The investment plan for Europe – old wine in new bottles?

Why does Europe need an investment plan?
The level of investment in Europe has fallen 15% below its pre crisis peak and yet there are high levels of savings rates across Europe. Corporate balance sheets are bulging with cash; institutional investors are awash with money, while at the same time the budgets of most Member States are either fully stretched or shrinking. This low level of investment is all the more puzzling when the cost of capital in both nominal and real terms is at rock bottom.

The markets to bring together investment demand and the supply of investment finance are clearly not working properly across Europe. Given the ideological divide between supporters of supply-side reform and neo-Keynesians that emphasise the shortfall in aggregate demand, the Investment Plan for Europe aims to please both sides. It seeks to boost EU productive potential while at the same time it looks like a fiscal stimulus.

What is the essence of the Investment Plan for Europe?

There are three pillars of the Plan:

- the creation of a dedicated European Fund for Strategic Investments (EFSI) guaranteed by EUR 21 billion from the EU budget and EIB reserves which, according to the Commission's assumptions, can leverage an additional EUR 294 billion of investment finance over three years;
- an investment pipeline of strategic projects supported by a specialist investment hub of technical assistance;
- the removal of barriers to investment and improvements in the regulatory regime.

Will the Investment Plan work?

This is not an easy question to answer. Ideally Europe needs a full-blown public investment programme to boost productive potential, boost demand and create employment. As this seems unlikely to happen, the Juncker plan is a second-best. Critics of the plan argue that it is too small relative to Europe's investment need of well over €1 trillion and that the leverage required to deliver the plan is unrealistically high. In addition, it is claimed that the plan has a medium-term time horizon when what is needed is a short term boost. Some see parallels between the Juncker plan and the €120 billion Growth Initiative launched in 2012. The latter was also made up of budgetary allocations and very little positive results have been reported to date. Against this rather negative perspective, there are some positive aspects of the Investment Plan. The degree of leverage in the plan is within the range already achieved by the European Investment Bank. The EFSI will target higher risk projects and will attempt to leverage substantial amounts of private investment and it will therefore be additional to investments under the Cohesion Programme. The EFSI will attempt to utilise a range of innovative financial instruments such as equity, quasi equity, guarantees and venture capital within a more flexible investment framework.

The Commission estimates that the investment plan will create up to 1.3 million net new jobs between 2015 and 2018. In its review of the plan, the ILO estimates that the job creation could be as high as 1.8 million net new jobs if assistance is targeted at the greatest need. Member States’ contributions to the EFSI will not be counted in the budgetary calculations under the Stability and Growth Pact. This begs the question as to why the Commission has not gone further and introduced a new Golden Rule for Europe, which would incentivise Member States to boost public investment? This is a proposal that we in the EESC should now investigate.

Ultimately the success or failure of the plan hinges upon two things – firstly whether there are sufficient higher risk, higher return projects that the Plan’s financial instruments can unlock and secondly, whether institutional and other investors are willing to take on these riskier projects. It will be difficult for the Commission to reform the regulatory regime so as to make large (particularly cross-border) infrastructure projects less difficult to undertake. These reforms are set out in the Commission's Work Programme for 2015 and so the EESC will have ample opportunity to comment on and input to this regulatory reform programme.

EUROPE II – The Investment Plan for Europe focuses mainly on energy, the digital agenda, transport and innovation among SMEs and mid-caps. It is relatively light on social infrastructure and on skills. Do you agree? Yes, there is a strong focus on physical infrastructure projects with far less on social infrastructure and skills. This does not necessarily reflect political priorities; this kind of financing mechanism is better suited to projects with a clear economic return, which implies that they are ‘bankable’, i.e. they can attract private finance. The plan should be complemented by national public investments in higher risk projects, which cannot attract private finance.

EUROPE III – The high degree of financial leverage underpinning the Plan has drawn a lot of critical comment but, given that the EFSI will target riskier projects, is it not achievable? The higher the risk, the higher the potential leverage. However, it is far from clear how willing the Commission and the EIB are to take significantly higher risks. In addition, there are many projects where, even with a higher risk being taken on at EU-level, they still remain unattractive for private finance, which will be a particular issue in countries where there is significant political risk.

EUROPE IV – If Member States contribute additional capital to the EFSI or if they or their respective National Promotional Banks co-finance projects under the Plan, these will not be counted in the
Other news that matters

**Professor Gerd Wolf awarded Minerva Prize**

Gerd Wolf (first on the right in photo) who has received the Minerva Prize for Champions of Fusion Research, in Jülich on 4 December 2014, the Minerva Prize of Jülich’s Museum

We send our warm congratulations to our member, Professor Gerd Wolf, who received the Minerva Prize for Champions of Fusion Research, in Jülich.

The whole press announcement (in German) can be read here: http://www.eesc.europa.eu/?i=portal.en.news.34564

**Quote of the month**

"Reconciliation is worth much more than revenge; justice is worth much more than anger. Despite the tragic events of yesterday, and today, I trust in human kindness."

Simon Gronowski

83 year-old Belgian Holocaust survivor

Speech marking International Holocausit day 27 January 2015, and the 70th anniversary of the Liberation of Auschwitz
Group III Members in the Spotlight playing a key role

CROATIAN PARLIAMENT INFORMED ON EESC WORK

Dilyana SLAVOVA (BG)

President of the NAT Section

IN THE FUTURE

HOW TO ENSURE THE COMMON NATURE OF CAP REFORM IN THE FUTURE

Launched in 1962, the Common Agricultural Policy (CAP) is a partnership. All of us should reinforce the common nature of the policy, while taking into account the diversity of European agriculture. The CAP must remain a common policy with common rules to ensure that..."...A strong CAP, with an adequate budget, will be more essential than ever in future. A dynamic and competitive agricultural sector, which provides employment for nearly 30 million people, also has an indispensable role to play in the EU future. Why?

Because we have common challenges in front of all of us:

- EU farmers face an uneven playing field when competing with imports
- Market instability is on the increase
- Farmers’ incomes are deteriorating
- New risks from climate change

Rising world demand for food, combined with increasing climatic extremes and market volatility, will mean that food security will be a policy priority for governments throughout the world. So the future CAP should be based on the following principles:

- the vital nature of the economic role of farmers – providing essential food supplies – and their wider role meeting society’s territorial, environmental and social objectives distinguishes it from other economic sectors
- agriculture should contribute to the reinforcement of the European Union – the CAP must remain a common policy with common rules to ensure that competition within the single EU market is not distorted, while taking into account the diversity of European agriculture
- financial solidarity is necessary to ensure greater economic and social cohesion and integration throughout the EU of 28 Member States and greater rural/urban balance.

We have common objectives to ensure future common CAP:

- provide a stable framework for the development of agricultural production, through increased productivity and competitiveness, as well as the proper functioning of the market, so that the EU’s strategic independence of supply in all its key production sectors is maintained and consumers are there by assured secure, stable and safe food supplies and that the EU is also able to contribute to..."...The question and answer session after the first panel was moderated by Kinga JOÓ (HU). Many of the participants took the floor. From the presentations as well as from most of the questions it became clear that the evaluation of the historical events, although 25 years have passed, is still an ongoing process. Most reactions emphasised the ambiguity that still surrounds the judgment of this period (whether seen from a political, economic, social, etc perspective).

The “25 years after the fall of the Iron Curtain – The state of integration of East and West in the European Union” publication is available for download… More information on the event and the programme can be found here: http://ec.europa.eu/research/social-sciences/index.cfm?pg=events&eventcode=2008214B-D09C-5279-7436993918E83507 About the author: http://people.ceu.hu/peter_balazs

Ariane RODERT (SE), Vice-President of the Various Interests Group

YOUNG SOCIAL ENTREPRENEURS IN DIALOGUE WITH THE EESC

On February 3 and 4 the EESC seminar “A New Generation for a New Europe” facilitated the dialogue between young entrepreneurs and policy makers to discuss issues and opportunities for young entrepreneurs and the role of the EU institutions. The event concluded with recommendations on education and entrepreneurship, quality jobs and growth. 60 young Croatian MPs participated throughout the event and in particular in the session on social entrepreneurship. It was clear was that the majority of the young entrepreneurs were social entrepreneurs signalling the current popular interest in social economy. They called on the EU Institutions and the EESC to facilitate networking and ways for them to connect with like-minded. They raised issues such as better access to information, finding ways to share models, to encourage land management practices which promote biodiversity, resource and habitat conservation, taking into account specific regional conditions.

Jens Nilsson MEP also referred to this in his presentation where he stressed the need for a true social market economy and that the Social Economy Intergroup will be ensuring the Parliament’s work is supportive of the social economy and that in particular the review of Europe 2020 is important in this work.

The EESC will continue to act as a bridge on promoting social entrepreneurship and social economy through the continuation of the EESC Social Enterprise Project which has been extended to end of current mandate.

The programme for the event can be consulted here: http://www.eesc.europa.eu/?i=portal.en.events-and-activities-new-generation-4-new-europe
Overview of our Members’ Work in the EESC

Guidelines on the Responsible Governance on Tenures (VGTT) and to report to the European Commission and the FAO on the use and application of the VGTT in their land governance policies. In conclusion, the Committee urges the European Parliament and the Council to discuss whether the free movement of capital in respect of the alienation and acquisition of agricultural land and agribusineses should be guaranteed, particularly in relation to third countries, but also within the EU.

In this own initiative opinion, the EESC considers the abolition of the milk quota system from 31 March 2015, as decided in 2008, to be a fundamental change. Since the introduction and implementation of the method of guiding production on 1 April 1984, it has over time become increasingly clear that dairy prices and farmers’ incomes have not been sufficiently effectively supported and stabilised and that dairy production in the EU has decreased, while rising significantly worldwide.

The EESC believes that this must be done by fully utilising Pillar II provisions of the CAP 2014-2020 and the Milk Package, to ensure dairy farm families can be sustained throughout the territory. Participation in producer organisations, which can help farmers improve their standing in the supply chain must be encouraged, and knowledge transfer measures targeted to help farmers improve technical and economic efficiencies. Moreover, the Committee considers that the Pillar II budgetary measures and the measures in the Milk Package which now forms part of CAP 2014-2020, will certainly not suffice to protect vulnerable dairy farmers whether within or outside disadvantaged or mountainous areas. Additional measures may be required to ensure those farmers receive viable incomes and a fair share of market returns. They should also benefit from advisory services on production efficiency, diversification and re-location to help them make the best decisions for their future and that of their successors, bearing in mind the limitations of disadvantaged enterprises in terms of income generation capacity.

Moreover, the Committee considers it equally critical to ensure that commercial and competitive dairy farmers in all areas, including those more suited to sustainable and competitive dairy production for export are allowed to grow their enterprises to respond to fast rising global demand, and in so doing generate increased welfare and income for their successors, bearing in mind the limitations of disadvantaged enterprises in terms of income generation capacity.

On 10 February 2015, the Various Interests Group went on a field visit to Ypres to mark the centenary of the First World War. The programme began with a courtesy call to the Town Hall to meet and have an exchange of views with the Deputy Mayor, Jef Verschoor. This was followed by a short guided tour of the ‘In Flanders Fields’ Museum, where our guest speaker, Piet Chelten, gave an overview of the history and objectives of the museum. Since 1996 Mr Chelten has been co-director of the In Flanders Fields Museum, where he is director of exhibitions and public programming. He is also the author and co-author of numerous publications concerning WWI. The visit continued with the laying of a wreath at the Menin Gate, in commemoration of all those who perished in the first great war. The President of Group III, Luca Jahier, made an address of remembrance at the closing of the event (http://www.inflandersfields.be/en). The visit was supported and stabilised and that dairy production in the EU has decreased, while rising significantly worldwide.

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In conclusion, the EESC urges that the inadequate level of the “safety net” provisions built into the new CAP be revised, and kept under ongoing review, to ensure they bear a closer relation to actual production costs.

News from Group III

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Arno METZLER (DE) – REG/397 “Situation and operating conditions of civil society organisations in Turkey” EESC opinion 1568/2014

This own initiative opinion is partly based on a fact-finding mission to Turkey in July 2014 to consult Turkish civil society organisations. The recommendations of the opinion are providing guidelines to the other EU institutions, especially to the Commission, on how to better support Turkish civil society organisations and improve their working conditions. The EESC encourages particularly the Turkish government and administration to recognise civil society organisations as an important part of society. The Turkish government and administration are also invited to engage civil society in a formal discussion process (Economic and Social Council), and to enshrine this in the constitution through the constitutional reform process. Moreover, the separate powers between the legislative, judiciary and executive is a key prerequisite in ensuring that civil society organisations can operate. An independent judiciary, in particular, is the basis for any rule of law.

Particular attention should also be paid in EU-Turkey dialogue to the effective implementation of basic rights and freedoms, including freedom of expression and freedom of individual discrimination or punishment; media freedom; freedom of association and assembly; women’s rights; trade union rights; rights of minorities –including religious, cultural or sexual minorities. Turkish civil society organisations should be recognised as a key player in Turkey’s approximation process with EU values and acquis. Certain occupational groups – specifically the Liberal Professionals, such as lawyers, doctors, tax advisors – have a particularly important role to play in making a free society under the rule of law a reality. Accordingly, these professions play an effective self-regulation, for example by professional organisations that ensure that they can fulfill their particular responsibilities towards society and individuals without political interference.

Finally, the EESC stresses that social dialogue at national, branch and enterprise level is desirable in Turkey to allow employees and employers to become partners on equal terms. The goal should also be to improve working conditions and occupational health and safety, which must translate into comprehensive rights for workers. N.V.T.: The complete texts of all EESC opinions are available in various language versions on the Committee’s website: http://www.eesc.europa.eu/en/consultations/opinions-search