Report on a European Economic Recovery Plan

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The Committee on Economic and Monetary Affairs adopted an own-initiative report drafted by Elisa **FERREIRA** (PES, PT)on the European Economic Recovery Plan. It welcomes the Commission initiative to launch the Recovery Plan as a reaction to the serious ongoing economic downturn, noting that the Community dimension of that proposal amounts to 15 % of the budget for the recovery programme, which still needs to be implemented urgently. The top priority of the Recovery Plan must be to stimulate the economy and competitiveness of the EU, and to avoid increased unemployment. Members insist that all financial aid be timely, targeted and temporary, and warn of possible crowding-out effects and dissolution of EU competition policy. They call for a return to sound state finance as soon as possible in order to avoid putting too much burden on future generations. It is imperative that Member States continue to follow the revised Stability and Growth Pact with a view to tackling the present exceptional circumstances effectively on the one hand and to guaranteeing a firm commitment to bringing normal budget discipline back on track as soon as the economy recovers.

The Recovery Plan must serve the purpose of delivering a fair international agreement to succeed the **Kyoto Protocol in 2012**, which must give poorer countries the opportunity to escape poverty without fuelling global warming by helping to finance massive investment into adapting to climate change. The report recommends, as an essential requirement for effectiveness, that the coordination of national recovery plans allows for each programme to be tailored to each country's specific needs, but taking into account the common interest, the common strategies defined in terms of fight against climate change, and the assurance of the strongest possible multiplier effect, in particular as regards employment.

Members call for **coordinated action between Member States** allowing for general and explicit national bank guarantees covering liabilities, but excluding equity capital, in order to reduce uncertainty in the credit markets and facilitate the functioning of those markets. Safeguarding the savings of, and credit provision for, individuals and undertakings, including SMEs, is the overriding justification for the current exceptional public intervention in the financial system. Prime consideration must be given to **recovering to normal levels of credit** extension by banks when considering any new regulatory environment particularly in the interests of reviving the securitisation process as essential to the recovery of finance for mortgages, car finance and credit card funding. The Commission is asked to produce a clear analysis of the impact of the rescue package on the competitiveness of the financial sector and the functioning of the interbank market.

The committee went on to make a series of recommendations for **more effective regulatory and supervisory structures.** Whilst the European Central Bank (ECB) has no official supervisory mandate, there is a need to enhance its role as regards monitoring financial stability in the euro area, notably in terms of supervision of the EU-wide banking sector. The report recommends that the ECB should be involved in EU-wide macro-prudential supervision of systemically important financial institutions.

It recommends that sufficient access to credit is urgently guaranteed across the EU to SMEs, citizens and those sectors in which a sustainable future is endangered due to the crisis, in particular due to the lack of credit. The Commission should ensure exchanges of best practices in this respect. Members also call for the effective launch of a comprehensive **European employment initiative,** by ensuring that an undertaking can be set up free of charge anywhere in the EU within 3 days. They make detailed recommendations on boosting employment and want the EU employment initiative include an early intervention in order to reduce the risk of people becoming excluded from the labour market. The Council is asked to approve the proposal to give all Member States the option to apply a **reduced VAT rate** for labour-intensive and locally supplied services, and Member States should consider the possibility of

reducing labour taxation in lower incomes in order to increase the purchasing power and stimulate demand for retail products.

Members stress the importance of **territorial cohesion goals** within the framework of proposed stimulus arrangements, given the clear asymmetric impact of the crisis across the European territory, and they call for smart and **sustainable structural reforms** particularly in sectors like agriculture, transport and energy, and investments, in the fields of energy, the environment and infrastructure to support sustainable development, help the creation of high-quality jobs and ensure social cohesion.

The report calls for **improved coherence** between the present recovery plan at Member State level, the Lisbon Strategy goals and priorities, the integrated policy guidelines and the National Reform Programmes as well as the use of the flexibility facilities granted by the revised SGP. It puts forward a series of suggestions for the Spring European Council in March 2009, including the establishment of a binding framework for Member States within which they consult each other and the Commission before taking major economic policy decisions.

Members move on to state that involvement of the **European Investment Bank (EIB)** is crucial and that a large share of lending referred to in the Recovery Plan is within its competence. Lastly, the committee calls on the Council and the Commission to seek Parliament's views on the G20 Summit to be held in London on 2 April 2009 before agreeing on a negotiating position for the Summit.