EUROPEAN COMMISSION - PRESS RELEASE

New action for growth, governance and stability

Brussels, 23 November 2011 – The European Commission is accelerating its efforts for economic renewal, with moves to address three interwoven challenges facing the EU and the euro area in particular: a divergent but generally lacklustre growth and employment performance; insufficiently coordinated and disciplined budgetary policies; and unstable sovereign debt markets suffering from a lack of liquidity. . The package contains four elements: the 2012 Annual Growth Survey setting out the economic priorities for the coming year; two Regulations to tighten economic and budgetary surveillance in the euro area; and a Green Paper on Stability Bonds.

Commenting on the adoption of the package, President Barroso said: "To return to growth, Member States need to raise their game when it comes to implementing their commitments to structural reforms, as well as embrace deeper integration for the euro area." He continued: "The goals driving this package – economic growth, financial stability, budgetary discipline – are linked to each other. We need all of them if we are to move beyond the current emergency towards a Europe in which solidarity is balanced by strengthened responsibility."

The key message of the 2012 Annual Growth Survey is that, faced with a deteriorating economic and social situation [see IP/11/1331], more efforts are needed to put Europe back on track and sustain growth and jobs. The Survey calls for the EU and Member States to focus on five priorities: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis; and modernising public administration. The AGS includes a list of pending or future proposals aimed at boosting growth, which the Commission wants to be fast-tracked through the EU legislative process.

The two proposed Regulations on strengthened surveillance for the euro area build on what has already been agreed in the 'Six Pack' set of legislative measures which will enter into force in mid-December. Given the deeper interdependence of the euro area countries, so clearly demonstrated by the ongoing crisis, the Commission is proposing to enhance both the coordination and the surveillance of budgetary processes for all euro area Member States and especially those with excessive deficits, experiencing or at serious risk of financial instability, or under a financial assistance programme.

Finally, with the Green Paper on Stability Bonds, the Commission is taking forward in a structured way the important debate on the joint issuance of debt in the euro area. By putting forward three options for such Stability Bonds and providing a detailed analysis of their financial and legal implications, the Commission is framing this debate, as well as setting out a clear timeline for the next steps.

IP/11/1381

Background

The 2012 Annual Growth Survey (AGS) sets out what the Commission believes must be the EU's priorities for the next 12 months in terms of budgetary policies and structural reforms. The 2012 AGS is the starting point for the second European Semester of economic governance. It is being presented now rather than in January in order to ensure ample time for it to be considered by the Member States and EU Institutions. The European Council on 9 December is expected to take note, but the AGS is above all the Commission's key input into the Spring European Council on 1-2 March 2012. The National Reform Programmes (on structural reforms) and Stability or Convergence Programmes (on budgetary policies) which Member States will submit in the spring, and the new or updated Country-Specific Recommendations which the Commission will present in June, should all be consistent with the policy priorities put forward in the AGS. For the first time, the new surveillance tools agreed as part of the 'Six Pack' will also be used within the framework of the European Semester.

The proposed Regulation strengthening surveillance of budgetary policies in euro area Member States would require these countries to present their draft budgets at the same time each year and give the Commission the right to assess and, if necessary, issue an opinion on them. The Commission could request that these drafts be revised, should it consider them to be seriously non-compliant with the policy obligations laid down in the Stability and Growth Pact. All of this would be done publically to ensure full transparency. The Regulation also proposes closer monitoring and reporting requirements for euro area countries in Excessive Deficit Procedure, to apply on an ongoing basis throughout the budgetary cycle. And euro area Member States would be required to have in place independent fiscal councils and to base their budgets on independent forecasts.

The proposed Regulation strengthening economic and fiscal surveillance of euro area countries facing or threatened with serious financial instability would ensure that the surveillance of these Member States under a financial assistance programme, or facing a serious threat of financial instability, is robust, follows clear procedures and is embedded in EU law. The Commission would be able to decide whether a Member State experiencing severe difficulties with regard to its financial stability should be subject to enhanced surveillance. The Council would be able to issue a recommendation to such Member States to request financial assistance.

The Green Paper on Stability Bonds analyses the potential benefits and challenges of three approaches to the joint issuance of debt in the euro area. The paper sets out the likely effects of each of these approaches on Member States' funding costs, European financial integration, financial market stability and the global attractiveness of EU financial markets. It also considers the risks of moral hazard posed by each approach, as well as its implications in terms of Treaty change. Stability Bonds are seen by some as a potentially highly effective long-term response to the sovereign debt crisis, while others are concerned that they would remove the market incentive for fiscal discipline and encourage moral hazard. The Commission makes clear that any move towards introducing Stability Bonds would only be feasible and desirable if there were a simultaneous strengthening of budgetary discipline. The extent of this strengthening needs to be commensurate with the ambition of the approach chosen.

For more information:

President Barroso's website

MEMO/11/820 European Commission Green Paper "Feasibility of introducing Stability Bonds"

MEMO/11/821 The 2012 Annual Growth Survey: Frequently Asked Questions

MEMO/11/822 Economic governance: Commission proposes two new Regulations to further strengthen budgetary surveillance in the euro area

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