



# Procedure file

Basic information		
INI - Own-initiative procedure	<a href="#">2009/2182(INI)</a>	Procedure completed
Financial, economic and social crisis: recommendations concerning the measures and initiatives to be taken. Mid-term report		
Subject		
4 Economic, social and territorial cohesion		
5.03 Global economy and globalisation		
5.05 Economic growth		

Key players				
European Parliament	Committee responsible	Rapporteur	Appointed	
	<b>CRIS</b> Special committee on the financial, economic and social crisis		15/10/2009	
		S&D <a href="#">BERÈS Pervenche</a>		
		Shadow rapporteur		
		PPE <a href="#">PIETIKÄINEN Sirpa</a>		
		ALDE <a href="#">SCHMIDT Ollie</a>		
		Verts/ALE <a href="#">CANFIN Pascal</a>		
		ECR <a href="#">ŽILE Roberts</a>		
European Commission	Commission DG	Commissioner		
	<a href="#">Secretariat-General</a>	BARROSO José Manuel		

Key events			
07/10/2009	Committee referral announced in Parliament		
29/09/2010	Vote in committee		Summary
05/10/2010	Committee report tabled for plenary	<a href="#">A7-0267/2010</a>	
20/10/2010	Results of vote in Parliament		
20/10/2010	Debate in Parliament		
20/10/2010	Decision by Parliament	<a href="#">T7-0376/2010</a>	Summary
20/10/2010	End of procedure in Parliament		

Technical information	
Procedure reference	2009/2182(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Special committee/Committee of inquiry
Legal basis	Rules of Procedure EP 207
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed

## Documentation gateway

Committee draft report		<a href="#">PE441.228</a>	06/05/2010	EP	
Amendments tabled in committee		<a href="#">PE443.108</a>	23/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.102</a>	24/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.103</a>	24/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.104</a>	24/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.105</a>	24/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.106</a>	24/06/2010	EP	
Amendments tabled in committee		<a href="#">PE443.107</a>	24/06/2010	EP	
Committee report tabled for plenary, single reading		<a href="#">A7-0267/2010</a>	05/10/2010	EP	
Text adopted by Parliament, single reading		<a href="#">T7-0376/2010</a>	20/10/2010	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2011)609</a>	28/03/2011	EC	

## Financial, economic and social crisis: recommendations concerning the measures and initiatives to be taken. Mid-term report

The Special Committee on the Financial, Economic and Social Crisis adopted the report by Pervenche Berès (S&D, FR) on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report).

Causes: the committee notes that notes that global imbalances, regulatory governance (regulation and supervision), and monetary policy - together with specific factors inherent in the financial system, such as the complexity and opacity of financial products, short-term featured remuneration systems and inadequate business models - are the three main factors contributing to the current financial crisis.

Effects: the financial turmoil caused world-wide contraction in economic activity and triggered a global economic and social crisis with widespread increases in unemployment, poverty and social exclusion. The public deficit in the EU rose from 2.3% of GDP in 2008 to 7.5% in 2010, with the public debt-to-GDP ratio rising from 61.6% of GDP in 2008 to 79.6% in 2010, brushing aside in two years all the efforts at budgetary consolidation made over almost two decades by some Member States. The committee deplores this setback as it will make responding to unemployment and demographic challenges much more difficult. It notes that Commission forecasts point to an EU-wide rate of unemployment of almost 11% in 2010, which will have serious implications for the EU's labour force.

Response and national recovery plans: the rescue measures adopted in the EU had a positive result and the creation of a European stabilisation mechanism was welcome. However, Members regret the modest level of coordination among the different national recovery plans, as the multiplying effect and leveraging potential of EU-level coordination would most probably have exceeded the effect that can be reached through largely national-level planning, which carries the risk of being mutually contradictory. They call for an increase in the European dimension of future recovery plans and large-scale investments. They also call on the Commission to give a very precise report on the effectiveness of the national bank rescue packages and national and European recovery plans decided over the autumn and winter of 2008-2009 with respect to the Union's long- and short-term objectives, including a thorough analysis of the consequences of the revised state aid mechanisms adopted in response to the crisis and with regard to competition policy.

The future ? a Europe of added value: the committee considers that the EU needs a more united, efficient and less bureaucratic Union and that the Commission, whose task it is to define and defend the general European interest, must, as a priority and in line with its right of initiative, commit to action on behalf of the Union in those fields where it has shared competences or competence to coordinate Member States' actions. The Commission should assume full responsibility to ensure the steering and financing of projects in the following fields:

- new investment in research and the development and deployment of renewable energy sources, in energy efficiency, especially in the European building stock, as well as in resource-use efficiency more generally;
- strengthening the European energy network by interconnecting national networks and distributing power from major centres of renewable energy production to consumers, as well as introducing new forms of energy storage and the European High Voltage Direct Current (HVDC) "super-grid";
- developing a high-speed public rail service connecting the Union from east to west and north to south, together with plans to facilitate investment in its infrastructure and critical infrastructure in public ownership;
- providing fast internet access throughout the Union, ensuring the rapid execution of the EU's digital agenda and providing all citizens with reliable, free access;
- developing EU leadership in the field of e-health;
- completing the development of, and creating common standards for, electric mobility.

The committee also believes that, while there may be agreement on matters of governance and on EU activity in terms of shared competence

and supplementary action, the Union requires resources, especially financial resources, to pursue such a strategy.

Financial regulation and supervision: the crisis has revealed the limits of self-regulation. Therefore Members call for a regulatory and supervisory system which leaves no financial market, no financial instrument and no financial institution off the record book; To achieve this aim, the following urgent actions need to be taken:

- introducing more counter cyclical regulation;
- reducing systemic risk posed by large and/or interconnected institutions ("too-big-to-fail") and derivative markets;
- enacting strong governance policies on remuneration to remove conflicts of interest and introduce a longer term perspective into the financial system;
- strengthening pan-European and global regulation and supervisory structures;
- investigating the use of off-balance sheet transactions and the proliferation of SPVs and SPEs;
- introducing a tax on financial transaction;
- introducing new standards on statistical data on the financial sector;
- improving shareholder voting rights.

Economic and Monetary Union policies: Members urge the strengthening of the Stability and Growth Pact be strengthened, especially its preventive arm, where the means of peer pressure is the strongest instrument presently available to make Member States comply with Council recommendations. They call for the economic surveillance carried out by the Commission to be given more teeth, and feel that the possibility of creating incentives for fiscal consolidation has to be explored. The report proposes the setting up of an effective incentive and penalty mechanism to be applied to the implementation of the Stability and Growth Pact, which would contribute to preventing any worsening of the current crisis. The Commission needs to put in place an enforced European sanctioning mechanism which is under its clear competence within the euro zone in order to force Member States to respect the rules of the Stability and Growth Pact.

Multilateral surveillance needs to be deepened, directing adjustment at situations of both deficit and surplus states, taking account of each country's specific circumstances; furthermore, more transparency is needed with respect to public finance data.

On fiscal policy, the committee states that a common currency can only operate if Member States coordinate their budgetary policies and open their books to each other. This process requires close cooperation with national parliaments. Members call on the Commission and the Council, with Eurostat's support, to improve the comparability of spending under national budgets in order to identify policy complementarity or convergence.

Internal market and taxation: the internal market is one of the main drivers of European growth. Therefore, the EU 2020 strategy should serve as a concrete program for strategic long term investment and employment in order to face the economic crisis and strengthen the internal market. A coordinated approach is needed at both national and EU level to capitalise from best practices in the fight against tax fraud and evasion. Members support the idea of setting up a Tax Policy Group as an important step to encourage a dialogue between governments on tax policy and advocate a tax structure geared to ease the burden on labour and to encourage and create incentives for employment, innovation and long term investment.

Regional, economic and social cohesion: cohesion instruments are a crucial tool for assistance to the regions, which need it the most, to overcome the consequences of the crisis by supporting investment in infrastructure, businesses and jobs; Therefore it is vital that any long-term EU investment strategy, notably when supported by cohesion policy, be linked to results in terms of competitiveness, growth, creation and preservation of decent jobs and environmental protection.

EU 2020: the EU 2020 Strategy as proposed by the Commission should concentrate on making the internal market less bureaucratic, by reducing administrative burdens on business by 25% by 2012, and more efficiency-driven, by using the internet as the backbone of an EU-wide e-market that will generate new services and jobs. In addition, Members feel that the governance structure of the Europe 2020 strategy should be strengthened: a broader use of binding measures is necessary to make the new strategy a success, instead of continued use of the open method of coordination in the field of economic policy. The report urges an economic strategy for economic recovery based primarily on EU instruments and not mainly on intergovernmental initiatives.

Innovation and the creation of new jobs: the report calls on the Commission to propose a mechanism whereby SMEs and other innovators would be offered risk-softening funding in public-private partnership with private equity funds, where money from the European Investment Bank, together with public money from the Member States, with the support of risk-guarantee mechanisms by the European Investment Fund distributed through the private equity fund, would enable the projects to leverage private investment up to 80%. Sustainable job creation and high-quality employment should be a key priority. Members urge the Union to link its actions on employment to measures to combat poverty and social exclusion, together with an effectively functioning internal market for workers within the EU, so that the crisis does not further increase inequalities. They call for a 75% employment rate for men and women by 2020 by reducing labour-market segmentation and stepping up efforts to facilitate the balance between work, caring responsibilities and family life.

Creating new jobs by promoting SMEs: the essential role SMEs play in the economy as key generators of employment and drivers of research, innovation and growth needs to be emphasised. Members call on the Union to create an EU Guarantee Fund for SMEs, and also call for an evaluation of existing funding schemes, especially the CIP programme, and for dedicated efforts to make EU-backed loans accessible to businesses in all Member States and to develop services to SMEs and social dialogue structures. Furthermore, they want a significant reduction in public procurement bureaucracy for SME's, a reduction in red tape and a one-stop-shop for all administrative issues of SME's.

Development: 40% of developing countries have been highly exposed to the effects of the financial crisis, and an estimated 90 million people will be plunged into poverty as a result. Members call for a re-affirmation of the pledging of 0.7% of Member States' GNI to development aid and for an exploration of additional innovative sources of financing to close the financing gap caused by shrinking economies in the developing world.

Global governance: the report recognises the weaknesses and problems caused by the lack of legally binding powers, and the disconnectedness, of the global financial and economic institutions. It welcomes the initiatives to enhance the effectiveness and accountability of the IMF and other UN institutions and, where appropriate, given powers to lay down legally binding rules in the form of international conventions. Members take the view that the EU's global challenges include matching its economic strength with relevance on the world stage by speaking with one voice. One of the key projects of the EU's foreign policy must be to strive to reform the UN and the UN-related institutions into global institutions with real political leverage.

# Financial, economic and social crisis: recommendations concerning the measures and initiatives to be taken. Mid-term report

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The European Parliament adopted by 501 votes to 67, with 50 abstentions, a resolution on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report).

Causes: in its resolution, Parliament notes that global imbalances, regulatory governance (regulation and supervision), and monetary policy - together with specific factors inherent in the financial system, such as the complexity and opacity of financial products, short-term featured remuneration systems and inadequate business models - are the three main factors contributing to the current financial crisis.

Effects: the financial turmoil caused world-wide contraction in economic activity and triggered a global economic and social crisis with widespread increases in unemployment, poverty and social exclusion. The public deficit in the EU rose from 2.3% of GDP in 2008 to 7.5% in 2010, with the public debt-to-GDP ratio rising from 61.6% of GDP in 2008 to 79.6% in 2010, brushing aside in two years all the efforts at budgetary consolidation made over almost two decades by some Member States. Parliament deplores this setback as it will make responding to unemployment and demographic challenges much more difficult.

The crisis has had an impact on employment throughout the EU. The Commission forecasts point to an EU-wide rate of unemployment of almost 11% in 2010, which will have serious implications for the EU's labour force. The social effects of the crisis are very different depending on the Member State. Beyond unemployment, the crisis has had a multifaceted social impact, notably including some erosion of working conditions, increasing difficulties for some people to access basics needs and services, increasing homelessness, over indebtedness and financial exclusion

Response and national recovery plans: Parliament approves the non-conventional measures put in place by the ECB and national central banks over the last two years to bail out banks in the Member States that that were at risk of bankruptcy. However, it stresses the need to gradually phase out these unconventional measures in order to prevent unfair competition in the banking sector.

It welcomes the adoption by the Ecofin Council on 10 May 2010 of the EUR 750 billion stabilisation plan. It demands that the European Parliament be involved as co-legislator in forthcoming crisis rescue proposals and decisions.

However, the resolution regrets the modest level of coordination among the different national recovery plans, as the multiplying effect and leveraging potential of EU-level coordination would most probably have exceeded the effect that can be reached through largely national-level planning. It also calls on the Commission to give a very precise report on the effectiveness of the national bank rescue packages and national and European recovery plans decided over the autumn and winter of 2008-2009 with respect to the Union's long- and short-term objectives, including a thorough analysis of the consequences of the revised state aid mechanisms adopted in response to the crisis and with regard to competition and the upholding of a level playing field in the EU, financial reform and job creation.

The future - a Europe of added value: Parliament deems it unacceptable for the Union to be the only integrated area in which the question of energy, especially the energy mix, is not regarded as a strategic issue both internally and in the context of relations with partner countries. It considers that initiatives on energy need to be taken in the EU on a basis of close coordination between the Commission, the Member States and the relevant sectors of the industry in order to safeguard the supply of energy sources, such as oil and gas, to its Member States.

Parliament proposes that the Commission assume full responsibility for ensuring the steering and financing of projects in the following fields:

- new investment in research and the development and deployment of renewable energy sources, in energy efficiency, especially in the European building stock, as well as in resource-use efficiency more generally;
- strengthening the European energy network ;
- promoting EU space-based infrastructures in the area of radio navigation and earth observation;
- developing a high-speed public rail service connecting the Union from east to west and north to south;
- providing fast internet access throughout the Union;
- developing EU leadership in the field of e-health;
- completing the development of, and creating common standards for, electric mobility.

It believes that, while there may be agreement on matters of governance and on EU activity in terms of shared competence and supplementary action, the Union requires resources, especially financial resources, to pursue such a strategy.

Financial regulation and supervision: Parliament notes that this crisis marks the limits of a system of self-regulation and over-reliance on the capacity of market participants in the financial sector and of rating agencies always to correctly assess and properly manage risks.

It considers that transparency in both corporate and Member State financial statements is required in order to restore confidence; calls upon the Commission, therefore, to investigate the use of off-balance sheet transactions, unfunded liabilities and the proliferation of SPV and SPEs and to consider limiting their use or requiring mandatory declarations in published accounts. It calls for opportunities for regulatory arbitrage to be minimised globally through firm agreement at G20 level and within the European Union, and, where possible, to be abolished through the application of a common rule book for financial services

The resolution stresses the need for:

- concrete proposals for an EU framework for cross-border crisis management in the financial sector
- banks to produce a 'living will' detailing their orderly liquidation in the event of a crisis
- new standards for statistical data on the financial sector
- a system of supervision and regulation which leaves no financial transaction and no financial instrument off the record book
- that a sufficiently broad set of criteria for systemic risk needs to be used as the basis for categorising financial institutions, especially within the EU
- a feasibility and impact study on the setting up of a public and independent European Credit Rating Agency
- the consideration of proposals on shareholder voting rights in terms of providing for greater transparency.

In order to revitalise and unblock the flow of credit to companies and individuals, Members consider it is essential to find long-term solutions to the difficulties posed by the enormous amount of private debt for both households and businesses.

EU governance: Parliament considers that at times of economic and social crisis Europeans expect accountability, responsibility and solidarity

to be the guiding principles behind European decision making. It points out that the long-term sustainability of public finances is essential to stability and growth and shares the Commission's view that the Stability and Growth Pact requires more effective incentive and penalty mechanisms.

The resolution notes that the crash has shed new light on the demographic challenge and the challenge of funding pensions; considers that the funding of pensions cannot be entirely left up to the public sector, but that reliance should be placed on tripartite systems including public, occupational and private pension schemes duly guaranteed by specific regulation and supervision in order to protect investors. It considers, furthermore, that pensions will need to undergo European-wide reform.

It believes that the Commission, in line with its right of initiative, must commit to action on behalf of the Union in those fields where it has shared competences or competence to coordinate Member States' actions. It calls upon the Commission to utilise regulations instead of directives as the legal basis in order to facilitate uniform adoption across the EU and to prevent distortions.

Economic and Monetary Union policies: Parliament confirms its commitment to the euro and stresses that the Stability and Growth Pact (SGP) is the only existing regulatory instrument that can provide a fundamental regulatory framework for macro-economic policies and public finances in the EU. It urges that the provisions of the Stability and Growth Pact be strengthened, especially its preventive arm. It also urges the Commission to put in place an enforced European sanctioning mechanism which is under its clear competence within the euro zone in order to force Member States to respect the rules of the Stability and Growth Pact.

Parliament believes that, in addition to having a single currency, the euro zone countries should go a step further by making arrangements for a mutual issue and management of a proportion of Member States' sovereign debt providing a basis for more complex multilateral surveillance with assistance from the EMF and EFSF, in order to ensure that the euro zone market as a whole is more attractive and for joint debt management.

Members consider that the broad economic policy guidelines both for stability and growth established jointly with Parliament should be used as a framework for discussion and evaluation of the Member States' budgets before their presentation to the respective national parliaments. They call on the Commission and the Council to define broad common guidelines for the EU to implement a sustainable market economy.

Fiscal policy: Parliament calls for a common budgetary strategy in order to restore and safeguard the EU as a long-term economic growth area. It insists on the need for greater compatibility and complementarity are needed between the national budgets of the 27 EU Member States and the EU budget; emphasises the greater role the EU budget. It calls on the Commission and the Council, with Eurostat's support, to improve the comparability of spending under national budgets in order to identify policy complementarity or convergence.

Taxation: the resolution recognises that in order to further develop the Union's internal market, a coordinated approach is needed at both national and EU level to capitalise on best practices in the fight against tax fraud and evasion, while defining appropriate incentives for tax payers to duly pay their taxes and for the tax authorities in the Member States to adopt effective preventive measures against all types of tax malpractice.

It asks the Commission to i) draw up an impact assessment to evaluate the different problems caused by tax evasion and the black economy in all the Member States; ii) propose a set of measures to help the Member States restore the balance of their public accounts and to finance public investment by tapping innovative financial sources.

Europe 2020: Members consider that, if the goals of the strategy are to be achieved, it is time to coordinate our macroeconomic policies closely. They consider that education should be placed at the very heart of the Union's economic strategy and that tackling youth unemployment and fostering an effective matching of skills and market needs should be focal points. They also call for an ambitious long-term strategy against poverty.

Innovation: Parliament considers that the EU should encourage innovation in energy generation from renewable resources, putting the emphasis on low-carbon local sources. It advocates a fair and equitable gradual transition to a green economy. It calls on the Commission to develop and propose a mechanism whereby SMEs and other innovators would be offered risk-softening funding in public-private partnership with private equity funds.

The resolution supports the establishment of financial institutions to provide financing for innovation projects throughout the Union, which are essential for future sustainable growth. It urges the Commission to work to eliminate administrative hurdles, and to improve the conditions for innovation, for example by creating the single EU patent.

Employment and promoting SMEs: Parliament considers that one of the great challenges facing the European Union is that of maintaining its competitiveness, increasing growth and combating high unemployment. It calls on the Member States and the Commission to achieve a 75% employment rate for men and women by 2020 by reducing labour-market segmentation and stepping up efforts to facilitate the balance between work, caring responsibilities and family life.

Members consider that efforts to support job creation need to be focused on employing the young. They stress the need to create inclusive and competitive labour markets which provide greater flexibility for employers while at the same time guaranteeing unemployment benefits combined with active support for re-employability in the event of job loss.

Parliament believes that SMEs are crucial to future development, growth and welfare in the EU, and that the EU's competitiveness vis-à-vis the world can be strengthened by prioritising SMEs. It considers that SMEs should be regarded as a motor for smaller investments financed by the cohesion funds and that the allocation of funds to universities and the promotion of partnerships with SMEs are key in this regard.

The European Union is invited to support its SMEs by facilitating their access to credit and creating a European Guarantee Fund for SMEs.

Global governance: Members call on the European Council to convene a G20 summit devoted solely to the reform required in governance at world level. They urge that mechanisms for economic governance within the Union be strengthened, especially from the point of view of better accountability, contingency management, and economic and employment policy coordination.