

Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU
Background notes

Chamber of Deputies of the Grand Duchy of Luxembourg
10 November 2015

Theme 4: Growth and Economic and Monetary Union

Overcoming the crisis, stimulating growth and employment on the short and long term are priorities of the European Union and the Luxembourg Presidency of the Council. However, the decline of investment levels observed since the beginning of the global financial and economic crisis is undermining Europe's return to growth. In parallel with the implementation of structural reforms and fiscal consolidation of public finances, it has therefore become imperative to restore investment levels.

The European Commission's Investment Plan, presented in November 2014 before the European Parliament (EP), precisely attempts to address this challenge. The plan aims to remove obstacles to investment, increase the visibility of investment projects, provide technical assistance, as well as to optimize the use of new and existing financial resources. It should help regaining investor's trust battered by the crisis and by regulatory and economic uncertainties.

To achieve these objectives, the investment plan is based on three pillars:

- the creation of a new European Fund for Strategic Investments (EFSI), guaranteed with public money, to mobilise at least € 315 billion of additional investment over the next three years (2015 - 2017);
- the establishment of a credible project pipeline coupled with an assistance programme to channel investments where they are most needed;
- an ambitious roadmap to make Europe more attractive for investment and remove regulatory bottlenecks. The investment plan will include progress towards a Digital Single Market, Energy Union and Capital Markets Union (CMU)¹, in order to improve the business environment and financing conditions.

The Fund, created within the European Investment Bank (EIB), must mobilize private financing for strategic investments that the market cannot finance alone. The EFSI will have two main focuses: Infrastructure and Innovation (managed by the EIB), and SMEs (managed by the EIB and the EIF).

To date, several Member States of the European Union, including Luxembourg, have announced contributions to the investment plan. At the High Level Economic and Trade

¹On 30 September, the Commission published its action plan which sets out the actions that will be taken over the next years so that the building blocks of the CMU are in place by 2019.

Dialogue in Beijing today, China announced its intention to contribute to the Investment Plan, as well as closer cooperation with the EU on investment issues in general.

Increasing investment is however not sufficient to guarantee growth, since the crisis has demonstrated that the EU also needed better coordination of economic policies to complete the euro and fully achieve the objectives of job creation, growth, social equity and financial stability.

This is how on June 22, the five Presidents – European Commission President Jean-Claude Juncker, together with the President of the Euro Summit, Donald Tusk, the President of the Eurogroup, Jeroen Dijsselbloem, the President of the European Central Bank, Mario Draghi, and the President of the European Parliament, Martin Schulz – have revealed ambitious plans on how to deepen the Economic and Monetary Union (EMU) as of 1 July 2015 and how to complete it by latest 2025.

The roadmap for implementation, on which the 5 presidents also agreed, should consolidate the euro area by early 2017 (Stage 1, or "Deepening by Doing") and will serve as a stepping stone towards more fundamental reforms in Stage 2, or "Completing EMU".

To prepare the transition from Stage 1 to Stage 2 of completing the EMU, the Commission will present a White Paper in spring 2017, assessing the progress made in Stage 1 and outlining the next steps needed to complete the EMU in Stage 2. The White Paper will be prepared in consultation with the Presidents of the other EU institutions. In order to inform the preparation of the White Paper, the Commission will facilitate a wide consultation with citizens, stakeholders, European and national parliaments, Member States and regional and local authorities on completing EMU. Public debates will be organised across the EU in 2016. Finally, the Commission will establish in mid-2016 an Expert Group to explore the legal, economic and political preconditions that will inform the more long-term proposals as outlined in the Five Presidents' Report. The objective must be to shape a consensus for the more fundamental steps ahead, which – following further discussion – can be translated into a stronger legislation and institutional framework for the EU.

The package of measures adopted to deepen the EMU, adopted by the European Commission on the 21st of October - which entails, inter alia, a revised approach of the European semester; the introduction of national Competitiveness Boards and an advisory European Fiscal Board; a more unified representation of the euro area - should be able to contribute to European economic growth. It also describes the steps towards the completion of the Banking Union, notably via a European Deposit Insurance Guarantee Scheme and measures to further reduce risk in the banking system.

A few points for discussion:

- How to ensure that projects are not only profitable, but also consistent with the broader policy objectives of the European Union, e.g. in terms of climate? How to ensure that they are consistent with the objectives of sustainable development (ODD) unanimously adopted, on the 25th of September, by the 193 Member States of the United Nations at the opening of the World Summit on sustainable development?

- How to ensure wide publicity of the funding opportunities offered by the EFSI to SMEs? How can we facilitate access to the Fund for SMEs, as well as for cities and regions of the EU, especially for small projects and avoid that the Fund turns into an ineffective bureaucratic exercise or that it benefits only big investors and big projects?
- How can we ensure a balanced geographical and sectoral distribution in the choice of projects to be funded? How to ensure a certain logic and coherence between the different funded projects?
- How do parliaments of the EU view the Commission's proposals, in particular in terms of growth?
- Which reactions arise from the idea of the establishment of national Competitiveness Boards? What implications could this introduction have on the right of workers and employers to negotiate and conclude collective agreements?
- What will be the role of the European Fiscal Board? How will it collaborate with National Fiscal Boards?
- How do parliaments intend to contribute to the consultation for the preparation of the White Paper for Stage 2?