# Report on a European Economic Recovery Plan

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The European Parliament adopted 526 votes to 105 with 22 abstentions, a resolution 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 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. Parliament stresses that temporary exceptions and deviations from Community competition policy must be reversed, and normality restored, in clearly defined time perspectives.

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. Parliament 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. Parliament invites Member States, and in particular those belonging to the euro area, to examine the possibility of a **major European loan guaranteed jointly** by the Member States.

Safeguarding the savings of, and credit provision for, individuals and undertakings 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.

Parliament goes 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. Members recommend that the ECB should be involved in EU-wide macro-prudential supervision of systemically important financial institutions. They regret the absence of clear EU instruments and policies by which to address, in a thorough and timely manner, the asymmetric impacts of the financial crisis among Member States inside and outside the euro area.

Parliament 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. In the current climate where SMEs face severe cash-flow problems and restricted credit access, public authorities and private clients should respect a maximum 30-day period for payments to SMEs. 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. However, Parliament warns against the undue loosening of the EU competition rules, as this might weaken the internal market.

Parliament goes on to ask the Council 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.

The resolution 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.

Lastly, Parliament stresses that the current crisis should not be used as a pretext to delay a much needed reorientation of spending towards 'green' investments, but should, rather, be used as an additional incentive to press ahead with such reorientation.