Report on a European Economic Recovery Plan

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PURPOSE: to present a European economic recovery plan in response to the current economic crisis.

CONTENT: this European economic recovery plan is the Commission's response to the current economic situation. Given the scale of the crisis we are facing, the EU needs a co-ordinated approach, big enough and ambitious enough to restore consumer and business confidence. It needs to bring together all the policy levers available at EU and national level.

The strategic aims of the recovery plan are to:

- swiftly stimulate demand and boost consumer confidence;
- lessen the human cost of the economic downturn and its impact on the most vulnerable;
- help stem the loss of jobs; and then to help people return rapidly to the labour market, rather than face long-term unemployment;
- speed up the shift towards a low carbon economy.

This European economic recovery plan proposes a counter-cyclical macro-economic response to the crisis in the form of an ambitious set of actions to support the real economy. The Plan is anchored in the Stability and Growth Pact and the Lisbon Strategy for Growth and Jobs. It consists of:

1) An immediate budgetary impulse amounting to EUR 200 billion (1.5% of EU GDP), made up of a budgetary expansion by Member States of EUR 170 billion (around 1.2% of EU GDP), and EU funding in support of immediate actions of the order of EUR 30 billion (around 0.3% of EU GDP). These timely, targeted and temporary measures should be consistent with the flexibility offered in the Stability and Growth Pact.

2) A number of priority actions, grounded in the Lisbon Strategy, and designed at the same time to adapt our economies to long-term challenges, continuing to implement structural reforms aimed at raising potential growth. The Plan sets out a comprehensive programme to direct action to "**smart" investment**. Smart investment means investing in the right skills for tomorrow's needs; investing in energy efficiency to create jobs and save energy; investing in clean technologies to boost sectors like construction and automobiles in the low-carbon markets of the future; and investing in infrastructure and inter-connection to promote efficiency and innovation.

At the same time, the **ten actions for recovery** included in the plan will help Member States to put the right social and economic levers in place to meet today's challenge:

1. **The launch of a major European employment support initiative**: the Commission is proposing to simplify criteria for European Social Fund (ESF) support and step up advance payments from early 2009, so that Member States have earlier access to up to EUR 1.8 billion in order to: i) within flexicurity strategies, rapidly reinforce activation schemes, in particular for the low-skilled, involving personalised counselling, intensive (re-)training and upskilling of workers, apprenticeships, subsidised employment as well as grants for self-employment, business start-up's and ii) refocus their programmes to concentrate support on the most vulnerable, and where necessary opt for full Community financing of projects during this period; iii) improve the monitoring and matching of skills development and upgrading with existing and anticipated job vacancies. The Commission will also propose to revise the rules of the European Globalisation Adjustment Fund so that it can intervene more rapidly in key sectors.

2. **Create demand for labour**: Member States should consider reducing employers' social charges on lower incomes to promote the employability of lower skilled workers. The Council should adopt, before the 2009 Spring European Council, the proposed directive to make permanent reduced VAT rates for labour-intensive services.
3. **Enhance access to finances for business**: the EIB has put together a package of EUR 30 billion for loans to SME's, an increase by EUR 10 billion over its usual lending in this sector. The Commission will put in place a simplification package, notably to speed up its State aid decision-making. It will temporarily authorise Member States to ease access to finance for companies through subsidised guarantees and loan subsidies for investments in products going beyond EU environmental standards.
4. **Reduce the administrative burden and promote entrepreneurship**: Member States should: i) ensure that starting up a business anywhere in the EU can be done within three days at zero costs and that formalities for the hiring of the first employee can be fulfilled via a single access point; ii) remove the requirement on micro-enterprises to prepare annual accounts; iii) accelerate the adoption of the European private company statute proposal; iv) ensure that public authorities pay invoices, including to SMEs, for supplies and services within one month; v) reduce by up to 75% the fees for patent applications and maintenance and halve the costs for an EU trademark.
5. **Step up investments to modernise Europe's infrastructures**: for 2009 and 2010, the Commission proposes to mobilise an additional EUR 5 billion for trans-European energy interconnections and broadband infrastructure projects. To make this happen, Council and Parliament will need to agree to revise the financial framework, while remaining within the limits of the current budget. To give an immediate boost to the economy, the implementation of the structural funds should be accelerated. By the end of March 2009 the Commission will launch a EUR 500 million call for proposals for trans-European transport (TEN-T) projects. In parallel, the EIB will significantly increase its financing of climate change, energy security and infrastructure investments by up to EUR 6 billion per year.
6. **Improve energy efficiency in buildings**: acting together, Member States and EU Institutions should take urgent measures to improve the energy efficiency of the housing stock and public buildings. Member States should set demanding targets for ensuring that public buildings and both private and social housing meet the highest European energy-efficiency standards and make them subject to energy certification on a regular basis. In addition, Member States should re-programme their structural funds operational programmes' to devote a greater share to energy-efficiency investments, including where they fund social housing. The Commission will work with the EIB and a number of national development banks to launch a 2020 fund for energy, climate change and infrastructure.
7. **Promote the rapid take up of green products**: the Commission proposes to reduce VAT rates for green products and services aimed at improving in particular energy efficiency of buildings. It encourages Member States to provide further incentives to consumers to stimulate demand for environmentally-friendly products. In addition, Member States should rapidly implement environmental performance requirements for external power supplies, stand-by and off mode electric power consumption, set top boxes and fluorescent lamps. The Commission will urgently draw up measures for other products which offer very high potential for energy savings such as televisions, domestic lighting, refrigerators and freezers, washing machines, boilers and air-conditioners.
8. **Increase investments in R&D, innovation and education**: Member States and the private sector should increase planned investments in education and R&D (consistent with their national R&D targets) to stimulate growth and productivity. They should also consider ways to increase private sector R&D investments, for example, by providing fiscal incentives, grants and/or subsidies. Member States should maintain investments to increase the quality of education.
9. **Developing clean technologies for cars and construction**: to support innovation in manufacturing, the Commission proposes to launch 3 major partnerships between the public and private sectors:

- *in the automobile sector, a 'European green cars initiative', involving research on a broad range of technologies and smart energy infrastructures*: this partnership would be funded by the Community, the EIB, industry and Member States' contributions with a combined envelope of at least EUR 5 billion;

- *in the construction sector, a 'European energy-efficient buildings' initiative:* the initiative should have an important regulatory and standardisation component and would involve a procurement network of regional and local authorities. The estimated envelope for this partnership is EUR 1 billion;

- *to increase the use of technology in manufacturing, "a factories of the future initiative":* the objective is to help EU manufacturers across sectors, in particular SMEs, to adapt to global competitive pressures by increasing the technological base of EU manufacturing through the development and integration the enabling technologies of the future, such as engineering technologies for adaptable machines and industrial processes, ICT, and advanced materials. The estimated envelope for this action is EUR 1.2 billion.

10. **High-speed Internet for all**: the Commission and Member States should work with stakeholders to develop a broadband strategy to accelerate the up-grading and extension of networks. The strategy will be supported by public funds in order to provide broadband access to under-served and high cost areas where the market cannot deliver. The aim should be to reach 100% coverage of high speed internet by 2010. In addition, and also with a view to upgrading the performance of existing networks, Member States should promote competitive investments in fibre networks and endorse the Commission's proposals to free up spectrum for wireless broadband. The Commission will channel an additional EUR 1 billion to these network investments in 2009/2010.

The European Commission calls on the European Parliament to lend its full support and it calls on Heads of State and Government, at their meeting on 11 and 12 December 2008 to endorse this European Economic Recovery Plan.