks the Commission to urgently consult Member States and stakeholders to find out whether the decision to earmark 20 % of the European Social Fund (ESF) to promote social inclusion and fight poverty is being effectively implemented;

1.17. and strongly encourages the Commission to include principles for more effective and reliable social standards and systems in the announced 'European pillar of social rights' and to make fighting poverty and social exclusion one of the major components of that pillar.

2. Introduction

2.1. The Dutch Presidency of the Council stresses the need to reverse the trend of rising poverty in the EU. As a means of achieving this, it wants to encourage the sharing of best practices, especially with regard to integrated approaches and cooperation between relevant (public and private) stakeholders.

⁽¹⁾ OJ L 307, 18.11.2008, p. 11.

⁽²⁾ OJ L 59, 2.3.2013, p. 5.

2.2. Although in its opinions on Fighting poverty, the EESC has been taking a more 'top-down' approach, because it is convinced that tackling poverty is the responsibility of decision-makers (EU institutions and Member States governments), it welcomes the Presidency's intention to organise peer reviews to look into 'bottom-up' approaches, that is: examples of partnership approaches used by Member States' to fight poverty, which involve several stakeholders, including the public sector, social partners, grass-root and non-for profit organisations and the social economy.

2.3. The EESC thus fully agrees that tackling poverty needs a multilateral approach and that all stakeholders should contribute to achieving a maximum reduction of poverty. The best practices mentioned in this opinion were provided by several European stakeholders ⁽³⁾.

3. General comments — the need to fight poverty

3.1. Although since 2008 successive serious economic and financial crises have contributed to an increase in instability and poverty in the European Union, social protection arrangements in most Member States have helped cushion the effects of the crisis. However, with the financial crisis of 2011, this trend was reversed and fiscal austerity measures started to hinder social expenditure, which aggravated the situation. Even the European Commission recognises nowadays that achieving the poverty target is beyond reach. Particularly in the light of this, the EESC therefore considers that there is urgent need to move away from an EU economic policy which continues to be only austerity-orientated.

3.2. Without social protection nearly half of Europeans would be living in poverty. Yet, the three key functions of welfare policies — automatic stabilisation, social protection and social investment — were weakened due to the recent fiscal constraints to tackle the crisis. This situation has to change.

3.3. The EESC also recognises the inextricable link between poverty and ill-health, which signifies the need to tackle poverty as a priority. Evidence has consistently shown that areas which have a greater proportion of people living in poverty also have poorer health in comparison to more affluent areas ⁽⁴⁾. In parts of the UK, for example, it was found that men from less affluent areas die approximately eleven years earlier and women seven years earlier than their better off counterparts ⁽⁵⁾.

3.4. The EESC is convinced that the Europe 2020 strategy should be much better linked to the European Semester. The poverty reduction target must remain the core component of this strategy and levels of ambition shown by Member States should be much higher. The sum of the 28 individual commitments to reduce poverty does not match the shared EU ambition to get at least 20 million people out of poverty in the EU by 2020.

⁽³⁾ Finland: EAPN (2011), Active Inclusion. Making it happen, p. 49.
 Finland/Germany: Eurofound (2012), Active inclusion of young people with disabilities or health problems, Publications Office of the European Union, Luxembourg, pp. 62-63.
 Croatia: <http://www.humananova.org/en/news/0/60/the-impact-of-social-cooperative-humana-nova-in-2013th-year/>
 Austria, Belgium, Norway, Slovenia: <http://www.easpe.eu/en/content/investt> and <http://investt.eu/>
 Sweden: http://www.eurodiaconia.org/files/Events/CROSSROADS_20111209_2_AM_2.pdf
 UK: EAPN (2011), Active Inclusion. Making it happen, p. 30.
 Scotland: <http://links.alliance-scotland.org.uk/>
 Latvia: EU Alliance for Investing in Children, Implementation Handbook: Putting the Investing in Children Recommendation into Practice, pp. 69-74.
 Spain: EU Alliance for Investing in Children (2015), Implementation Handbook: Putting the Investing in Children Recommendation into Practice, pp. 87-92.
 Germany: Social Inclusion and Dignity in Old Age — Promoting participatory approaches to use reference budgets, pp. 46-50.
 Bulgaria, Romania: <http://amalipe.com/index.php?nav=projects&id=57&lang=2>
 Spain: EAPN (2011), Active Inclusion. Making it happen p. 21.
⁽⁴⁾ Davidson, R., Mitchell, R., Hunt, K., (2008), Location, location, location: The role of experience of advantage in lay perceptions of area inequalities in health, *Health & Place*, 14(2):167-81.
⁽⁵⁾ http://www.audit-scotland.gov.uk/docs/health/2012/nr_121213_health_inequalities.pdf

3.5. Poverty reduction is primarily the competence of Member States. They could improve their situation by sharing best practices with their counterparts, including integrated approaches and cooperation between relevant (public and private) stakeholders to combat poverty. The Council should call on Member States to conceive the integrated strategies required to reduce poverty.

3.6. In-work poverty in particular is on the rise. The Commission should evaluate the impact on rising levels of in-work poverty of recent reform measures taken to boost employment by liberalising labour relations.

3.7. Social Impact Assessments should play a major role throughout the legislative process in order to take better account of the multidimensional nature of poverty and social exclusion (which goes beyond material poverty to encompass other forms of social and economic disadvantages such as lack of equal access to education, employment, housing, healthcare and social participation).

3.8. Poverty is also a global concern. The UN Sustainable Development Goals ⁽⁶⁾ adopted in 2015 (mainly Goal 1: End poverty in all its forms everywhere) should be taken into account by the EU institutions and Member States and integrated into their strategies. The 2030 Agenda for Sustainable Development ⁽⁷⁾ should be linked with the Europe 2020 strategy.

3.9. The EESC is aware of the upcoming launch of the Commission's 'European pillar of social rights' and, according to the Commission, the concept of the 'upwards convergence' of Member States in social matters will play an important role in this 'pillar'. The EESC encourages the Commission to include principles for more effective and reliable social standards and systems ⁽⁸⁾ in this pillar (more specifically, strong social standards for adequate income support across the life-cycle, inclusive labour markets and non-discriminatory access to high quality affordable services for all), and to thus make the fight against poverty and social exclusion one of the pillar's major components.

4. Specific comments — tools to explore

4.1. The European Commission has been very active in proposing comprehensive recommendations, which have been considered to be very useful for combating poverty. This is particularly true in relation to the 'Recommendation on the active inclusion of people excluded from the labour market', and to the Recommendation 'Investing in children: breaking the cycle of disadvantage'. If the Council is keen to privilege an 'integrated approach' to tackling poverty, it should start by reminding Member States of the need to follow these recommendations actively.

4.2. The Social Investment Package ⁽⁹⁾ from 2013 is another good initiative from the Commission. The EESC has already urged the Commission to pursue an ambitious and wide-ranging social investment agenda and to promote this in all phases of the European Semester ⁽¹⁰⁾. Social investment refers, inter alia, to policies that prepare individuals and families to respond to the new social risks presented by the competitive knowledge society, by investing in human capital from early childhood onwards, rather than simply 'repairing' damage after moments of economic or political crisis ⁽¹¹⁾. However, in spite of its merits, social investment is still not an approach followed by all Member States. If the Council wants to collect best practices in the fight against poverty, it should certainly look at the achievements made so far in the area of social investment and support this type of initiative ⁽¹²⁾.

4.3. Minimum income schemes in some Member States are not enough to tackle poverty ⁽¹³⁾. Although reforms of minimum income schemes in some countries have taken place since 2010 (including Austria, Germany, Spain and Portugal) or reforms have been announced or are being piloted (including Greece and Italy), they are not sufficient. The EESC has called for European measures to support an adequate minimum income in Europe ⁽¹⁴⁾ as well as for investment in universal, comprehensive and adequate social protection systems, which can prevent from poverty risks throughout the life-cycle ⁽¹⁵⁾. The Council should support all of these measures.

⁽⁶⁾ <https://sustainabledevelopment.un.org/index.php?menu=1300>

⁽⁷⁾ http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

⁽⁸⁾ OJ C 13, 15.1.2016, p. 40ff.

⁽⁹⁾ COM(2013) 83 final and annexed documents.

⁽¹⁰⁾ OJ C 226, 16.7.2014, p. 21ff.

⁽¹¹⁾ Hemerijck (2014) and also Social Justice Ireland 'Europe. A union for the powerless as well as the powerful'.

⁽¹²⁾ See 'Social Investment in Europe — A study of national policies' (2015), EC.

⁽¹³⁾ Bouget et al (2015) and also Social Justice Ireland 'Europe. A union for the powerless as well as the powerful'.

⁽¹⁴⁾ See OJ C 170, 5.6.2014, p. 23ff.

⁽¹⁵⁾ See footnote 11.

4.4. Moreover, the reckless, irresponsible granting of consumer loans and the lack of care taken when assessing households' financial capacities has been at the root of an over-indebtedness spiral in more recent times of crisis and austerity policies, already affecting around 70 % of indebted people living below the poverty line in Europe, despite the fact that some have jobs, but with wages which are not enough to pay off their debts. This situation calls for stringent measures and restraint in granting consumer loans, particularly by intermediaries and non-financial bodies who do not comply with the regulations and push people into taking out loans at usurious rates.

5. Specific comments — measures on governance

5.1. Because of the Euro crisis, far reaching changes were made to European economic governance. Primary focus was given to macroeconomic stability and 'growth-enhancing reforms'. To date, not enough focus has been given to social governance. However, economic policies should consider the impact that they will have on quality employment and social cohesion. Moreover, as the EMU would benefit from a social dimension, the governance structures at Council level should be more balanced, and cooperation between the ECOFIN and EPSCO Councils enhanced.

5.2. The EMCO and SPC committees should continue to play an active role in assessing national reforms as part of the European Semester process, but should progressively start consulting relevant European stakeholders at EU level.

5.3. The composite 'poverty' indicator, used to define poverty in the Europe 2020 strategy, is based on three individual indicators: 1) people who are at risk of poverty; 2) people who are severely materially deprived; and 3) people living in households with very low work intensity. Under this strategy Member States are required to set their own national targets for contributing to the overall goal on the basis of these three indicators and in line with their domestic priorities and circumstances. However, the EESC finds the fact that Member States were given the freedom to choose between the three indicators, which has contributed to variations in national approaches, might make new recommendations necessary.

5.4. The EAPN's assessment of the 2015 National Reform Programmes (NRPs) demonstrates that 88 % of them did not have poverty as a main priority and that none of the 2015 Country Specific Recommendation (CSRs) mentioned poverty reduction ⁽¹⁶⁾. The EAPN has therefore proposed that the European Semester focus more on social issues, starting with the Annual Growth Surveys, and ending with CSRs on poverty reduction for all countries ⁽¹⁷⁾. The EESC agrees with this proposal and recommends that national stakeholders be included in the preparation, implementation and communication of the NRPs. More generally, in order to make it possible for Member States to learn from each other, the results of the consultations with relevant stakeholders at European and national level should be made public as part of the European Semester.

5.5. The Commission should initiate a separate process for improving EU and national statistics on poverty and inequality, in order to refine the monitoring of this multidimensional social problem. This exercise should lead to a more accurate set of common indicators providing relevant data for national and EU actions, including measures related to the SDGs and the European Semester.

5.6. Social Impact Assessments (SIAs) are instrumental in detecting poverty-related risks of measures in a number of relevant reform areas, such as fiscal consolidation, management of public debt, taxation, labour market, regulation of financial markets, provision of public services and public investments. In particular, timely SIAs should be conducted in the scope of the European Semester, in close consultation with social partners, civil society and relevant experts in Member States and at the EU level.

5.7. The European Semester should take the Europe 2020 poverty reduction target fully into account and this issue should be systematically addressed throughout the process, through (1) specific poverty alleviation measures, (2) comparable indicators for the state of poverty and for policy effectiveness, and (3) mandatory social impact assessments of all reform agendas proposed by the NRPs and CSRs.

⁽¹⁶⁾ I.e. in spite of the fact that Bulgaria was facing extremely high levels of poverty in 2015, no 2015 CSRs highlighted this situation.
⁽¹⁷⁾ See EAPN (2015) 'Can the Semester deliver on poverty and participation? EAPN Assessment of the National Reform Programmes 2015'.

5.8. Member States should design and implement comprehensive, integrated national strategies to combat poverty, social exclusion and discrimination. These strategies should include the following areas: adequate income support, inclusive labour markets, quality jobs, equal access to affordable, high quality services, making better use of the EU Structural Funds, the economic and social integration of migrants, tackling discrimination and working in partnership with social partners and relevant non-governmental stakeholders.

5.9. It is also necessary to combat over-indebtedness by adopting responsible policies on lending (strict regulation of intermediaries and issuing of credit cards, prohibition of aggressive advertising, ban on usury, prohibition of the repossession of people's homes and other essential goods), strengthening mediation in conflict resolution, giving people who are over-indebted a second chance (a 'new start' policy), and on information, education and prevention of over-indebtedness.

5.10. Member States must use the EU Structural Funds to support the social inclusion of all. In particular, the Commission should urgently check with Member States and stakeholders whether the Council decision to earmark 20 % of the European Social Fund (ESF) for promoting social inclusion and fighting poverty⁽¹⁸⁾ is being implemented.

6. Specific comments — measures on stakeholder participation

6.1. One of the flagship initiatives of the Europe 2020 strategy, the European Social Platform against poverty and social exclusion (EPAP), was created as a broad umbrella, covering a wide range of policies to help reach the European poverty target⁽¹⁹⁾. It should have provided the basis for a joint commitment between national governments, EU institutions and key stakeholders to fight poverty and social exclusion, but so far it has merely been a platform for discussion and has not produced tangible results in relation to reaching the poverty target. The Council and the Commission should reflect on ways to empower it as a platform to support good practices in the fight against poverty and to ensure that it is directly linked to the main EU processes — e.g. the European Semester and the Europe 2020 strategy.

6.2. The EESC recalls Recital 16 of the former Integrated Guidelines for Growth and Jobs, which explicitly stated that the Europe 2020 strategy '*should, as appropriate, be implemented, monitored and evaluated in partnership with all national, regional and local authorities, closely associating parliaments, as well as social partners and representatives of civil society*'⁽²⁰⁾. This extract serves to highlight that improvements must be made to the way in which European and national stakeholders are consulted during the design, delivery and evaluation stages of the European Semester.

6.3. The lack of meaningful engagement by the EU institutions and relevant (public and private) stakeholders, such as social partners, NGOs and others, in the design and delivery stages of the Semester was emphasised in the EAPN's analysis. To effectively involve civil society at all stages of the Semester process, the Commission must propose new guidelines on participation without delay and monitor progress in the country reports and other monitoring documents.

6.4. Equally, there is need to engage with those experiencing poverty in order to listen to their voices and to counter large-scale disaffection, particularly among young people, from the EU. The EAPN annual meetings of people who have first-hand experience of poverty are an example of good practice. The EESC calls on the Commission to ensure that these meetings continue to be financially supported and be integrated into the consultation process on progress made towards meeting the poverty target as part of the European Semester. Moreover, these meetings should also take place at national level.

⁽¹⁸⁾ See <http://ec.europa.eu/esf/main.jsp?catId=62&langId=en>

⁽¹⁹⁾ See <http://ec.europa.eu/social/main.jsp?langId=en&catId=961>; and OJ C 248, 25.8.2011, p. 130ff.

⁽²⁰⁾ See <http://data.consilium.europa.eu/doc/document/ST-14338-2010-INIT/en/pdf>

7. Specific comments — the responsibility for multilevel best practices for fighting poverty

7.1. The EESC agrees with the Dutch Presidency's intention to organise peer reviews of multilevel best practices for fighting poverty, but highlights that municipalities cannot be the only entities responsible for providing such examples. The EESC believes that regional and local initiatives do not replace central responsibilities and guarantees. Governments and public and private stakeholders must cooperate systematically and in a structured manner if they want to achieve the aim of reducing poverty.

7.2. The EESC would like to point out that, for instance in the Netherlands, many responsibilities in the area of social issues have been shifted to the municipalities. The concentration of multiple tasks at municipal level may be cost-efficient and enable tailor-made solutions that meet beneficiaries' needs, but, as mentioned in the CSRs to the Netherlands, there are risks of a possible reduction in funding, which must be avoided. The decentralisation of initiatives is not compatible with cuts in municipalities' budgets.

7.3. The EESC therefore believes that, although best practices certainly exist at regional and local level, these cannot and must not stand alone. They need national strategies to support them.

7.4. The EESC also believes that, when selecting best practises to promote, the focus must be given to evidence-based approaches (e.g. questions such as: 1) does this initiative work in practice? 2) Is it exportable?) and to encouraging links between relevant stakeholders. A proper framework for sharing best practices must also be created.

7.5. These practices highlight the need to make effective social policies against poverty and social exclusion, to reorganise social services, to review the practices of the social work actors to meet the needs of people in poverty, to encourage social actors to use their professional experience in the development of social policies and, finally, to give rights to people who facilitate the integration and social advancement of people living in poverty.

Brussels, 18 February 2016.

*The President
of the European Economic and Social Committee
Georges DASSIS*

APPENDIX

The following proposed amendment which was rejected, received at least one quarter of the votes cast:

Amendment 15 (tabled by Lech Pilański)

Point 1.15

Amend as follows:

'strongly encourages the Commission to include principles for more effective and reliable social standards and systems in the announced "European pillar of social rights" and to make fighting poverty and social exclusion one of the major components of that pillar. The European Commission, when proposing measures under the European Pillar of Social Rights, should take into account the different levels of socioeconomic development of the individual Member States and pay attention to the possible consequences, especially of raising social standards, on employment levels and the risk of poverty and social exclusion in these countries.

The amendment was put to the vote and rejected by 59 votes to 131, with 13 abstentions.

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

514TH EESC PLENARY SESSION OF 17 AND 18 FEBRUARY 2016

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 — Action plan on building a capital markets union

(COM(2015) 468 final)

(2016/C 133/04)

Rapporteur: Daniel MAREELS

On 30 September 2015, 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 — Action plan on building a capital markets union’

(COM(2015) 468 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 26 January 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 17 February 2016), the European Economic and Social Committee adopted the following opinion by 179 votes to 1 with 4 abstentions.

1. Conclusions and recommendations

1.1. As the recovery of Europe’s economies remains sluggish and fragile and the level of investment remains low, it should be a matter of priority to deploy every possible means to achieve a **robust and stable economic recovery in a more unified environment**. The EESC believes that a capital markets union can contribute to this and therefore **welcomes the Action plan on building a capital markets union**.

1.2. The Committee **endorses the goals** of the action plan. The aim here is to **mobilise capital** in Europe and **channel it to all companies, infrastructure** and sustainable, long-term projects, with positive effects on employment. **More choices** should be opened up to better protected **investors**.

1.3. **Broadening and diversifying the sources of funding** are key elements for securing more investment and growth, as well as for job creation. This should happen within a **single capital market**. The Committee believes that maximum harmonisation and uniformity of rules should be a primary consideration. For this reason it is necessary that all Member States introduce, apply and supervise the different measures of the action plan in the same way.

1.4. In the Committee's view, the **success of the capital markets union** will hinge on combining the best of the current situation with as many new opportunities as possible. Easy, appropriate and diversified access to funding, a more balanced allocation of capital and lower capital costs should be priorities here. Safeguards as regards international competitiveness and attractiveness are needed.

1.5. **Bank funding** will continue to play a key role in financing the economy. Banks have an important role to play not only as lenders but also as intermediaries on the capital markets. The Committee feels that certain new markets, including for non-performing loans, should be explored further because they could bring about an increase in credit, particularly for SMEs.

1.6. The **funding of SMEs**, especially small and micro-businesses, which constitute the driving force for Europe's economy and are of major importance for employment, is a matter that is **close to the Committee's heart**. The Committee has serious concerns, however, regarding the relevance and effectiveness of the capital markets union for SMEs.

1.6.1. For small and micro-businesses, accessing capital markets is generally an overly ambitious aim. They must be **able to choose the funding channels that suit them best**. To that end, the widest possible range of funding structures and opportunities and the broadest possible diversification of the financial ecosystem should be ensured.

1.6.2. Regarding traditional bank funding, which should be further supported, in particular as regards guarantees, one should also note that it is marked by national characteristics. Proven structures must not be questioned by the Capital Markets Union. The financial regulation needs to better take into account the proven national features in the future so as not to jeopardise the regional SME lending.

1.6.3. Besides, all other useful alternatives should be explored and, where possible, other avenues developed, such as the Juncker plan. The role of the EIB could also be further strengthened when it comes to instruments (guarantee schemes, etc.) for the funding of the economy ⁽¹⁾. The proposals for STS-securitisation ⁽²⁾ are also step in the right direction.

1.6.4. For **the other SMEs**, access to the capital market should be an efficient process, as for all businesses. Funding should be cheaper and entail lower costs. The current pervasive **information deficit** should be remedied, and the framework made more **SME-friendly**. Here it may be appropriate to draw inspiration from existing 'best practices'.

1.7. The Committee thinks that the **EU's economic and financial stability** should be one of the priorities of the capital markets union. The broadening and diversification of funding sources within a single market will be conducive to sound risk-spreading and Europe's economies should become more robust and resilient to shocks.

1.8. In the Committee's view, a suitable **regulatory and supervisory framework** should help to fully develop the strengths of capital markets and to keep their weaknesses in check, such as excessive or disproportionate risk-taking. The new system should be resilient to the adverse effects of any new crises. That also requires greater convergence and cooperation in the area of micro- and macro-prudential supervision, at both EU and national levels.

1.9. The **shadow banking** sector should also be addressed in this framework and the risk of regulatory arbitrage should be reduced. Furthermore, it is important that a level playing field exists for all operators carrying out similar financial activities on the markets, and the principle of 'same risks, same rules' should apply across the board.

⁽¹⁾ See here the EESC's activities on *EU industry and monetary policy — The role of the EIB*; see <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-industry-monetary-policy-eib>

⁽²⁾ Proposal for a Regulation of the European Parliament and of the Council laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012; and the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (OJ C 82, 3.3.2016, p. 1).

1.10. The capital markets also open up new choices to **investors on the capital markets**. The Committee welcomes this, provided that provision is made for an appropriate framework geared to better protection. There should thus be more simplification, transparency and comparability of financial instruments and information, which, incidentally, could also benefit businesses looking for funding. Efforts in the area of financial education should also be stepped up.

1.11. As regards the **implementation of the action plan**, the Committee endorses the bottom-up and step-by-step approach adopted, but also thinks that further work should be undertaken without delay, building on the momentum and support that emerged following publication of the Green Paper. The EESC stresses that the creation of a capital markets union is a major project, the success of which will depend entirely on the details and guarantees. In addition, making it easier to access credit is certainly not a problem in all Member States, and freeing up the supply side will never be able to resolve a problem on the demand side. We should therefore be careful not to see the capital markets union as the solution to all problems facing the EU.

1.12. It is important now to maintain focus on the goals and ensure regular progress is made. The Committee is **concerned that it will take time to achieve the end result**, not only because of the large number of 'building blocks' that make up the plan, but also because the substantial national differences are not going to disappear instantly. The Committee is in favour of **regular interim assessments**, in which it would be happy to assist.

2. Background

2.1. In order to achieve its absolute priorities: growth, jobs and investment, the Juncker Commission has, since it took up office, been devising an 'investment plan for Europe'. It comprises three pillars, including 'creating an investment-friendly environment' ⁽³⁾. The gradual pursuit of a capital markets union is, alongside a single digital market and energy union, one of the most important goals of that third pillar.

2.1.1. In late September 2015, the Commission published its *Action plan on building a capital markets union* ⁽⁴⁾, following a green paper consultation on this subject, in which a large number of parties took part, including the EESC ⁽⁵⁾. The action plan lays the foundations for a smoothly operating, well integrated capital markets union encompassing all Member States by 2019.

2.1.2. The building blocks — 33 in all — are to be announced over time and essentially relate to the following areas and matters ⁽⁶⁾:

- financing for innovation, start-ups and non-listed companies,
- making it easier for companies to enter and raise capital on public markets,
- investing for the long term, infrastructure and sustainable investment,
- fostering retail and institutional investment,
- leveraging banking capacity to support the wider economy, and
- facilitating cross-border investing.

2.1.3. Under the action plan, each of the building blocks has a contribution to make to achieving the goals set, but — in addition — the cumulative effect will be significant.

⁽³⁾ See the European Commission's website http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm

⁽⁴⁾ *Action plan on building a capital markets union* — Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (COM(2015) 468 final). See <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1447000363413&uri=CELEX:52015DC0468>

⁽⁵⁾ See EESC opinion on the *Green Paper on building a capital markets union* (OJ C 383, 17.11.2015, p. 64).

⁽⁶⁾ See more details thereof in Annex 1 to the *Action plan on building a capital markets union*.

2.2. Several objectives are being pursued with the capital markets union, as it has been sketched out, including the creation of a stronger link between savings and growth.

2.2.1. The capital markets union should extend the range of funding sources in Europe to include sources other than banks, by assigning a greater role to the financial markets, meaning a diversification of funding sources in the economy by tapping non-banking sources. A capital markets union must help mobilise capital in Europe and channel it to all companies, infrastructure and sustainable, long-term projects.

2.2.2. Its aim is thus to deepen the single market in financial services. Building up a capital markets union will lead to more and better financial integration and enhanced competition. Capital markets will benefit from the size of the single market and will at the same time become more liquid and more competitive.

2.2.2.1. The capital markets union should make a positive contribution to growth and financial stability. By facilitating access to funding for companies, it will support growth and job creation. Diversification of risks will make the whole system more stable.

2.2.3. The general public and consumers will likewise benefit considerably, notably from the concomitant investment opportunities which will arise.

3. Observations and comments

3.1. This action plan is to be welcomed. It is not only good that it is being launched just over six months after publication of the green paper, but — even better — that everything possible is being done as a matter of priority to crank up the economy by expanding and improving financing for the economy, thus providing new impetus for growth and decent jobs.

3.2. The EESC supports the goals set out in the action plan and the priority areas that have been put forward:

- providing more funding choices for Europe's businesses and particularly SMEs. A capital markets union must expand the range of funding options for companies. These opportunities should exist everywhere and be available to all entrepreneurs across all stages of the 'funding escalator',
- ensuring an appropriate regulatory environment for long-term and sustainable investment and financing of Europe's infrastructure,
- increasing investment and choices for retail and institutional investors within a framework geared to investor protection,
- enhancing the capacity of banks to lend, notably by reviving securitisation operations and markets in an appropriate manner, which should allow more funding to be available for SMEs,
- carrying out a comprehensive review of the cumulative impact and coherence of the financial legislation adopted in response to the financial crisis, with a view to financing for the real economy,
- bringing down cross-border barriers and developing capital markets for all 28 Member States, inter alia, by removing a number of existing fiscal and other obstacles.

It is not only important that the numerous steps that need to be taken to build a capital markets union are brought together in a single plan but also that there is a clear will to debate this matter, as well as a willingness to tackle the obstacles that hinder the further development of the European financial system.

3.3. The aim of diversifying funding sources should not be pursued to the detriment of the banking system. Bank- and market-based funding go hand-in-hand and should be regarded as complementary. Banks also have a role as intermediaries in capital markets.

3.3.1. One of the priority areas of the action plan is enhancing the capacity of banks to lend to the economy. Non-performing loans ⁽⁷⁾ remain a cause of concern in the EU and lock up capital that could otherwise be used to grant more loans. The Committee believes that the Commission should take action to free up capacity on banks' balance sheets by promoting NPL securitisation and creating markets for impaired assets. Bank lending could be unlocked if deep and transparent markets for distressed bank debt were developed or revitalised where they exist.

3.4. Deeper, liquid and efficient capital markets can secure benefits for all operators and players on such markets.

3.4.1. Therefore, capital markets can ensure better access to funds and secure better conditions for companies looking for funding; as a consequence, capital costs will be lower due to greater competition between investors. The availability of finance will also be ensured more effectively during difficult periods, as capital markets will as a rule be better able to deal with uncertain environments and higher-risk projects.

3.4.2. Government bond markets are very important for the purposes of assessing various risks. A capital market thus requires the integration of such markets. That also underpins convergence in the capital costs of private issuers. Appropriate measures in this area are therefore welcome.

3.4.3. To successfully build the capital markets union, the building blocks must be sufficiently robust and credible. It is important to take into account the specific features of the existing funding landscape, while also creating a sufficient number of new possibilities and opportunities for funding. The result should also provide safeguards as regards international competitiveness and attractiveness.

3.4.4. Particularly in respect of SMEs, there is a considerable challenge here. The question arises as to how the money is going to reach them. It will be difficult for SMEs to gain access to and make good use of the capital markets and the funding opportunities and tools. They often also have to contend with an 'information deficit' that does not make things any easier for them ⁽⁸⁾. It will thus be important to test how SME-friendly the new framework is.

3.4.5. Companies and SMEs, and particularly micro-enterprises, for which the capital markets are not accessible, must be able to opt for the funding channels that suit them best, at any point in their existence. For small and micro-businesses, it thus comes down to achieving the broadest possible diversification of the financial ecosystem so that they have the widest possible range of funding structures and opportunities at their disposal, including leasing. All alternatives should be explored. Solutions must be sought not only in bank- or market funding but also elsewhere. The Juncker plan has made a good start here. In addition, a more active role for the EIB in this area (directly or indirectly, e.g. guarantee schemes) should be sought.

3.4.6. There will be more opportunities for investors. The wider range of financial products will allow investors to make choices in line with their investment objectives, pay attention to, and manage, risk diversification, and improve their risk-reward profile.

3.4.7. Investors are entitled to adequate protection. A framework geared to investor protection is therefore needed, as well as a number of other initiatives in areas such as financial education and increasing and improving the information provided. Fundamentally, work can be done to ensure greater simplification and transparency and better comparability of the financial instruments on the markets, which could also be beneficial for anyone seeking funding.

⁽⁷⁾ Or NPLs.

⁽⁸⁾ See EESC Information Report on *Access to finance for SMEs and midcaps in the period 2014-2020: opportunities and challenges*, EESC-2014-06006-00-01-RI-TRA, of 1 July 2015.

3.5. If a single market really is to be achieved, not only should existing cross-border barriers be dismantled and the current fragmentation of the market resolved, but equally new obstacles should be avoided. The EESC is of the opinion that maximum harmonisation and uniformity of rules should be a primary consideration, with special attention paid to the choice of instruments to be used here. For this reason it is necessary that all Member States introduce, apply and supervise the different measures of the action plan in the same way.

3.6. A capital markets union should make Europe's economies more robust and resilient to shocks. The EU's economic and financial stability is at stake. An appropriate regulatory framework is therefore needed, which should be conducive to the proper development of the strong points of the capital markets union, such as sound risk-sharing and diversification, and keep its weaknesses firmly in check. The entire financial system should be made more resilient to any future crises. Where appropriate, the consequences of such crises should be absorbed more swiftly and in a more targeted way.

3.7. Given the potential risks, and bearing in mind the need for adequate economic and financial stability, provision should be made for appropriate national and EU-wide micro- and macro-prudential supervision in the relevant segments of the capital markets. The new financing channels should be designed in keeping with the principle of 'same risks, same rules'.

3.8. 'Shadow banking' should also be addressed. The Committee has previously called for this system to be firmly embedded within the regulatory framework⁽⁹⁾ and stated that the risk of regulatory arbitrage⁽¹⁰⁾ should be avoided. In the Committee's view, there should be no such thing as 'shadow' activities: the shadow banking system should be subject to the same regulatory and prudential requirements as the financial system as a whole⁽¹¹⁾. At the same time, the Committee believes that it should be acknowledged that shadow banking is also an additional alternative financing channel that can be useful for the real economy⁽¹²⁾.

3.9. As regards the implementation of the action plan, the bottom-up and step-by-step approach adopted is to be supported, since it allows the input of market players to be turned to good use, priorities to be established and a combination of short- and long-term initiatives and measures to be used.

3.10. It is important to continue to take advantage of the momentum and broad support that was generated for the capital markets union at the time of the Green Paper public consultation, and also to secure tangible results swiftly.

3.11. In the upcoming period, it will be important to maintain focus on the goals and ensure regular progress is made. It is important to achieve tangible, positive results in all the areas that the action plan covers. In this regard, the Commission's intention to regularly report on progress made in implementing the action plan and to proceed to an overall review in 2017 is welcome, as additional measures and adjustments to the timetable may be necessary.

3.12. Questions could be asked as to whether the proposed timetable for achieving the capital markets union by 2019 is realistic and feasible. Much remains to be done and the fear is that the major differences that currently exist between the Member States will not be so easy to overcome and iron out. The various elements of the action plan can only lay a good foundation; it is the market itself that will determine the success or failure of the capital markets union.

Brussels, 17 February 2016.

*The President
of the European Economic and Social Committee
Georges DASSIS*

⁽⁹⁾ See EESC opinion on 'After the crisis: a new financial system for the internal market' (OJ C 48, 15.2.2011, p. 38), point 2.7.2.1.

⁽¹⁰⁾ See EESC opinion on the 'Green Paper — Shadow banking' (OJ C 11, 15.1.2013, p. 39), point 1.4.

⁽¹¹⁾ See EESC opinion on the 'Green Paper — Shadow banking' (OJ C 11, 15.1.2013, p. 39), point 1.5.

⁽¹²⁾ See EESC opinion — Shadow banking — Addressing new sources of risk in the financial sector (OJ C 170, 5.6.2014, p. 55), point 1.10.

Opinion of the European Economic and Social Committee on the proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, with regard to the duration of the obligation to respect a minimum standard rate

(COM(2015) 646 final — 2015/0296 (CNS))

(2016/C 133/05)

Rapporteur-General: Daniel MAREELS

On 14 January 2016, the Council decided to consult the European Economic and Social Committee, under Article 113 of the Treaty on the Functioning of the European Union, on the

Proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, with regard to the duration of the obligation to respect a minimum standard rate

(COM(2015) 646 final — 2015/0296 (CNS)).

On 19 January 2016, the Committee Bureau instructed the Section for Economic and Monetary Union and Economic and Social Cohesion to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Daniel Mareels as rapporteur-general at its 514th plenary session, held on 17 and 18 February 2016 (meeting of 17 February 2016), and adopted the following opinion by 175 votes to 3 with 4 abstentions.

1. Conclusions and recommendations

1.1. The Committee endorses the proposed directive extending the minimum standard rate for VAT. The minimum will remain at the same level as in previous periods, i.e. 15 %, and will be extended for two years as of 2016.

1.2. Transitional arrangements for VAT have been in place for a long time. It is indeed desirable, in this connection, to set a minimum rate of this kind, in the interests of the proper functioning of the internal market: if there were no such minimum, there would be a risk of market disturbances and distortions and of increased competition between Member States.

1.3. In addition, setting a minimum rate for a clearly specified period also helps provide greater clarity and legal certainty, which benefits everyone involved.

1.4. When this arrangement was extended for the fifth time, in 2010, the Committee expressed the hope that this (the extension) would be 'the last time'. The new extension for a shorter period can be seen as a step in the right direction, but in the Committee's view it does not change the fact that further efforts must be made to move away from the current transitional system, which has been in place for more than 20 years, towards a definitive VAT regime tailored to the European internal market.

1.5. Overall, the EESC reaffirms the need for a simple, harmonised indirect taxation system, reducing the administrative burden and bringing patent benefits for businesses and individuals, guaranteeing fair taxation and certain revenue for public finances, reducing the risks of tax fraud, and contributing to the further development and completion of the internal market.

1.6. The EESC welcomes the Commission's decision to issue, in March 2016, an Action Plan on the Future of VAT. In the Committee's view, it is important to support the much-needed continued economic revival and growth by all possible means, and a tailored VAT regime is part of that.

2. Background

2.1. With a view to the establishment of the internal market, efforts were made back in the early 1990s to move towards a definitive VAT regime, but a lack of consensus between the Member States meant that only a transitional arrangement was possible.

2.2. In that connection, Directive 92/77/EEC was adopted with regard to VAT rates. The directive introduced a system of minimum rates, stipulating that, from 1 January 1993 to 31 December 1996, the standard rate could not be less than 15 % in any Member State. This provision has since been extended five times and was applicable until 31 December 2015.

2.3. The present proposal — which has evidently been presented rather late — extends the applicability of the 15 % minimum, but this time for only two years. This is because the Commission will publish an Action Plan in spring 2016 with the aim of moving towards a simpler, more efficient and more fraud-resistant definitive VAT system, tailored to the single market. During this period more extensive discussions can held on VAT rates.

Brussels, 17 February 2016.

*The President
of the European Economic and Social Committee*
Georges DASSIS

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission — Towards an integrated Strategic Energy Technology (SET) Plan: accelerating the European energy system transformation’

(C(2015) 6317 final)

(2016/C 133/06)

Rapporteur: Mihai MANOLIU

On 15 July 2015, 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 — Towards an integrated Strategic Energy Technology (SET) Plan: accelerating the European energy system transformation

(C(2015) 6317 final).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 172 votes to 6 with 9 abstentions.

1. Conclusions and recommendations

1.1 The EESC reiterates its firm commitment to an Energy Union (the solidarity clause, energy flows as if it were a fifth freedom, energy efficiency first, the transition to a low-carbon society that is built to last) and a European energy dialogue. It supports optimal implementation of the SET Plan.

1.2 This goal can be achieved through a joint, consistent approach involving the cooperation of energy policy stakeholders and the coordination of energy research and innovation programmes, and calls for swift market roll-out of environmentally-friendly sustainable energy technologies.

1.3 In the EESC's view, the most important task is the technical and scientific development of technologies and innovation, and the promotion of factors that encourage new ideas and concepts, such as those contained in the **European Strategic Energy Technology Plan — the SET Plan, which is necessary for speeding up the transformation of Europe's energy system.**

1.4 These should be accompanied by a mandate, discussed with stakeholders, arrangements for participation in an integrated roadmap flanked by an investment action plan making use of EU, national, regional and private resources as appropriate through the European Energy Research Alliance (EERA) and the European Industry Initiatives (EII) in order to help achieve the objectives.

1.5 In the EESC's view, speeding up the transformation of Europe's energy system will be crucial for Europe over the next few years with regard to combating climate change, Europe's competitiveness and economic attractiveness, and ensuring security of supply for (big and small) consumers at an affordable price (set in a transparent manner).

1.6 The EESC believes that the new energy policy should be based on developing key sectors (established through dialogue and cooperation) for research and innovation, as well as the area of training for the staff that will operate the new technologies.

1.7 The EESC believes that in order to respond to the expectations of Europeans, a consistent and holistic approach needs to be taken to the issue of energy, involving cooperation between States and an efficient internal energy market. Massive investments are needed in both technological research and infrastructure; investors need a stable, sound policy framework, shaped by an accurate analysis of development priorities, feasible and available funding opportunities, Europe's industrial competitiveness and, last but not least, the wishes of the public.

1.8 The SET Plan must be specific and rooted in the real-life situation of Europe. Should new energy technologies give rise to increases in final energy prices, and where such increases are due to political action, the EESC feels that correction can rightfully be expected. There should be stable, practical involvement of consumers; energy poverty should also be combated through social policy measures, education and training.

1.9 The European experience has shown that the imposition of technologies that produce low-carbon energy, without taking into account the costs and maturity of the technologies, does not produce convincing results; on the contrary, it puts the internal energy market at risk of collapse.

1.10 The EESC believes that renewable power generation technologies have considerable potential, and can provide solutions that should be supported by means of demonstration projects and the dissemination of success stories. Other low-carbon technologies should also be considered: clean coal technologies, energy storage (including electricity), demand response, carbon and hydrogen use, co-generation, city cooling, and nuclear fission and fusion.

1.11 The EESC reiterates its call for a Europe-wide public dialogue on energy (the European Energy Dialogue) to allow the general public and civil society as a whole to take ownership of the energy transition, the costs of the various technologies, and the costs generated by the policy options selected on the basis of research. This dialogue has to take place at all levels of governance. Over the last 10 years, the European level has focused increasingly on the EU objectives of cutting greenhouse gas emissions, with responsibility for implementing this policy lying with the Member States. This has led to inconsistent national policies.

1.12 The EESC believes that we must continue on the path to internal market integration by developing a European approach to energy supply and creating genuine solidarity. An intermediate step is the emergence of the regional level, necessary in order to strengthen cooperation in this area, and which should be flexible and able to promote innovative solutions as regards optimising electricity generation from renewable sources coordinated in real time.

1.13 The EESC considers that measures should be taken to integrate the different ways of generating energy (including those established through technological research) into the energy markets, including with regard to grid connection, balancing and charges.

1.14 The EESC advocates stepping up investment and R & D in the area of storage. In addition, it calls for better European synergies in this area in order to reduce energy transition costs, guarantee security of supply (European grid interconnection) and make the European economy more competitive.

1.15 In this regard, the EESC highlights the importance of gas in the energy mix and its significance in terms of energy security for Europeans. The EESC calls for storage to be encouraged, so that Member States have joint reserves. The vast potential for improving energy efficiency in buildings and transport should also be tapped.

1.16 The EESC believes that consolidating research and innovation funding could generate economic growth and create new jobs in the EU. A new system of energy governance (based on national plans) could ensure consistency in the energy market, with European dialogue an absolute prerequisite.

1.17 The EESC considers that the added value of the SET Plan will derive from better coordination of and a new system of governance for the European energy system; the plan must avoid the earlier duplications and be based on real, transparent data. This plan will consolidate the fundamental cornerstones of Europe: the Community method, European democracy in action, competition, cooperation and solidarity, Europe and global governance.

1.18 The EESC highlights the consequences of the SET Plan in terms of its impact on the public, particularly as regards jobs and the skills required. In this regard, consideration should be given to the issue of copyright.

2. Background to the opinion

2.1 Energy resources and infrastructure vary across the EU Member States; however, the common goal is to decarbonise the energy sector. Discussions arising from the energy transition should cover: new players and new business models in the fields of oil, gas and electricity; the dynamics of the political environment and the implications for investment; energy market regulation; the impact of technological innovation on energy systems; dismantling the old traditional energy silos; and the challenges and opportunities arising from a new model of governance for the energy industry.

2.2 This is a matter of considerable urgency. The EU is undergoing massive transformations in the field of energy; the European economy and vulnerable consumers face both an increasing risk of unreliable supply and high energy prices.

2.3 The EESC envisages supporting a common European energy policy, capable of providing security of supply; a technological pioneer in the market integration of renewable energy, energy efficiency, reduction of consumption and infrastructure development, with costs accurately converted into end-consumer prices, and consideration given to the overall costs of the energy mix and the availability of (public or private) funding to cover these costs.

2.4 The EESC envisages the funds being provided by: the EIB, the TEN-E programme, the European Economic Recovery Plan, the 2020 European Fund for Energy, Climate Change and Infrastructure (the Marguerite Fund) and by the instruments for pre-accession, the European Neighbourhood and Partnership Instrument and the Framework programme for research and technological development.

2.5 The SET Plan is a vital and ambitious means of achieving energy security. A broad public debate can help to achieve this goal, and the EESC can act as a catalyst in this dialogue. The EESC believes that public involvement (see EESC proposal on the European paper on energy savings) in energy transition issues is essential; specifically, this could involve a European (organised) civil society forum, which would promote a European energy dialogue.

2.6 The EESC believes that, in matters regarding the energy transition, consideration should be given to evaluating competitiveness, and the implications for employment and social security. Regional markets have the potential to overcome the lack of confidence; a specific energy policy cannot be implemented without confidence and education.

2.7 The EESC thinks that the funding from the R & D budgets of the Commission and the Member States is insufficient for the SET Plan. This makes it all the more important to make use of the EU Structural Funds, the European Investment Fund and revenue from the EU emissions trading scheme. The investment potential of the market economy should be channelled, using innovative schemes and incentives. Success can only be ensured by testing and applying a wide range of innovative economic and financial options and ideas.

3. General comments

3.1 The EESC considers that the Energy Union means making energy more secure, sustainable and affordable for the end user. It will allow a free flow of energy across borders and a secure supply in every EU country, for every European.

3.2 To meet the ambitious objectives of the SET Plan, the EESC considers that the EU has to innovate in terms of how energy is produced and transported, how it is delivered and serviced to customers. Consumers will be centre-staged and supported in a very competitive market industry with considerable technical expertise.

3.3 New technologies and innovations will be the key to transforming the EU energy system and changing the energy value chain in order to become more flexible, with consumers as active players ('prosumers'), including small producers, with new networks of energy producers, operators and regulators capable of interacting in a complex market. Small producers may have a role to play in the development and deployment of new energy technologies.

3.4 New ideas and new technologies have to be transferred between sectors, to reach the critical mass needed to engage in collective R & I approaches, by transcending processes and sector boundaries.

3.5 The EESC finds that new business models, schemes to guarantee fair reward of services, and adequate functioning of the energy system will be based on general technology progress in EU Member States. Deeper understanding of consumers' behaviour will be completed by exchange of information in a transparent, safe and user-friendly manner.

3.6 The EESC considers that economic stability depends on the resilience of energy systems, which have to be prepared for significant levels of change, as set out in the SET Plan. Security of supply and high quality of services for customers in Member States shall be supported by the development of smarter, more integrated EU energy networks.

3.7 The EESC considers that the value chain optimisation should lead to new business models (Reusing, Recycling, Reprocessing). There is a need to support the market deployment of R & I efficient practices and solutions in the field of energy conservation technologies in order to improve the integration process for the global efficiency of the system.

4. Specific comments

4.1 The EESC endorses the plan's objectives. It agrees with the Commission's approach to making the SET Plan fit for new challenges, through a more targeted focus, a more integrated approach and a new management and governance structure. The changes suggested in order to achieve these objectives should be well thought out and feasible.

4.2 The EESC points out that the SET Plan needs to be reinforced to better consolidate R & I's new challenges of having new capacities and new resources across the EU. The EESC agrees that to maximise the effectiveness and impact of the SET Plan there is a need to, *inter alia*:

- strengthen the financial commitment from Member States and the private sector, and
- broaden the participation of stakeholders along the R & I chain.

4.3 The EESC considers that there is legitimate interest in the 10 actions — framed primarily by the stakeholders in this area — aimed at accelerating the energy system transformation and creating new jobs and growth.

4.4 The EU needs to do more to bring new, high performance low-cost, low-carbon sustainable energy technologies to market, following a transparent assessment of their environmental impact.

4.5 The EESC considers that R & D activities under the SET Plan should focus on the following specific elements, as pillars of European energy policy:

- competitiveness: infrastructure and energy networks, the internal market and competitiveness, research and innovation in the energy sector,
- security of supply: external energy policy, oil, gas,
- climate: energy efficiency, renewable energy, carbon capture and storage (CCS), the EU emissions trading system (ETS).

4.6 In the EESC's view, the increasing use of intermittent renewable energy technologies may lead to a significant rise in costs, which, if passed on to consumers, would result in significant price hikes over the next few years, until such systems move to the stage of being manufactured industrially. Moreover, it is inevitable that costs will increase — for a long time and to an ever greater extent — with the inclusion of external costs and the ending of subsidies for fossil fuel-fired power generation.

4.7 In the EESC's view, industrial competitiveness, energy technology and innovation policy need to deliver rapidly on reducing costs, speeding up the introduction of sustainable technologies to market; not doing so will have direct consequences on private investments and national budgets and result in an economic downturn.

4.8 The balance between supply, conversion, transport and final use of energy will require the optimisation of the system, the development of new technologies (as set out in the SET Plan) to ensure efficient interaction from various actors and components with a holistic approach and potential synergies between energy networks (electricity, oil, gas, heat and mobility) with a view to completing the internal energy market.

4.9 System flexibility will need a wide range of other energy storage solutions suitable for a variety of power ranges. There is potential for further developments. The development of storage will become essential to a balanced energy system, allowing active RES management, a higher share of renewables and reducing the need for curtailment and minimising and balancing infrastructure investments, increasing flexibility of the energy system.

4.10 Innovative management tools combined at end-user level with new (stationary and mobile) electricity storage capabilities will provide more options to optimise consumers' consumption combined with lower costs in a flexible energy market. Hydrogen can provide a versatile storage solution to underpin distributed electricity generation and to compensate the variability of renewables.

4.11 R & I actions should aim to develop modelling, metering and control of the operation and maintenance of heating and cooling systems with low distributed GHG emissions, accelerating the market penetration of new efficient energy products and systems, optimising the three pillars of energy efficiency: measurement, optimisation of energy consumption, sustainable performance for lasting results.

4.12 The role of cities will be more important in decarbonising EU's economy since urbanisation will continue to rise in the EU. To tackle in an integrated way the common challenges and to improve sustainability it is necessary to foster various stakeholders at local levels, bringing together local authorities, industry and citizens.

4.13 In the EESC's opinion the challenge in Li-ion recycling is mainly economic, as the processes have been developed allowing close-loop recycling, but these processes have to be adapted for recycling of the electric vehicle battery.

4.14 In the EESC's opinion the EU battery industry needs to adapt to the recycling industry and face significant development of the E-mobility market and the growing market of portable equipment. The industry relies on the willingness of the EU to adopt the European battery technology.

4.15 To improve the EU security of energy supply a portfolio of sustainable technologies has to be mixed (advanced biofuels, hydrogen and alternative liquids and gaseous fuels, including LNG).

4.16 The EESC highlights that the EU is home to world leading companies capable of developing low-carbon technologies, including nuclear fission. The EU's energy supply must be competitive and its investments in R & I must encompass the whole technology supply chain from materials to manufacturing.

4.17 Despite the growing deployment of renewable energy generation fossil fuels, coal is still used extensively around the world for electricity generation. Despite its low efficiency, coal will continue to be used in the EU's power generation. This will require the deployment of more efficient coal technologies.

4.18 The EESC notes that the EU is divided on nuclear power. When it comes to nuclear energy, the EU's policy is anything but unified. Advanced new reactors under construction can lead to a nuclear renaissance, so the nuclear revival seems to be a fact despite brief hesitation. Time will tell as to whether or not the EU can cut back on the share of nuclear power in its energy mix, but so far the wheels are turning. Feedback on operating and compliance costs of the oldest systems would be useful for future policy decisions on nuclear energy.

Brussels, 17 February 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

Opinion of the European Economic and Social Committee on the EU enlargement strategy**(COM(2015) 611 final)**

(2016/C 133/07)

Rapporteur: Ionuț SIBIAN

On 10 November 2015, 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

EU enlargement strategy

(COM(2015) 611 final).

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 29 January 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 18 February 2016), the European Economic and Social Committee adopted the following opinion by 170 votes to 14 with 11 abstentions.

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) supports the particular emphasis placed by the Commission on the fundamentals in the accession process, with the need for enlargement countries to prioritise reforms in the rule of law, fundamental rights, functioning of democratic institutions (including election system reform and public administration reform), economic development and strengthening competitiveness. In monitoring progress, special attention should be paid to civil society's warnings against political actions and developments that negatively affect rule of law and democratic standards.

1.2. The EESC strongly encourages the Commission to retain the quality of participatory democracy as one of the core political criteria to be assessed. Decisive action should be further undertaken to ensure systemic work to build effective, fully operational institutions with meaningful participation by civil society organisations (CSOs). This will help to combat the risk of state capture by political interests, heighten awareness of the accountability of all stakeholders involved and ensure inclusiveness and transparency in all reform and negotiation processes.

1.3. The harmonised assessment scales used in reporting and the emphasis put on both the state of play and the progress registered by each country enhance transparency, allow a targeted focus on priority areas and should be beneficial in raising awareness of the accession process. They also set the scene for increased engagement with each country, given the broader range of issues subject to scrutiny. The associated risk of deflecting attention from specific issues confronting countries should be assessed and counteracted. The consistency, regularity and outreach of the ongoing communication channels and consultation mechanisms among EU institutions and the enlargement countries are essential in this respect.

1.4. The EESC welcomes the Commission's clear message that an empowered civil society is a crucial component of any democratic system and acknowledges its political support for creating a much more supportive and enabling environment for civil society, including a meaningful consultation process with civil society in policy-making. This is a key component for satisfactorily fulfilling the political criteria, and could also represent a possible benchmark in the accession negotiations.

1.5. The EESC appreciates that the Commission, the Council and the European Parliament should intensify their communication efforts to explain the benefits and challenges of enlargement policy to European citizens, the social partners and civil society organisations should be a close partner and conveyor of messages in this process.

1.6. The EESC reiterates the need to increase the transparency and inclusiveness of the whole accession process ⁽¹⁾. The Commission should set an example by facilitating further access to negotiation documents, such as mission reports, expert opinions on national legislation, TAIEX (Technical Assistance and Information Exchange) reports, and publicising the achievements and results of EU financed projects in the region. This will provide a means of raising awareness of the effects of EU assistance and building on experiences already acquired in the region.

1.7. The Commission should provide for a substantial increase in financial support, including from projects under the Civil Society Facility, aiming at strengthening the capacity of civil society organisations (including the development of policy expertise and support to increase monitoring capacity) and promoting the professionalism and independence of the media. Regional cooperation and networking should be further supported, capitalising on good experiences that already exist in the region, including instruments to facilitate cooperation and joint work among non-governmental organisations (NGOs) and the social partners (including business organisations), with civic dialogue and the learning perspective as common ground.

1.8. Strengthening the social partners' capacity to participate actively in social dialogue should become a priority of EU assistance programmes. Assistance is needed to facilitate their access to financing opportunities and develop their ability to participate effectively in all economic, social and legal issues, including in EU accession negotiations. Their organisational structures, internal communication and capacity to serve their members should be strengthened.

1.9. The EESC calls for strengthening the role of civil society Joint Consultative Committees (JCCs). JCCs should attempt to fill 'empty niches' which are not covered by other bodies in the negotiation process and focus on a selected number of areas. In this respect, the EESC asks for better exchange of information between JCCs and the Commission, the Council and the European Parliament.

1.10. The EESC asks governments in the region to support the social partners and other civil society organisations on an equal footing and involve them closely in their national strategies, policies towards EU accession and negotiation structures, and in the programming and implementation of EU-funded projects. Regulatory impact assessments (RIAs) when preparing national negotiating positions and legal harmonisation should be carried out in order to identify adjustment risks. Engagement of non-state actors, including the business community, trade unions and representatives of the social groups concerned, is essential.

1.11. All countries in the region should set up national councils for European integration that would bring high-level political authorities and key civil society organisations together on a regular basis with a view to making the process of EU integration more transparent and publicising it more widely.

⁽¹⁾ Detailed recommendations are included in the 2014 EESC opinion on *Enhancing the transparency and inclusiveness of the EU accession process* (OJ C 451, 16.12.2014, p. 39).

1.12. The positive steps registered in some countries with regard to the framework and mechanisms of dialogue and cooperation between government and CSOs are not sufficient. Effective implementation of legislative provisions, transparency and consistency of the consultation processes should be acknowledged as priorities by national governments and progress monitored accordingly.

1.13. The EESC calls on the political authorities to work hand in hand with civil society organisations when introducing reforms and implementing legislation on key issues such as handling high-level corruption cases, better supervision of public procurement procedures and improving the legal framework for the financing of political parties. Furthermore, it calls for countries of the region to improve rules on freedom of access to information and their practical implementation, to adopt and implement laws on whistle blowing and make the system of whistle-blower protection more effective in practice. Public awareness of the possibilities for reporting corruption should be raised, and CSOs can be a reliable partner here. In addition, the tripartite social dialogue should be regulated, with the consent of the parties, in order to follow up on the agreements that are concluded.

1.14. Political authorities in the countries of the region should promote and support the operation of strong and independent regulatory institutions, particularly ombudsman institutions on the model of Albania and Serbia, as well as in the areas of freedom of access to information, privacy protection, fight against corruption, auditing and elections. The EESC stresses that ombudsmen can make a decisive contribution, complementing the work of civil society organisations working on fundamental rights, in particular in the protection of minorities.

1.15. Considering the very high level of youth unemployment in the Western Balkans, the EESC recommends extending the EU Youth Guarantee to the EU accession states in this region. This 'Youth Guarantee' should be financed from the relevant EU funds. Dual education should be established in cooperation with the social partners, including chambers of commerce and industry and other business associations.

1.16. While the EU is looking for an increased role on the part of governments in distributing EU funds, funding for civil society should not be channelled predominantly through governments as it may create situations where there is a conflict of interests. The EU should support the creation of more independent funding systems. Models of independent foundations/funds for civil society support may be a more adequate mechanism for distributing EU funds. Fundamental requirements that must be closely observed include: transparency in fund allocation and use, equal treatment and the avoidance of conflicts of interests and/or political interference in the allocation of any public funding.

1.17. Building the national capacity of CSOs (in the form of resource centres, support for coalitions, expertise development programmes, etc.), broadening the outreach of assistance (in particular outside the capital cities and reaching grassroots organisations) and promoting the participation of CSOs, according to the experience of the EESC, should continue to be Commission and national funding priorities.

2. Overall assessment of the Enlargement Agenda and the involvement of civil society organisations

2.1. The EESC acknowledges that the EU's enlargement policy plays a key role in ensuring peace, security and stability in Europe. The 2015 Enlargement Agenda sets out for the first time a medium-term perspective for the policy. Despite the unequivocal message conveyed that none of the enlargement countries will be ready to join the EU during the term of office of the current Commission, it is crucial for countries of the Western Balkans to maintain a clear perspective of EU membership, and for their progress and efforts to be measured, monitored and assisted, based on clear benchmarks with a forward-looking outlook as to where the countries want and need to reach.

2.2. The inclusion of civil society in a separate section within the political criteria of the country reports and, to some extent, further mainstreaming of the civil society role in the negotiations chapters represents a positive step. In monitoring the progress and assessing the state of play of the enabling environment for civil society, the Commission should follow closely the integration of its guidelines for EU support to civil society in the enlargement countries. The guidelines should also become a reference and a guide for accession countries themselves.

2.3. The EESC reaffirms that social dialogue is key for the economic development of the Western Balkans and the EU. The specific challenges faced by the social partners should be considered more systematically and in greater detail in country assessments and reports. Particular attention should be paid to protecting people's employment and social security rights.

2.4. The EESC appreciates the Commission's intention to place a stronger focus on employment and social challenges in the upcoming work on the economic reform programmes developed by the enlargement countries. CSOs should also be a part of this process, and their opinions and expertise should be taken into consideration both at national and EU level, thereby avoiding situations where CSOs are merely informed of strategies or action plans already decided on. National authorities should be required to ensure effective CSO involvement.

2.5. Civil society engagement in the accession process consists of: (1) direct involvement in the actual negotiations (i.e. screening, preparation of national positions, oversight of progress); (2) social and civil dialogue related to policy formulation and legislative harmonisation with the *acquis*; (3) participation in the programming of pre-accession funding; (4) independent monitoring of progress and the social effects of the reform processes. The performance of these roles requires adequate financial support, through national government and EU pre-accession funding.

2.6. Increasing awareness of the role of civil society and including social partners in the accession process has been both a mission and a challenge for the EESC. In some countries, governments have maintained a negative attitude towards civil society and, as a result, Joint Consultative Committee (JCC) recommendations have had little resonance. Nevertheless, JCCs have created opportunities for direct exchanges between civil society, the EU and national politicians and officials, even if they have had little impact on government policies. With this in mind, JCCs would benefit greatly from stronger backing and closer cooperation with the Commission, the Council and the EP, thereby ensuring that key concerns about the national realities of accession, stemming from the civil and social dialogue in the countries, may be heard in all relevant policy-making arenas.

2.7. As stated by the Commission, the EESC underlines the importance of regional cooperation and of boosting regional economic development and connectivity as an essential element of the Stabilisation and Association Agreements and enlargement process. To this end, there has been a positive development in regional cooperation between business CSOs, with the signing of the agreement on the 'Chambers' Investment Forum' (CIF)⁽²⁾. The idea behind the CIF is to involve the business community of the region, through the chambers, in implementing projects of importance for the economic prosperity of the Western Balkans, in line with the priorities of the Berlin Process.

⁽²⁾ The Chambers' Investment Forum (CIF), as a non-profit organisation of the national chambers of Commerce and Industries of the countries in the region of the Western Balkans, Slovenia and Croatia, was established on the margins of the Conference on the Western Balkans held in Vienna in August 2015.

2.8. The EESC raises serious concerns in view of the considerable backsliding in several countries in respect of freedom of association, of assembly and expression and independence of the media ⁽³⁾ (Montenegro, former Yugoslav Republic of Macedonia and Turkey in particular, but also Serbia in terms of a legislative framework for freedom of assembly). These are prerequisites for establishing solid democracies and allowing a vibrant civil society to develop. In this respect, the full implementation of the DG Enlargement guidelines for civil society development in enlargement countries 2014-2020 and the DG Enlargement guidelines for EU support to media freedom and media integrity 2014-2020 is strongly supported. One challenge that remains, however, is how to ensure media outreach to European-based audiences, who also need to be aptly informed about the meaning and dynamics of enlargement policy.

2.9. The CSOs' role in policy formulation and monitoring and, in general, in ensuring a functional democracy is crucial. The 2015 attacks on legitimacy and accountability of CSOs (in particular watchdog organisations and independent journalist organisations closely monitoring critical political processes and denouncing election frauds and political corruption) registered in some of the enlargement countries raise serious concerns. The EESC therefore acknowledges the need to boost communication and dialogue in all processes and in particular to reach out to citizens from both EU and enlargement countries.

2.10. In terms of the rule of law and fundamental rights, more focus is needed on the issue of vulnerable and disadvantaged groups and minorities, in particular the Roma. Clear results in this area, as well as further progress in inter-ethnic relations and protection of minorities and minority rights (in education, access to media, use of minority languages including in public administration, etc.), must be delivered.

2.11. The EESC considered the Commission's proposal for a list of safe countries of origin in its opinion of 10 December 2015 ⁽⁴⁾, and it upholds the principles set out in that opinion. Inclusion in the list of safe countries of origin must be based on a thorough assessment. In the light of current media reports of questionable returning of refugees to crisis regions, responsible dealing with the human rights of these refugees is also relevant to the issue of safe third countries.

2.12. The enlargement policy needs to respond fully to the challenge of informing European citizens about its vital importance for the security and prosperity of the entire continent, which could help allay the fears of further enlargement that can surface along with other forms of xenophobia, especially in times of economic crisis and the ongoing refugee crisis.

2.13. The EU institutions have provided several channels for consultation with civil society in order to collect evidence on the progress of accession-related reforms, including online correspondence, annual civil society consultations in Brussels, in-country meetings, briefings and public events during visits by EU officials. The Commission has also been open to independent monitoring reports prepared by civil society organisations. Yet the Commission has admittedly been much more proactive towards NGOs than towards trade unions and business associations. Hence, the EESC calls on the Commission to improve its approach and take further action, in line with recommendations from the EESC opinion on 'Enhancing the transparency and inclusiveness of the EU accession process' (REX/401).

2.14. CSOs continuously struggle to secure their financial sustainability in the Western Balkans. CSOs still predominantly rely on income from foreign grants and from state budgets, including proceeds from lotteries, while alternative sources of funding are rarely used. State support, both financial and non-financial, is all too often distributed through non-transparent mechanisms, and remains insufficient. Hence there is a continuous need for CSOs to diversify their sources of funding in order to secure their financial independence and sustainability. Relying on one or two financial resources makes CSOs over-dependent on their availability, and does not provide them with sufficient financial security and autonomy.

⁽³⁾ Balkan Civil Society Development Network, 'Enabling Environment for Civil Society Development & Progress Reports and Enlargement Strategy 2015 Background Analysis', <http://www.balkanncsd.net/novo/wp-content/uploads/2015/11/202-1-BCSDN-2015-Enlargement-Package-Background-Analysis.pdf> Human Rights Watch 'A Dangerous Profession: Media Under Threat', July 15, 2015, <https://www.hrw.org/node/279063> Reporters without Borders on Macedonia <http://en.rsf.org/macedonia.html>

⁽⁴⁾ Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council establishing an EU common list of safe countries of origin for the purposes of Directive 2013/32/EU of the European Parliament and of the Council on common procedures for granting and withdrawing international protection, and amending Directive 2013/32/EU, COM(2015) 452 final (OJ C 71, 24.2.2016, p. 82).

2.15. The recognition of the economic value of CSOs in the enlargement countries calls for meaningful data collection and, even more importantly, for action to promote and raise awareness of their roles. Official data and statistics about people employed and volunteering in CSOs in Western Balkans countries remain limited. In labour law, CSOs continue to be treated in an equal manner to other employers; however, they are not sufficiently included in those state employment policies creating incentives for potential employers. This discriminatory treatment of CSOs is due to the lack of state recognition of civil society as one of the sectors that generates employment. Recent efforts on the part of CSOs to collect data and assess specific barriers in each country⁽⁵⁾ should be carefully considered by both national authorities and the Commission when establishing priorities in the area of statistics.

Brussels, 18 February 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

⁽⁵⁾ The study on the *Economic Value of the Non-Profit Sector in the Countries of the Western Balkans & Turkey*, prepared by Dubravka Velat and published in December 2015 by the Balkan Civil Society Development Network (BCSDN), is available at: http://www.balkancsd.net/economic-value-of-the-non-profit-sector-in-the-western-balkans-and-turkey/63-12-report-on-the-economic-value-of-the-non-profit-sector-in-the-wbt_final/

Opinion of the European Economic and Social Committee on the Annual Growth Survey 2016**(COM(2015) 690 final)****and the 'Draft Joint Employment Report accompanying the Communication from the Commission on the Annual Growth Survey 2016'****(COM(2015) 700 final)**

(2016/C 133/08)

Rapporteur: Juan MENDOZA CASTRO

On 22 December 2015, 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

Annual Growth Survey 2016 and Draft Joint Employment Report accompanying the Communication from the Commission on the Annual Growth Survey 2016

(COM(2015) 690 final, COM(2015) 700 final).

The Subcommittee on the Annual Growth Survey 2016, set up under Rule 19 of the Rules of Procedure, which was responsible for preparing the Committee's work on the subject, adopted its draft opinion on 12 January 2016.

At its 514th plenary session, held on 17 and 18 February 2016 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion by 139 votes to 8, with 11 abstentions.

1. Conclusions and recommendations

1.1 High unemployment levels persist. 7 years since the start of the crisis, the Committee expresses its concern over high unemployment, which is an issue in certain Member States in particular. Levels of long-term and youth unemployment are also high, as is the number of 'NEETs', young people who are not in employment, education or training.

1.2 The 2016 AGS contains much more in the way of social analysis, objectives and goals, but for this new approach to be effective, it should not be based on the reiteration of the policy recommendations of previous years. As well as the boost to private investment that the Commission refers to, the stagnant economy and labour market also require an increase in domestic demand and significant public investment.

1.3 European semester. The EESC welcomes the decision to strengthen follow-up of the Europe 2020 targets and to divide the semester into European and national phases as it will enable better determination of who is responsible for achieving the set objectives. Greater coherence between the policies of European governance and the aims of the Europe 2020 strategy is also essential.

1.4 The European semester should take into account the achievement of the 17 sustainable development goals (SDGs) derived from the United Nations' 2030 sustainable development strategy.

1.5 The economy. The European Union is experiencing moderate recovery, although it is benefiting from temporary positive factors. The euro area's record surplus in exports reflects, among other things, the effects of euro depreciation. At the same time, excessive national saving as compared with investment reflects the uncertainties that still weigh upon economic recovery and growth.

1.6 Faced with the significant **drop in investment**, Ecofin has pointed out the urgent need to improve the overall investment climate to support the economic recovery, and to increase productivity and growth potential. The EESC, for its part, considers it necessary to change the direction of the so-called austerity policy towards a greater commitment to growth policies ⁽¹⁾.

⁽¹⁾ Ecofin, 15.1.2016.

1.7 The large number of **people at risk of poverty or exclusion** raises questions about the fulfilment of one of the Europe 2020 strategy's major objectives.

1.8 In view of the large influx of refugees and asylum seekers, the EESC proposes measures based on joint action and solidarity, respect for international law and values, equal treatment and the need to prioritise life over any other considerations primarily based upon 'security' policies. Furthermore, it confirms that the Schengen agreement is a fundamental pillar of the EU's architecture.

2. EESC recommendations

2.1 The 2016 AGS emphasises the importance of **investment in employment and social policies**, as the EESC had already proposed. This requires an ambitious approach on the part of the Commission.

2.2 The 2016 AGS must place more emphasis on **strengthening governance** in order to effectively carry out the major European policies on market integration and modernising the economy, highlighting, in this regard, the EU's Economic Governance Package. For their part, the effective national governance frameworks must build confidence, restore the necessary fiscal buffers, and avoid pro-cyclical fiscal policies.

2.3 It is essential to improve the **synergies** of investment and development strategies between national economies and the European economy.

2.4 The EESC suggests that, amongst the political priorities, efforts should focus on two areas in particular: **investment and employment**.

2.5 The **Multiannual Financial Framework** instruments and the **Connecting Europe Facility** are fundamental for dealing with the crisis and getting back on the road to growth. The EESC welcomes the positive start made by the **Investment Plan for Europe**, and has in this regard put forward the idea of attracting a greater number of institutional investors and disseminating funding opportunities more widely.

2.6 'Immediate action' is needed to confront **long-term unemployment** (which accounts for 50 % of the total) and youth unemployment. Furthermore, the Commission should put forward a general strategy on **gender equality** in the labour market.

2.7 Investments to bring about energy transition (**Paris Agreement**) must become a source of job creation and economic development.

2.8 The EESC calls for a greater coordinated effort to combat **aggressive tax planning, fraud and tax evasion**.

2.9 The EESC advocates the **full participation of social partners and other representative organisations of civil society** in social policies and national reform plans, e.g. via economic and social councils and similar organisations. Concerning the Commission's proposal to establish national competitiveness boards in the euro area the EESC will adopt a separate opinion in March 2016. In any case, they must be fully compatible with free collective bargaining and the social partners' existing mechanisms for participation and dialogue in each Member State.

2.10 **Democratic legitimacy.** In view of the democratic deficit, there is a need for the principles of social justice that underlie the European Union architecture to be entrenched and for a Social Europe dedicated to the struggle against social exclusion and the maintenance of solidarity to be reinforced.

3. Introduction

3.1 According to the 2016 AGS:

— the European Union's economy is experiencing moderate recovery, although it is benefiting from temporary positive factors, including low oil prices, a relatively weak euro and accommodating monetary policies,

- therefore, policies should be directed at consolidating the recovery and fostering convergence towards the best performers,
- the pace of activity is expected to increase gradually,
- economic performance and social conditions, as well as implementation of reforms, remain uneven across the EU.

3.2 There has been no change to the previous political priorities, which seek to strike a balance between structural changes, the robustness of public budgets and investment. The 2016 AGS puts forward more specific considerations regarding, *inter alia*, the labour market, undeclared work, integration into working life, the gender gap, and youth employment.

3.3 It calls for modern and efficient public administration, which is necessary to ensure fast, high-quality services for businesses and the general public.

3.4 The focus has also shifted towards improving the quality, independence and effectiveness of the justice system in Member States, as a prerequisite for fostering an environment that favours investment and economic activity.

3.5 The main conclusions of the **Draft Joint Employment Report (Draft JER)** are that there is considerable disparity between Member States and that improvement in the social and employment situation is slow. Other conclusions include:

- continuity of labour market reforms,
- tax systems that are more favourable to job creation,
- investment in human capital via education and training, which has focused mainly on young people,
- continued wage moderation, and
- efforts to promote youth employment and for the high numbers of 'NEETs' (people who are not in employment, education or training).

4. High unemployment levels persist

4.1 7 years since the start of the crisis, the EESC reiterates its concern about the employment situation affecting certain euro area Member States in particular. 22,5 million people in the EU are unemployed (17,2 million in the euro area) and no noticeable improvement is expected in the next 2 years. In addition to social and economic consequences, this is another factor contributing to the disaffection felt by members of the public towards the European project.

4.2 The 2016 AGS contains much more in the way of social analysis, objectives and goals. For this new approach to be effective and not remain mere rhetoric, it must be based not on the reiteration of the policy recommendations of previous years — mainly structural reforms in the labour market — but on a real coordinated impetus for growth and employment.

4.3 The 2016 AGS emphasises the importance of **investment in employment and social policies**, as the EESC had already proposed. This requires an ambitious approach on the part of the Commission.

4.4 Aside from the boost to private investment, which forms the basis of the Commission's proposals, the stagnant economy and employment need a boost from significant public investment.

5. The European semester: strengthening governance

5.1 The 2016 AGS must place more emphasis on strengthening governance in order to effectively carry out the major European policies on market integration and modernising the economy.

5.2 The European semester also needs to make progress in developing the Economic Governance Package revised in October 2015. For their part, the effective national governance frameworks must build confidence, restore the necessary fiscal buffers, and avoid pro-cyclical fiscal policies ⁽²⁾. The EU's financial instruments and national budgets must contribute to these targets.

5.3 The EESC welcomes the decision to reinforce the pursuit of the Europe 2020 targets in the context of the European semester as had been proposed by the five presidents ⁽³⁾. As well as improving the implementation and monitoring of the existing strategy, a process has been announced with the aim of developing a long-term vision that goes beyond the 2020 horizon, partly in light of the new SDGs agreed by the United Nations for 2030. The Committee welcomes this planned initiative since it confirms its view that the EU will have to extend its planning horizon to at least 2030 in order to implement the SDGs by introducing an integrated strategy for a sustainable Europe in a globalised world.

5.4 The division of the semester into two phases — the European phase (from November to February) and the national phase (from February to June) — better identifies the different areas of responsibility and enables European social partners to take part in in-depth consultations on reform processes in Europe.

6. Development of the economy

6.1 The EU registered real GDP growth of 1,9 % in 2015 and is forecast to grow by 2,0 % in 2016 and 2,1 % in 2017 ⁽⁴⁾, but there is significant variation between Member States.

6.2 The EESC draws attention to the fact that exports — with a record surplus of 3,5 % of GDP in the euro area (1,9 % of GDP in the EU-28) — have been the driving force for recovery. In aggregate terms, the euro area's current account surplus is one of the largest in the world and is expected to rise again in 2015. Although weaker commodity prices and depreciation in the euro exchange rate have helped to boost the balance of trade, this surplus reflects to a large extent excessive national savings over investments at the euro area level ⁽⁵⁾. This also reflects the uncertainties that still weigh upon economic recovery and growth.

6.3 Wage moderation, falling oil prices, low interest rates and exchange rate trends help make the European economy more competitive. Economic recovery increasingly depends upon internal demand, but this in turn is affected by budgetary restrictions, a rise in temporary employment, low wages and the insufficient availability of credit for households and businesses, especially SMEs.

7. Comments on the Draft JER

7.1 According to the Draft JER, a number of reforms have reinforced wage-setting mechanisms with the aim of fostering convergence between **wage** changes and productivity and supporting households' disposable income, paying particular attention to **minimum wages**. However, the EESC warns that between 2008 and 2015 wage growth has been less than productivity in at least eighteen Member States ⁽⁶⁾.

⁽²⁾ See footnote 1.

⁽³⁾ *Completing Europe's Economic and Monetary Union*, 22 June 2015. See also *Steps towards Completing Economic and Monetary Union*, COM (2015) 600 final.

⁽⁴⁾ Autumn 2015 forecast.

⁽⁵⁾ *Alert Mechanism Report 2016*, COM(2015) 691 final.

⁽⁶⁾ See: https://www.etuc.org/sites/www.etuc.org/files/document/files/08-en_ag2015_annex_3_-_wages_as_an_engine_of_growth.pdf

7.2 In 2014, **unit labour costs** (ULC) fell in several euro area countries that had been particularly affected by the crisis. Moreover, in countries where the labour market is improving, the number of hours worked has started to contribute positively to the evolution of ULCs ⁽⁷⁾.

7.3 The EESC agrees that modernisation, a better match between skills and labour market requirements, and continuing investment in **education and training** — including digital skills — are crucial to the future of employment, economic growth and competitiveness in the EU.

7.4 **Long-term unemployment** still accounts for half of the unemployment pool. 'Immediate action' on this issue is needed, with priority being given to employment policies. The high level of **youth unemployment** and the situation of **young people not in employment, education or training** (NEETs) also urgently need attention.

7.5 It is significant that recent analyses of the **skills mismatch** indicate that although less than half of recruitment difficulties reflect real skills shortages, almost a third can be attributed to unattractive pay.

7.6 The high number of people **at risk of poverty or exclusion** registered in 2014 (24,4 % or 122 million people — EU-28) and the trend of recent years raise serious questions about the fulfilment of one of the fundamental objectives of the Europe 2020 strategy.

7.7 **Women** continue to be under-represented in the labour market despite their improving qualifications and even when superior to men in terms of their formal education. The gender gap of 40 % in pensions is the result of their shorter careers and lower wages. The Committee regrets that in the 2016 AGS no proposals in this regard are provided. It likewise stresses that the Commission has still not put forward a general strategy for **gender equality**, involving specific measures and taking into account existing political compromises and requests from organised civil society ⁽⁸⁾.

8. The political priorities for 2016

8.1 Expectations of recovery from the crisis have not yet been met.

8.2 The significant socioeconomic differences within the EU mean that increased convergence is needed with regard to Member States' fulfilment of the targets set in this field. It is essential to improve the synergies of investment and development strategies between national economies and the European economy.

8.3 Amongst the political priorities, the EESC highlights two areas in particular: investment and employment.

8.4 Relaunching investment: an urgent need

8.4.1 Faced with the significant drop in investment there is an urgent need to improve the overall investment climate to support the economic recovery, and increase productivity and growth potential ⁽⁹⁾. The EESC, for its part, considers it necessary to change the direction of the so-called austerity policy towards a greater commitment to growth policies.

8.4.2 The **Multiannual Financial Framework** instruments (structural and investment funds, among others) are fundamental for dealing with the crisis and returning to a path of growth, particularly the **Connecting Europe Facility** to strengthen trans-European transport, telecommunications and energy networks.

⁽⁷⁾ See footnote 5.

⁽⁸⁾ See Monserrat Mir, *Why is the Commission ignoring women?* <http://www.euractiv.com/sections/social-europe-jobs/why-commission-annoying-half-population-320379>

⁽⁹⁾ See footnote 1.

8.4.3 The **Investment Plan for Europe** — a step in the right direction that must be complemented by other measures — has made a good start in that, according to the EIB, the total amount of investment promoted during 2015 will reach EUR 50 000 million, and 71 000 SMEs and mid-cap companies can benefit from the EFSI's investment projects. In order to reach EUR 315 000 million in investments by 2017 it is necessary to:

- attract more institutional investors (both from within and outside the EU). So far, only nine Member States have pledged contributions, and this does not include some of the Member States that most need to modernise their economic structure,
- publicise the EFSI's funding opportunities more widely, given that in some cases they are not yet sufficiently well known by public authorities and private investors.

8.4.4 More than half of EFSI projects relate to energy efficiency, renewable energy and innovation. Implementing the **Paris Agreement** on the transition from fossil resource and energy-intensive economies to low-carbon and low-footprint patterns is a huge challenge for the EU, which must substantially reduce its emissions. Investments into energy transition are a source of job creation and economic development. Moreover, they are a key driver for reducing the price of energy with positive social and economic effects.

8.4.5 The Committee agrees that **financing of the real economy** has improved considerably, although differences between Member States persist. Nevertheless, this problem mainly affects SMEs, which rely heavily on bank loans. The Capital Markets Union, one of the major EU initiatives, should see the facilitation of SMEs' access to finance as one of its key objectives ⁽¹⁰⁾.

8.4.6 **Investing in Human Capital.** The EESC is disappointed by the drop in public spending on education ⁽¹¹⁾ because Europe needs a well-educated and skilled workforce in order to fulfil its economic potential. Reform measures should prioritise raising the level of knowledge, skills and competences as well as filling the growing gap between unqualified and highly-qualified people.

8.5 Promoting jobs, inclusive social policies and sustainable economic growth

8.5.1 **Innovative sectors** have great potential to create jobs. European policies on market integration and modernising the economy (Digital Agenda, Internal Energy Market, Framework for the Audiovisual Sector, Telecommunications Market) are aimed at these sectors.

8.5.2 **Stable employment** is fundamental for economic recovery, but profound labour market segmentation has been observed ⁽¹²⁾. It is necessary to reconcile the need for adaptation in a radically changing labour market with job security, the identification of employees with the company they work for and the development of their capabilities.

8.5.3 The EESC has already emphasised the fact that the **'flexicurity'** concept — which the Commission has once more tabled in the 2016 AGS — does not mean unilateral and illegitimate reduction of workers' rights but rather the design of labour law, job protection systems and, together with the social partners, collective bargaining practices, with a view to ensuring an optimal balance between flexibility and security for all employment relationships and providing adequate security for workers under all forms of contracts in order to tackle segmented labour markets ⁽¹³⁾.

⁽¹⁰⁾ See: <http://www.savings-banks.com/press/positions/Pages/Common-position-on-Capital-Markets-Union-.aspx>

⁽¹¹⁾ COM(2015) 700 final.

⁽¹²⁾ See footnote 11.

⁽¹³⁾ OJ C 211, 19.8.2008, p. 48.

8.5.4 The EESC takes a favourable view of:

- the Eurogroup's decision to evaluate the **tax burden on labour** with the aim of reducing obstacles to investment and job creation ⁽¹⁴⁾, stressing that greening tax systems, in particular by making sure that low-emission and low-footprint activities are rewarded compared to resource and energy-intensive ones, is crucial to make the European economy more sustainable,
- proposals aimed at **improving the products and services markets and the business environment** and, in particular, proposals relating to the retail trade,
- the proposals on **public procurement**, which accounts for 19 % of the EU's GDP: increasing transparency, improving administrative effectiveness, increased use of e-procurement and the fight against corruption.

8.5.5 The Committee has supported the transition towards a green economy ⁽¹⁵⁾; it welcomes the principle of a circular economy and is currently assessing the pros and cons of the Package unveiled by the European Commission in December 2015.

8.5.6 The EESC emphasises the important role that the European semester and the annual growth survey should play in ensuring the monitoring of sustainable development policies. In recent years the Commission had started to include in the AGS and the country specific recommendations environmental issues as well. The Committee regrets that the Commission seems to have abandoned this approach ('greening the European semester') in the current AGS and calls on the Commission to resume considering in the European semester the transition to a low carbon and circular economy as a crucial factor for long-term economic prosperity, competitiveness and resilience.

9. Other measures

9.1 Responsible tax policies

9.1.1 In recent years, the EU and its Member States have adopted a broad range of measures (Banking Union, structural reforms, etc.) within the framework of the **Stability and Growth Pact**. As a result, they have made progress with regard to correcting macroeconomic imbalances. In a context of very low inflation (0 % in 2015 and 1,7 % forecast in 2017) there has been a significant reduction in the public deficit (2,5 % of GDP currently, forecast of 1,6 % GDP in 2017 ⁽¹⁶⁾). Measures to reduce the high stock of public debt (86,8 % GDP) and private debt (households 57,9 %; non-financial corporations 79,5 %) entails constraints on investment and consumption.

9.1.2 **Improving the efficiency and equity of taxation systems.** The EESC is in favour of removing unjustified **debt bias**, as advised in the IMF Country Reports. This will facilitate alternative financing channels to bank credit, especially capital markets.

9.1.3 The EESC appreciates the Commission's initiatives regarding the location of economic activity and the package on tax transparency. There should be more comprehensive and coordinated activity on the part of European and national authorities to eliminate tax havens and combat **aggressive tax planning, tax evasion and fraud** which lead to losses in the EU estimated at around a trillion euros ⁽¹⁷⁾.

⁽¹⁴⁾ Eurogroup Statement on the structural reform agenda — thematic discussions on growth and jobs: benchmarking the tax burden on labour, 638/15, 12.9.2015.

⁽¹⁵⁾ OJ C 230, 14.7.2015, p. 99.

⁽¹⁶⁾ See footnote 4.

⁽¹⁷⁾ http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/missing-part_en.htm

9.2 Demographic change and its impact on pension and health systems.

9.2.1 EU Member States have adopted measures on **public pension** schemes aimed, on the one hand, at mitigating the social consequences of the crisis and, on the other, at increasing their long-term viability. The latter have consisted of austerity measures such as a higher retirement age and a strict link between contributions and benefits, among others. Private pension schemes play an important social role, as this Committee has stated ⁽¹⁸⁾, but should not be considered as mere financial instruments.

9.2.2 The Committee agrees that there is a need to establish a viable financial basis for **health systems**. In the interests of maximising the well-being of EU citizens, these systems need to be based on the principles and values of Europe's social dimension, such as universality, accessibility, equity and solidarity ⁽¹⁹⁾.

9.3 Refugees and asylum seekers

9.3.1 In order to establish the necessary social consensus across Europe, it is essential to fully respect the equal treatment and social rights of both EU citizens and refugees in Europe, with a particular focus on those that are most vulnerable. Early investment in the integration of refugees into society and the labour market is important to help refugees rebuild their lives, while minimising potential conflicts with the local population and avoiding greater costs in the future.

9.3.2 The EESC hopes that the crisis relocation mechanism will help the EU move, on an agreed basis, towards a system that is robust and flexible enough to meet the challenges of migration in its different forms.

9.3.3 The European Commission and the other EU institutions must actively support the governments of the Member States so as to provide proper conditions and prospects for integrating the relocated asylum applicants. In this context, it should be clarified, inter alia, that expenditure incurred by the Member States in receiving and integrating asylum seekers and refugees is not long-term, structural expenditure and should not, therefore, be included in the calculation of structural budget deficits.

9.3.4 The EESC confirms that the Schengen agreement is a fundamental pillar of the EU's architecture ⁽²⁰⁾.

9.4 Civil society participation

9.4.1 The EESC considers it essential to **involve civil society** in social and economic policies as a precondition for making them more effective.

9.4.2 The **national reform programmes** (NRPs) must include forums for discussion, especially economic and social councils. However, such involvement is lacking in some Member States.

9.4.3 If national competitive boards are established as recommended by the Commission they must be fully compatible with free collective bargaining and the social partners' existing mechanisms for participation and dialogue in each Member State. A corresponding EESC opinion will be adopted in March 2016.

9.5 Democratic legitimacy

9.5.1 The democratic deficit has resulted in a loss of confidence in the European ideal. The Committee stresses the need to restore people's trust and rebuild the vision of a social Europe, one that will reinforce and sustain the social legitimacy of the European project.

9.5.2 The European Union, both in theory and practice, is still far from having enough social legitimacy. While the controversy about Europe's 'democratic deficit' has continued unabated, there has been a semantic shift from a 'democratic deficit' to a 'justice deficit' and an overall 'deficit of legitimacy'. There is a need to consolidate the principles of social justice that underpin the architecture of the European Union and strengthen the idea of a social Europe dedicated to combating social exclusion and maintaining solidarity.

Brussels, 17 February 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

⁽¹⁸⁾ OJ C 451, 16.12.2014, p. 106.

⁽¹⁹⁾ OJ C 242, 23.7.2015, p. 48.

⁽²⁰⁾ V. CESE: Frontex (OJ C 44, 11.2.2011, p. 162); Migration (OJ C 248, 25.8.2011, p. 135); An Open and Secure Europe (OJ C 451, 16.12.2014, p. 96); Resolution 10.12.2015 (OJ C 71, 24.2.2016, p. 1).

APPENDIX

The following point of the subcommittee opinion, which was replaced by an amendment adopted by the Assembly, received at least one-quarter of the votes cast (Article 54(4) of the Rules of Procedure):

Point 9.4.3

If national competitive boards should be established as recommended by the Commission they must be fully compatible with free collective bargaining and the social partners' existing mechanisms for participation and dialogue in each Member State. A respective EESC opinion will be adopted in March 2016.

Voting result

For: 103

Against: 54

Abstentions: 10

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