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Det Europæiske Råd den 27.-28. juni 2013

Til underretning for Folketingets Europaudvalg vedlægges brev fra
Kommissionsformand Barroso til stats- og regeringscheferne med bilag
forud for mødet i Det Europæiske Råd den 27.-28. juni 2013.

Nicolai Wammen

José Manuel Barroso
President of the European Commission

Brussels, 20/06/2013

Dear colleagues,

We will have a very full agenda when we meet in Brussels on 27/28 June. Expectations are high that we will be able to deliver clear and concrete decisions to help restore growth and tackle unemployment. Although there are no easy solutions to the difficult problems we face, by working together and harnessing the scale that the EU represents I believe we can use our meeting as a turning point.

Europe is doing a lot to work its way out of crisis. The Commission has documented this in the detailed analysis that accompanies our country specific recommendations. But still our growth performance is very unsatisfactory. What we need most is a return of confidence – so that companies invest and hire staff and that banks and alternative investors provide adequate normal lending for sound projects in the real economy.

We can use our meeting at the end of next week to bring a new consensus, uniting the EU around agreement on what we will do to get our economy growing again. The ingredients of this consensus are on the table, now we need to take decisions and to accelerate their implementation.

We have a growth fund for Europe – it is the almost EUR 1 trillion of the Multiannual Financial Framework (MFF). The Council and the European Parliament now need to close the negotiations so that Member States can complete programming by the end of 2013. This means choosing growth by concentrating programming on growth-enhancing and job-creating investment and being ready to spend the 2014 EU budget effectively.

We all agree that tackling youth unemployment is a top priority. While most of the means are in Member States' hands, the EU level can help make a difference. The Commission has proposed a number of practical and achievable measures that have the potential for immediate impact, but some measures are yet to be agreed at EU level, in particular those linked to the MFF. This is namely the case as concerns the Youth Guarantee where the priority must now be to accelerate and front-load implementation. Member States and the European Parliament urgently need to adopt the legal base for the Youth Employment Initiative, which the Commission proposed in March to finance in particular the Youth Guarantee schemes. The EUR 6 billion of the Youth Employment Initiative should be frontloaded so that this money is committed in 2014 and 2015 rather than over the seven year period of the MFF. Finally Member States need to bring forward their youth employment programmes in the autumn, even before the overall programming of the future European Structural and Investment Funds (ESIF) is complete. In parallel the Commission will develop

To the Members of the European Council

a number of EU-level tools to help Member States, such as the EU Alliance for Apprenticeships, the coalition for digital employment, EURES and the 'your first EURES job' initiative. All these measures need to be taken forward in close partnership with the social partners and relevant stakeholders. I enclose a Communication which sets out these concrete ideas in more detail.

I also welcome the bilateral or multilateral initiatives taken between Member States. In a number of fields, essential competences, expertise and resources are at the national level, e.g. employment agencies. Naturally, I expect that such initiatives are coordinated and made to fit with our common framework and activities.

One of the biggest obstacles to recovery at the moment is the lack of normal lending to the real economy, a point highlighted by the Commission in the Annual Growth Survey. In particular, SMEs need better access to funding – now. I enclose a joint report from the Commission and the EIB which sets out how the recently-agreed capital increase of the EIB will be allocated. It also sets out a number of options for launching an ambitious programme to help SMEs get access to funding in the very near future. As you will see, by working together and harnessing the scale of the EU we could make a real impact. Our proposals are built around existing schemes to ensure that they can be quick acting, delivering a much needed boost to SME activity. I look forward to discussing these options with you at our meeting and will urge you to be ambitious in this area. And next week the Commission will present legislation to promote long-term investment funds which can be another alternative source of lending to the real economy.

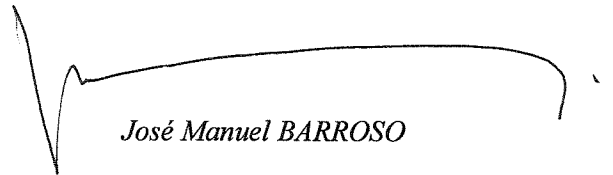
In tabling our country specific recommendations in May, the Commission pointed to areas where more could be done. This means implementing the country specific recommendations so that structural reform brings competitiveness and growth. On the whole I feel that we have succeeded in ensuring this year's process has been conducted with a much deeper partnership between us and that there is widespread recognition that the Commission has highlighted the right areas for action by Member States. I hope we will have time at our meeting to discuss the substance, without the need to go into individual recommendations.

Another way in which Member States could help themselves is to step up implementation of the Compact for Growth and Jobs. I enclose a report which shows what has been done and what remains to be done. I would like to underline the need to complete Single Market Act I and to make good inroads into Single Market Act II before the European Parliament elections. The Commission will present the last few remaining proposals in the coming weeks. These measures are designed to open up new opportunities for business to expand, which would help reduce unemployment too. We cannot afford not to take every opportunity to stimulate growth by opening up new avenues for growth.

Having a business friendly environment is also an important part of the mix. Regulating at EU level rather than twenty seven different ways at national level has proven to be an effective way of creating new opportunities. As I have explained on many occasions, the Commission is strongly committed to smart regulation. At our March meeting we discussed the "Top Ten" irritants for SMEs in connection with EU regulation. I enclose a Communication which details the action taken or to be taken to address each of them. This is

part of our on-going work to review and ensure that the entire "acquis communautaire" is fit for purpose (the 'REFIT' programme) - I will report on this at our October meeting.

I am looking forward to discussing all this with you when we meet next week.



José Manuel BARROSO

Enc.:

Working together for Europe's young people – A call to action on youth unemployment

Joint Commission-EIB report to the European Council – Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives

The Compact for Growth and Jobs: one year on – Report to the European Council, 27-28 June 2013

Commission follow-up to the 'Top Ten' consultation of SMEs on EU regulation



European
Commission



**Commission follow-up to the
'Top Ten' consultation of SMEs
on EU regulation**



Brussels, 18.6.2013
COM(2013) 446 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Commission follow-up to the "TOP TEN" Consultation of SMEs on EU Regulation

COMMISSION FOLLOW-UP TO THE 'TOP TEN' CONSULTATION OF SMES ON EU REGULATION

1. Introduction

Small and medium-sized enterprises are essential to economic growth and job creation.¹ The Commission has taken a range of actions over the years to support them and continues to strengthen its actions.

This includes the decision of November 2011 to make a concerted effort to lighten the regulatory load on SMEs². As part of this effort, the Commission asked SMEs throughout 2012 through conferences and consultations to identify the EU laws and areas of legislation that they consider most burdensome. They contributed actively.³ Based on these responses, the Commission produced a list of EU legislative acts considered by SMEs and stakeholder organisations to be the most burdensome.⁴

The results of this initiative, called the 'Top Ten', together with a number of other actions being taken by the Commission, were announced in the March Communication on "Smart Regulation – Responding to small and medium-sized enterprises"⁵ Member States were also informed of the results via the SME Envoy network. The Commission committed to a direct and immediate follow up to SME concerns. The European Council welcomed this initiative and invited the Commission to report back by June.⁶ This report indicates the follow-up actions on the main results of the consultation, in response to that request.

The success of the 'Top Ten' initiative requires that the co-legislators and Member States join the effort. Many Commission actions are contained in legislative proposals that the co-legislators are now examining. The Council and the European Parliament need to ensure that the SME friendly provisions in these proposals are maintained and that unnecessary burdens are not inadvertently added in the decision making process.

This is not a one-off effort. It forms part of the larger REFIT exercise announced in the Commission Communication on EU Regulatory Fitness of 12 December 2012.⁷ Through Refit the Commission will continue to act to lighten regulatory burden and simplify legislation across the board, taking a broad range of stakeholder input into consideration.

¹ 20,7 million SMEs account for over 65 % of private sector employment. SMEs are amongst the most innovative businesses, leading the creation of jobs and growth. Apart from access to financing and markets, regulatory burden represents one of the heaviest barriers to the start-up and development of small businesses. Com(2008)394

² Com(2011)803

³ This consultation attracted 1000 responses, out of which 779 came from enterprises and 154 from their representative organisations Com(2013)122, SWD(2013)60

⁴ The list was drawn up by combining the lists of the 20 legislative measures most quoted respectively by enterprises and their representatives organisations. The measures most often quoted from both lists were put into a list of 14 legislative measures. - Com(2013)122, SWD(2013)60

⁵ Com(2013)122

⁶ European Council Conclusions – 14 March 2013 EUCO 23/13

⁷ Com(2012)746

2. TOP-10 results and follow-up

For each of the main 'Top Ten' legislative measures, the Commission has already taken action. Where possible, the Commission has itself acted directly to deal with the issue. In other areas, where legislative change is needed, the Commission has made proposals to the co-legislator. Just over half of the actions outlined below are items on which the European Parliament and the Council need to take action. The Commission has also either already started to review the legislation in question or plans a review to identify the right course of action.

The concerns of SMEs that did not make it into the main 'Top Ten' list will be examined in the broader programme of regulatory burden reduction, the REFIT programme. A report on progress will be forthcoming in the autumn.

2.1 Action already completed by the Commission under its own authority

Chemicals

Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

SMEs tell us that:

They have concerns about the complexity and cost of information obligations, inconsistent application by Member States and a lack of coherence with specific chemicals legislation such as Restrictions of Hazardous Substances (RoHS), biocides, endocrine disruptors and Toy Safety.

Commission response:

The Commission has carried out a comprehensive review of REACH which included an analysis of links and possible overlaps with other EU legislation affecting chemicals, as well as particular difficulties for SMEs. In March 2013 the Commission adopted a Commission implementing regulation⁸ providing reduced fees for SMEs - 35% reduction for medium companies, 65% for small companies and 95% for micro-companies for registration. In addition, further implementation guidance is being prepared and the European Chemicals Agency (ECHA) has appointed an SME Ambassador at the request of the Commission to integrate the specific needs of SMEs across its activities and to provide an interlocutor for stakeholders. In order to improve the consistency between REACH and other chemicals legislation for those cases where potential overlaps have been identified, the Commission will strive to minimise or avoid them by inviting ECHA to issue guidance, if appropriate, and

⁸ Commission Implementing Regulation (EU) No 254/2013 of 20 March 2013 amending Regulation (EC) No 340/2008 on the fees and charges payable to the European Chemicals Agency pursuant to Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

preparing implementing legislation, in particular when considering future restrictions and substances subject to authorisation. As implementation of REACH has not yet been fully completed, in the interests of legal stability and in agreement with many business organisations, the Commission does not consider further legal amendments to REACH useful at the moment.

2.2 Commission proposals on which the EU legislator needs to act

Data protection

Directive 95/46/EC on the protection of personal data (revision⁹ in legislative procedure awaiting EP first reading)

SMEs tell us that:

The new proposal for a general data protection regulation is excessively detailed in obligations it imposes on those processing personal data. The proposed reform includes exceptions in the obligations for SMEs which should be maintained in the co-decision process. The main economic benefits of this reform will accrue only to companies trading across borders, as they will benefit more from harmonisation, whilst companies trading only domestically will have to bear the burden of the additional obligations.

Commission response:

The Commission is working closely with the European Parliament and the Council in order to maintain the exceptions for SMEs in those cases where their processing of personal data does not present specific risks to the fundamental rights and freedoms of citizens. The Commission will also work with the EU legislator to further develop the existing elements of a risk-based approach. This work will focus on calibrating the obligations of data controllers in order further to simplify the regulatory environment and minimise undue administrative burden, whilst maintaining a high level of protection for personal data and the clarity of the legal obligations for data controllers.

Employment

Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (Additional measure¹⁰ in legislative procedure awaiting EP first reading)

SMEs tell us that:

⁹ COM(2012)11 - Proposal for a Regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and of the free movement of such data

¹⁰ COM(2012)13 - Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services

They support clarification of enforcement, with the objective of fighting fraud and unfair competition. For this purpose, they suggest the introduction of a system of prior notification of detachments to Member States and reconsideration of joint and several liability for SMEs. They argue that liability will impact SMEs disproportionately as they have far less capacity to monitor all their subcontractors' compliance with relevant legislation. They also argue that joint and several liability may constitute a barrier to SMEs entering new markets.

Commission response:

The proposal for an enforcement directive being discussed in the legislative procedure already contains positive elements for SMEs and micro-enterprises such as risk-based inspections, increased obligations of host Member States to make legal information readily available and enhanced legal certainty through a limited set of control measures and administrative requirements that can be applied by the Member States. Joint and several liability is an important measure, already applied in several Member States, to provide protection against abuse and exploitation of vulnerable workers. The Commission is supporting the efforts to reach an agreement in the legislative process, in particular on the two main contentious issues (list of control measures and joint and several liability).

Product safety

Directive 2001/95/EC on general product safety (revision¹¹ in legislative procedure awaiting EP first reading)

SMEs tell us that:

Member States apply product safety rules and controls in different ways. Producer responsibility is considered a heavy burden for smaller companies and the provisions on product withdrawal from the market allow for wide interpretation. The system is expensive for SMEs and does not offer proper information and protection to consumers.

Commission response:

In February 2013, the Commission proposed to replace the General Product Safety Directive by a directly applicable Regulation on Consumer Product Safety to ensure more uniform application. This proposal addresses many of the TOP Ten comments, reducing divergences between Member States including a simpler set of more common requirements and an exemption from notification obligations for products which present risks only in isolated cases under the responsibility of the economic operator. The proposed Market Surveillance Regulation establishes a uniform framework, avoiding double checks of products and improving cooperation between authorities and economic operators. Better market surveillance will also help protect responsible SMEs from unfair competition from non-compliant products. The proposals take account of the needs of small businesses envisaging

¹¹ COM(2013)78 - Proposal for a Regulation of the European Parliament and of the Council on consumer product safety and repealing Council Directive 87/357/EEC and Directive 2001/95/EC

guidance and assistance for SMEs. The Commission will establish a framework for regular consultation with business on implementation, including through the Market Surveillance Forum. The Commission will also press for maximum clarity on product withdrawal in the legislative procedure and issue guidelines to assist business before the regulations are applied.

Public procurement

Directive 2004/18/EC on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (revision¹² in legislative procedure awaiting European Parliament first reading)

SMEs tell us that:

EU Directives on public procurements include onerous requirements regarding the economic standing of SMEs, inappropriate use of quality criteria by contracting authorities to establish the most economically advantageous tender and difficulty stemming from the application of different procedures or practices in different Member States despite harmonisation. Red-tape and administrative burden linked to the preparation of offers act as a barrier for small businesses to participate in public tenders.

Commission response:

The Commission proposed a revision of the public procurement regime in December 2011. Some of the proposed modifications will have a direct impact on the access of SMEs to public procurement, including concessions.

The revision includes provisions to require the acceptance of self-declarations for selection purposes (only the winning bidder will have to submit complete evidence) and a provision that the list of selection criteria will be made exhaustive. A limitation is introduced in the maximum turnover cap required to participate in procurement procedure, which cannot exceed three times the estimated value of the contract

Furthermore contracting authorities will be encouraged to split contracts into lots allowing for the participation of more bidders, particularly SMEs, and will have to explain to bidders when not doing so (application of the "comply or explain" principle).

The Commission proposal foresees a gradual transition to e-procurement. Companies would be able to consult tender opportunities online and submit their offers electronically, which will simplify the process and increase transparency.

Finally, the Commission draws attention to the SME concerns at the continuing complexity of public procurement procedures and practices among Member States contributing to administrative burdens.

¹² COM(2011)896 - Proposal for a Directive of the European Parliament and of the Council on public procurement

Recognition of professional qualifications

Directive 2005/36/EC on the recognition of professional qualifications (revision¹³ in legislative procedure awaiting European Parliament first reading)

SMEs tell us that:

The provisions of this directive overlap with those of the Services Directive, and it is not easy for an SME to differentiate between obligations stemming from both regulations. Whilst certain SMEs expressed satisfaction with some of the provisions proposed in the amendment being currently discussed in legislative procedure, especially the introduction of the European Professional Card and the generalisation of the Internal Market Information (IMI) System¹⁴, some other new proposals are questioned, like the partial access open to professions with a larger scope of activities in the host Member State, or the tacit recognition of qualifications for professions linked to health and safety.

Commission response:

The revision ensures consistency with the Services Directive, notably by ensuring that all information and procedures related to the recognition of qualifications are available with the Points of Single Contact for all professions. The rules on temporary mobility will be modernised so that provision of services becomes easier.

The proposal includes the introduction of the European Professional Card (EPC), based on enhanced on-line cooperation between Member State authorities in the verification of qualifications and on the introduction of the concept of 'tacit recognition' once the deadline for a recognition decision has passed. Tacit recognition will apply to all professions using the EPC, but the host Member State will have the possibility to extend the deadline where necessary, in particular for reasons related to public health and safety. This will ensure a quicker processing of the requests for recognition and allow the professionals to start their activities without delay.

Partial access will be used on a case-by-case basis to avoid that differences in the scope of activities reserved to certain professions in the host Member State prevent professionals from home Member States from establishing in the host Member State. Host Member State competent authorities will have the possibility to reject partial access for reasons of general interest.

¹³ COM(2011)883 - Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System

¹⁴ http://ec.europa.eu/internal_market/imi-net/index_en.html

Road transport

Regulation (EEC) No 3821/85 on recording equipment in road transport (revision¹⁵ close to adoption in legislative procedure)

SMEs tell us that:

The obligation to install a tachograph generates costs, and compliance with the current regulation is heavy in terms of administrative burden. Vehicles that do not travel far from their base should be exempted from the requirement of this regulation.

Commission response:

A revision of the tachograph legislation was tabled following inter alia a recommendation of the High Level Group on Administrative Burdens. The Commission's proposal foresaw that current optional exemptions provided by Regulation 561/2006 for certain categories of vehicles would apply within a uniform radius of 100 km, calculated from the base of the transport undertaking (up from 50 km). The final stages of the legislative procedure have been reached and the issue of the exemptions has been subject to intensive discussion as one of the final points for agreement between Parliament and Council.

The final outcome, yet to be adopted, is likely to be in line with the Commission's proposal, with the exception of the so-called "craftsmen" exemption (Article 13 (1) letter d), which will no longer be optional, in contrast with the other exemptions. This should improve legal certainty across the Union and avoid administrative burden and complexity for stakeholders and Member States.

2.3 Commission evaluations already under way or programmed

Employment

Council Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work

SMEs tell us that:

The general obligation for documenting risk assessments is too burdensome. For low risk activities, risk analysis could be performed without being documented. Exemptions and lighter requirements should be applied in case of temporary employment and for micro companies. In cases where several legislative measures overlap, risk assessments and (double) documentation of risk assessments should be abolished.

¹⁵ COM(2011)451 - Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EEC) No 3821/85 on recording equipment in road transport and amending Regulation (EC) No 561/2006 of the European Parliament and the Council

Commission response:

The Occupational Health and Safety Directives largely take into account the specificities of SMEs. For example, Framework Directive 89/391/EEC allows Member States to adapt the risk assessment documentation obligations in the light of the nature of activities and the size of undertakings. The entire acquis on Occupational Health and Safety (Directive 89/391/EEC and its 23 related directives) is currently undergoing a full evaluation (a REFIT Fitness Check) and will include specific consultation of SMEs. The conclusions of this ex-post evaluation will be available before the end of 2015. Member States will feed into this evaluation with implementation reports by December 2013. They should take the concerns of SMEs into account in their submissions and report on measures to facilitate implementation by SMEs.

Directive 2008/104/EC on temporary agency work

SMEs tell us that:

This directive has not made it easier for companies to work across borders. Administrative burden is high in particular due to Member State requirements. For example, companies that wish to be active in several Member States may still have to register in all these Member States separately. SMEs suggest ensuring more proportionate requirements that facilitate cross-border services and for temporary agency work to be brought under the Services Directive.

Commission response:

A report to be drawn up in consultation with Member States and social partners, representing the interests of European workers and European employers, is scheduled for December 2013. This report will take SME concerns and regulatory burden aspects into account and will specifically examine how Member States have complied with the requirement to identify and justify current obstacles to the activity of temporary work agencies.. The Commission will consider including recommendations to Member States in the country-specific measures for 2014 if the assessment by the Commission of national systems identifies specific regulatory burden aspects as obstacles to growth and competitiveness.

Directive 2003/88 concerning certain aspects of the organisation of working time

SMEs tell us that:

The Directive is complex and inflexible, in particular in the case of seasonal work or where businesses face a sudden changing level of demand. Changes to the counting of on-call time and extension of the reference period for the calculation of average weekly working hours to 12 months would allow small businesses more flexibility. The burden of working-time record-keeping should be shared between employer and employee. The complexity of this

directive makes it a quasi-obligation for SMEs to seek specialised legal assistance which is costly.

Commission response:

A detailed Impact Assessment is being prepared and will take special account of the concerns of SMEs.

Value added tax

Directive 2006/112/EC on the common system of value added tax

SMEs tell us that:

The system is very complex, with different national procedural rules and the lack of a simple, uniform VAT declaration. This discourages SMEs from trading across borders. VAT identification numbers should be generalised. The obligation of companies trading across borders to register in all Member States where they want to export creates additional burden. The absence of an upper limit to VAT rates adds to the complexity of the system. There is inadequate information and guidance.

Commission response:

A proposal for a standard VAT declaration facilitating compliance for businesses with activities in several Member States is planned for end-2013. In addition, work has started with Member States on the implementation of a "mini-one-stop-shop" for e-services, broadcasting and telecom services. The introduction of the mini-one-stop-shop in 2015 is timed to coincide with the introduction of the new rules on the place of supply. The Commission will work with Member States to ensure that it provides good support to business from the start. The Commission supports broadening the concept as already put forward in its 2004 proposal. Recent Council conclusions on the future of VAT are, however, that this can only be done after an assessment of the mini-one-stop-shop. Work on the development of the EU VAT web portal, providing accurate, reliable and timely information on the implementation of the EU VAT regime in the different Member States will be intensified. This will be done in active consultation with Member States and SMEs, to better suit the needs of SMEs for practical solutions, including proportionate arrangements for accessible language versions, building on the detailed information in the existing website.

Directive 2008/9/EC laying down detailed rules for the refund of value added tax

SMEs tell us that:

They are concerned by the lack of Member State responses to requests for VAT refunds and delays in receipt of refunds.

Commission response:

The Commission held a conference in 2012 on the improved arrangements for refunds of VAT. According to the information currently available to the Commission, the initial problems with the VAT refund system have now been resolved. The Commission is ready to ensure quick and effective follow-up should any further problems come to light.

Waste

Directive 2008/98 on waste and Decision 2000/532/EC establishing lists of waste and hazardous waste

SMEs tell us that:

They are concerned about some aspects of the Directive, for instance they are uncertain as to when waste ceases to be waste. Some argue that the definition of by-products discourages innovation. There are further problems of Member States adding unnecessary requirements ('gold-plating') and lack of appropriate advice and guidance. Exemptions or lighter regimes should be introduced, notably concerning reporting and the requirement for waste transfer notes.

Commission response:

The Commission is carrying out a review of EU waste policy and legislation under REFIT to be concluded in 2014 with a view to determining whether change to waste legislation is necessary. The Commission will work with Member States and stakeholders on hands-on guidance and advisory actions and further explore specific issues, for instance in relation to the reduction of administrative burden from the registration requirements for waste transporters stemming from Article 26 of Directive 2008/98/EC. The Commission will also take action to increase the participation of SMEs in the European Resource Efficiency Platform¹⁶. In the beginning of 2014 the Commission will hold a workshop to discuss the concerns that SMEs have expressed with respect to EU waste legislation.

Regulation 1013/2006 on shipments of waste

SMEs tell us that:

Due to differences in implementation and interpretation across Member States, the Regulation has not led to the creation of a common market for waste utilisation and recycling. More should be done to ensure uniform implementation of the regulation with more focus on hazardous waste and less on unproblematic waste. There should be further simplification of

¹⁶ http://ec.europa.eu/environment/resource_efficiency/re_platform/

procedures to move waste between Member States, leaving the inspection and evaluation of waste treatment facilities to the authorities of the receiving Member State.

Commission response:

To further promote a common market for waste utilisation and recycling the Commission has taken a number of initiatives such as the development of end-of-waste criteria removing specific waste streams (e.g. metals, glass, copper) from the scope of EU waste legislation (including the Waste Shipment Regulation). In response to a specific recommendation by the High level Group on Administrative Burdens, the Commission has actively encouraged the use of electronic systems for exchange of waste shipment data between Member States and has recently launched a feasibility study on a possible EU-wide electronic data exchange system.

To help ensure more uniform implementation of the Regulation with a focus on problematic waste streams, a Commission proposal to strengthen waste shipments inspections is planned for mid-2013. Wide support was expressed by stakeholders for this proposal during the public consultation carried out on the proposal in 2011. The Commission has taken the concerns of SMEs into account in preparing the proposal and is ready to explain how this has been done once the proposal is adopted.

3. Conclusions

The Commission is responding directly to the concerns of SMEs. The goal is to lighten the regulatory load where possible while continuing to respect policy goals and maintain legal stability. The Commission calls on the EU legislator in adopting, and Member States in implementing, EU regulation to ensure that legislation is adapted to the needs of SMEs, with particular reference to the proposals already tabled by the Commission in areas of regulation identified as particularly burdensome through the TOP10 consultation. The Commission will maintain the momentum in burden reduction and simplification in its Refit programme on which it will report in the autumn. It will monitor progress through its annual scoreboard.





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The Compact for Growth and Jobs: one year on

Report to the European Council,
27-28 June 2013

THE COMPACT FOR GROWTH AND JOBS: ONE YEAR ON

REPORT TO THE EUROPEAN COUNCIL, 27-28 JUNE 2013

The Compact for Growth and Jobs agreed by Heads of State or Government at the European Council in June 2012 contains a wealth of measures to help Europe move beyond the economic and financial crisis and to create smart, sustainable, inclusive, resource-efficient and job-creating growth. This report and the accompanying annex take stock of progress and highlight where efforts must be redoubled in order to promote growth and jobs.

With Europe's growth prospects still uncertain and unemployment at unacceptable levels, particularly among young people, decisive action to unlock Europe's growth and employment potential is more urgent than ever. Fast-acting, pro-growth measures are an essential complement to the ongoing work to tackle the root causes of the crisis, to return public finances to health, to put in place the tools to reinforce the coordination of economic policies, to safeguard financial stability and to deepen the Economic and Monetary Union.

The implementation of the Compact for Growth and Jobs is a shared responsibility. By undertaking essential reforms at national level, as described in the Commission's proposed Country-Specific Recommendations, Member States can take a decisive step towards a more competitive, dynamic and flexible European economy. The EU supports and complements these reforms in a variety of ways, from the ongoing work to unlock the full growth potential of the single market to financial support from the EU budget, Europe's growth and investment fund.

In every area of the Compact, the Commission has presented clear strategies and proposals geared to growth and jobs. The priority now is implementation. As this report illustrates, some of the Commission's proposals have been adopted but many others have not yet been agreed or are still to be implemented. These delays mean that business opportunities are lost and that much needed jobs are not created.

The MFF is a particular case in point. It represents an investment fund of almost one trillion euro (EUR 960 billion) which, if agreed, will provide a much-needed boost to the European economy as from 1 January 2014. However, without a final agreement between the European Parliament and the Council on the MFF and on all the investment programmes that implement it, the funding will not get to where it is needed, when it is needed.

The Compact reflects a European consensus on what needs to be done. Now a consensus is needed to follow up and implement the actions that have been agreed upon without delay. The Commission will continue to bring forward the right proposals and to work with Member States to bring European and national efforts together in a partnership for growth.

Reforming the European economy

Reforming and modernising the European economy remains central to the Europe 2020 growth strategy and is a prerequisite for future prosperity and stability. Through the European Semester, the Commission works together with the Member States to identify the top reform priorities and to ensure that the deep interdependence between national economies is taken fully into account.

The Commission has highlighted the top priorities for reform through its Annual Growth Survey and Country-Specific Recommendations for 2013. The experience of implementation in 2012 was mixed: the Commission's analysis shows that Member States could do more to help themselves get back to growth and move Europe beyond the crisis. Progress has been made but to varying degrees and the pace of reform does not yet reflect the scale of Europe's growth and competitiveness challenges. The priorities for reforms in 2013 therefore remain the same as in 2012: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness for today and tomorrow; tackling unemployment and the social consequences of the crisis; and modernising public administration.

Strong endorsement of the Country-Specific Recommendations by the June European Council must be followed swiftly by formal adoption by the Council and immediate and determined implementation at national level.

Unlocking the growth potential of the Single Market

The single market is a unique and powerful engine of growth. The Commission has put forward two ambitious single market reform packages which have the potential to take the single market to the next level. However, progress has so far fallen short of expectations.

The Commission has now tabled all 12 of the priority proposals from the Single Market Act I. The European Council set a deadline of December 2012 to agree them at European level. To date, only 7 have been agreed. These include the unitary patent which, once implemented, will reduce the cost of obtaining patent protection in the EU by up to 80%, boosting innovation and contributing to economic growth. However, 5 measures with huge potential to boost the economy are still pending after the deadline. These include key proposals on public procurement, on which agreement between the European Parliament and Council is within reach. The potential benefits to the EU economy are significant: for example, if the cost of public procurement contracts subject to EU directives could be reduced by 5% by 2020, EU GDP and employment could increase by 0.1% - 0.2%.

Acceleration is also required on the 12 measures comprising the Single Market Act II. Most of these proposals are on the table and the Commission will present the remainder in the coming weeks. To meet the 2014 deadline, a huge effort is required by all concerned. Agreement on key proposals such as the reform of insolvency rules, the fourth railway package, product safety and high-speed broadband infrastructure will require intensive work and strong political will.

Of course, agreement at EU level is not the end of the story. Much of the untapped potential of the single market lies in a failure to implement properly and expeditiously what has been agreed. For example, the implementation of the services directive has already boosted EU GDP by 0.8% but Commission analysis shows that if Member States were to abolish the remaining restrictions, the potential economic gain is three times bigger – about 2.6% of EU GDP. A renewed focus on implementation at national level is therefore an essential part of Europe's growth strategy. The Commission set out a number of practical steps to improve the governance of the single market and the implementation of the services directive in June 2012.

Achieving a Digital Single Market

The European Council set a deadline for achieving a Digital Single Market by 2015. Studies estimate that full implementation of the Digital Agenda for Europe could increase GDP by 5%, or €1500 per person, over the next eight years, through measures including the improvement of e-Skill levels in the labour force and reforming the framework conditions for the internet economy. Up to one million digital jobs risk going unfilled by 2015 without pan-European action. Moreover, 1.2 million jobs could be created through infrastructure construction. This could rise to 3.8 million new jobs throughout the economy in the long term. The stakes are therefore very high.

With the 2015 deadline fast approaching, acceleration is required on the measures currently under consideration in the European Parliament and Council, such as the modernisation of certain key areas of copyright such as collective rights management and proposals on high-speed broadband infrastructure and e-identification and e-signatures. The digital strand of the Connecting Europe Facility will, once agreed, also help to catalyse broadband investment and the development of digital services.

The Commission will make further proposals to establish a single market for telecommunications ahead of the October meeting of the European Council.

Completing the Internal Energy Market

The May European Council underlined the importance of delivering a fully functioning, interconnected and integrated Internal Energy Market by 2014 to intensify price competition, end energy isolation of certain regions and to enable a coordinated response to supply crises.

However, implementation is behind schedule. For example, as the Commission stressed in its recent Communication on Completing the Internal Energy Market, the Third Energy Package which entered into force in 2009, is yet to be implemented in many Member States. On-going work on the cost of the absence of an integrated European energy market for gas suggests that the benefits of the full implementation of the third energy package in 2015 compared to 2012 (base case) could reach EUR 8 billion per year. These benefits could reach EUR 30 billion per year if Europe had a fully integrated market. In electricity, the benefit of integration would be annual cost savings of up to EUR 35 billion.

Completing the European gas and electricity networks is a prerequisite for completing the internal energy market and so public and private investment should be stepped up. Estimates suggest that up to EUR 1 trillion in investment is required by 2020. A rapid agreement on the Connecting Europe Facility will provide a powerful catalyst for these investments.

Completing the European Research Area

Lasting economic recovery requires a world-leading research and innovation capacity, built on a strong public science base, capable of bringing excellent results to market to tackle the major issues affecting the lives of European citizens. Building an Innovation Union is central to creating a vibrant economy fuelled by ideas and capable of competing in new markets for knowledge-intensive products and services, and creating growth and quality jobs. To achieve this, Europe must increase the efficiency, effectiveness and excellence of its public research system.

An ambitious timetable has been set out for the completion of the European Research Area (ERA) by 2014. Commission estimates suggest that the combination of the completion of the ERA and the implementation of the EU's new research and innovation funding programme – Horizon 2020 – could give rise to an extra 1% of growth and almost 1 million more jobs per annum by 2030.

Important progress has been made. For example, the unitary patent was adopted by 25 Member States under reinforced cooperation. However, Europe is still some way from a unified research area. The European Parliament and the Council must now agree urgently on the new Horizon 2020 and COSME programmes to support investment in research and innovation within the next MFF. The Commission's Communications on Key Enabling Technologies and on Modernising Industrial Policy also require thorough follow-up at EU and national level.

The Commission will report on the completion of the European Research Area and on investment and reform in the innovation economy for the October meeting of the European Council.

Investing in growth

The EUR 120 billion investment package outlined in the Compact is in place but has not yet been used to its full potential.

Following a further commitment of EUR 54.2 billion in March of this year, the Commission has now made the entire EU cohesion policy budget – EUR 346 billion – for the 2007-2013 programmes available to support growth and job creating projects in the Member States. The Commission has also worked closely with Member States, for example through the Youth Employment Action Teams, to ensure that this funding is targeted at the top growth priorities. More than EUR 39.2 billion – or 11% of the total funds – was reprogrammed by the end of May 2013 to support the most pressing needs. The Commission also approved reductions in national co-financing requirements for some Member States to ensure that EU funding continues to flow even when national budgets are under stress.

The ability of EU structural fund investments to reenergise the European economy depends both on the delivery of high quality projects in the Member States and on the availability of credits for the Commission to make the payments when they fall due. Member States should therefore focus on the full implementation of the current programmes and the European Parliament and Council should agree on the amending budget for 2013 without delay.

The next Multiannual Financial Framework is due to begin on 1 January 2014. The preparation of the next generation of programmes is a golden opportunity to put the EU structural and investment funds to work both to boost growth and jobs in the immediate term and to galvanise the national reform process. A delay to the new programmes would be highly damaging for confidence and so a final agreement on the next MFF and the programmes implementing it is an urgent priority.

The decision to increase the capital of the EIB by EUR 10 billion has been a positive step for financing the real economy and restoring growth and confidence. The objective of the capital increase is to increase the EIB's overall lending capacity by EUR 60 billion. This will unlock up to EUR 180 billion of additional investment, spread across the EU, including in the most vulnerable countries. The Commission has been working closely with the EIB to implement the capital increase and to agree on priority areas (reflecting the Europe 2020 objectives) where the increased lending will be targeted. The Commission is also working with the EIB to develop Joint Instruments to support lending to SMEs.

Tax policy for growth

An enlightened tax policy and efficient tax systems can be an important driver of growth and social justice and can facilitate essential fiscal consolidation. This is why the reform of tax systems figures prominently for many Member States in the Country-Specific Recommendations. More effort is required to shift the tax burden away from labour towards less distortive tax bases such as consumption, environment and property taxes, to broaden tax bases, and to address tax compliance issues and to improve the efficiency of tax administration.

In view of the closer integration of the European economies and the accompanying high volumes of cross-border transactions, these national reforms must be accompanied by ever closer cooperation between national tax administrations. The Commission has proposed an extension of the current system of automatic information exchange to cover the full range of income by 2015. This will be particularly important for the fight against tax fraud and evasion, for which an action plan has been proposed, including proposals for strengthening cooperation between the Member States.

The recent agreement on the savings tax mandates for negotiation with third countries was a welcome step but agreement on the revisions to the Savings Taxation Directive must follow and progress has been too slow on many of the Commission's key proposals, such as the Common Consolidated Corporate Tax Base, and energy taxation.

It is also time to accelerate the on-going work on the Financial Transaction Tax. This will help to ensure that the financial sector makes a fair contribution to the costs of the crisis.

Creating jobs and a genuine European labour market

The Commission has presented several initiatives in order to boost labour mobility and to help create a genuine European labour market. For example, in October 2012, the Commission adopted a decision for modernising the EURES network and has also adopted a Directive to help workers exercise their rights in the context of freedom of movement aiming at supporting workers' integration into their new societies. Very recently, the Commission adopted a Decision to formalise the existing network of Public Employment Services that would contribute to strengthening the coordination at EU level of employment policies.

High unemployment, particularly among the young, is one of the greatest economic and social challenges facing Europe. As described in the accompanying report on youth employment, youth unemployment has reached unacceptably high levels and urgent action at both national and European level is required to help get young people back into the labour market, education or training.

The Commission adopted a Youth Employment Package last December presenting a proposal for a Youth Guarantee. The Council has agreed the Youth Guarantee, which should now be implemented at national level. This will be supported by the EU structural funds. To be ready for the beginning of 2014, swift agreement is needed on the new structural fund regulations and on the EUR 6 billion Youth Employment Initiative. Member States and the Commission are finalising their Partnership Agreements and Operational Programmes for the next period, which should ensure that funding is concentrated on the top growth and job-creating priorities.

Furthermore, the Communication on education and skills should be followed up at EU and national level and more progress is needed on mobility-friendly measures such as those on the portability of pension rights and the recognition of professional qualifications in order to help build a genuine European labour market.

Harnessing the growth potential of trade

Much progress has been made in recent months to exploit the growth potential of trade. In addition to ongoing negotiations with a number of key international partners, negotiations will be launched shortly with the US now that the draft negotiation directives submitted by the Commission have been agreed. These negotiations have huge potential in terms of growth and jobs: an EU-US trade deal would be the biggest ever negotiated and could add around 0.5% to the EU's annual economic output.

Work on the Commission's proposal on access to third country public procurement markets still requires agreement from Council and Parliament and should be accelerated. This measure would help to ensure that all companies (both European and non-European) are on an equal footing when it comes to competing for business in the EU's lucrative public procurement market.

Creating the right regulatory framework for growth

Smart regulation is a joint responsibility of the Commission and the Member States. From its state-of-the-art impact assessment system to the evaluation of existing EU legislation, the Commission has stepped up its efforts to ensure that the EU pursues its objectives in a way that does not create undue burdens for Europe's businesses, citizens and public administrations. In turn, the European Parliament and Council must be vigilant when amending Commission proposals and Member States should refrain from creating additional burdens when implementing European rules.

The Commission has made a range of proposals for the reduction of administrative burden - especially for SMEs - and has already delivered on its target of cutting 25% of the administrative burden stemming from EU legislation. The measures adopted at EU level by December 2012 are worth EUR 30.8 billion in annual savings for businesses. However, the full burden reduction potential of the Commission's proposals is closer to EUR 41 billion and so there is more work to be done in the European Parliament and Council.

The Commission's REFIT programme and the SME scoreboard will ensure that burdens are kept under constant review, while the Commission will follow-up on the concerns raised by SMEs through the 'Top 10' exercise, as announced in the accompanying Communication.

Improvements to the regulatory framework also include the Entrepreneurship 2020 Action Plan which must be followed up at EU and national level. It is important that the ambitious Commission proposals are maintained in the Council and fully implemented in the Member States.

Deepening EMU and promoting financial stability

Stability is a precondition for sustainable growth. Completing the architecture of the Economic and Monetary Union (EMU), particularly the Banking Union, will be essential for underpinning future growth and preventing the re-emergence of imbalances.

The implementation of the Single Supervisory Mechanism and rapid progress on the Commission's forthcoming proposal for a Single Resolution Mechanism are both vital building blocks in this process. The Commission has set out a comprehensive vision for the deepening of the EMU in the Blueprint for

a Deep and Genuine EMU and has subsequently elaborated on how stronger ex ante policy coordination and a Competitiveness and Convergence Instrument could be introduced.

It is important that momentum is maintained on all these fronts to ensure that Europe's economic recovery is built on the strongest possible foundations.

One year after the Heads of State or Government decided on the Compact for Growth and Jobs, the European consensus between the Member States and the European institutions must be translated into concrete results in terms of growth and jobs. The Commission will continue to play its role to the full and calls upon:

- the European Council to reaffirm the urgency of delivering on every aspect of the Compact for Growth and Jobs;
- Member States to pursue their reform efforts with courage and determination, in line with the Country-Specific Recommendations to be agreed in July 2013; and
- the European Parliament and the Council to accelerate adoption of those proposals with the most growth-enhancing potential.

Progress in implementing the Compact for Growth and Jobs

Action	What has Commission contributed?	Agreed at EU level?		What happens next?
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REFORMING THE EUROPEAN ECONOMY

Europe 2020 strategy / European Semester/ implementing new tools for economic governance / peer pressure	Annual Growth Survey 2013	11/2012	✓		Country-Specific Recommendations for 2013 to be endorsed by June European Council, adopted by Council in July and implemented at national level.	
	Alert Mechanism Report	11/2012	✓			
	Country-Specific Recommendations for 2013	05/2013	✗			
'Two-pack'	Legislative proposals	11/2011	✓	03/2013	Implementation	


DEEPENING THE SINGLE MARKET

Single Market Act I, deadline end 2012						
– European Standardisation System	Legislative proposal	06/2011	✓	10/2012	Implementation	
– Unitary patent protection	Legislative proposal	04/2011	✓	12/2012	Implementation	
– Venture Capital Funds	Legislative proposal	12/2011	✓	03/2013	Implementation	
– Social Investment Funds	Legislative proposal	12/2011	✓	03/2013	Implementation	
– Alternative Dispute Resolution	Legislative proposal	11/2011	✓	04/2013	Implementation	
– Simplification of Accounting Directives	Legislative proposal	10/2011	✓	06/2013	Formal adoption	
– Energy Taxation Directive	Legislative proposal	04/2011	✗		Political agreement required	
– Professional qualifications	Legislative proposal	12/2011	✓	06/2013	Formal adoption	
– Public procurement	Legislative proposal	12/2011	✗		Political agreement required	
– Posting of workers	Legislative proposal	03/2012	✗		Political agreement required	
– E-identification and signatures	Legislative proposal	06/2012	✗		Political agreement required	

Overall State of Play: ■ On track ■ More effort required ■ No / little progress

Action	What has Commission contributed?	Agreed at EU level?	What happens next?
Infrastructure			
– TEN-Energy	Legislative proposals	10/2011	✓ 04/2013 Implementation
– TEN-Transport			✓ 06/2013 Formal adoption
– Telecoms			x Political agreement required.
Single Market Act II, deadline Q2 2014			
– Reform of insolvency rules	Legislative proposal	12/2012	x Political agreement required
– 4 th Railway Package	Legislative proposal	01/2013	x Political agreement required
– Market surveillance and product safety	Package	02/2013	x Political agreement required
– Upgraded EURES portal	COM autonomous act	11/2012	✓ Implementation
– High-speed broadband infrastructure	Legislative proposal	03/2013	x Political agreement required
– Third Energy Package	Legislative proposals	09/2007	✓ 07/2009 Implementation
– Long-term investment funds	Legislative proposal	Q2 2013	x Commission proposal under preparation
– Maritime transport	Package	Q2 2013	x Commission proposal under preparation
– Single European Sky	Package	06/2013	x Political agreement required
– Electronic payment services	Legislative proposal	Q3 2013	x Commission proposal under preparation
– E-invoicing in public procurement	Legislative proposal	Q2 2013	x Commission proposal under preparation
– Banking services	Legislative proposal	05/2013	x Political agreement required
Improving Single Market Governance	Communication, Report, Scoreboard	2012	n/a Follow-up at EU and national level
Implementation of Services Directive	Communication	06/2012	n/a Follow-up at EU and national level

Overall State of Play:

 On track

 More effort required

 No / little progress

Action	What has Commission contributed?	Agreed at EU level?	What happens next?
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ACHIEVING A DIGITAL SINGLE MARKET BY 2015

Digital Agenda / completion of Digital Single Market	Mid-term review	12/2012	✓		Follow-up at EU and national level. Discussion in European Council October 2013	Yellow
E-identification and signatures	Legislative proposal	06/2012	✗		Political agreement required (part of SMA I)	Red
Modernisation of copyright regime						
– Orphan works	Legislative proposal	05/2011	✓	10/2012	Implementation	Green
– Collective Rights Management	Legislative proposal	07/2012	✗		Political agreement required	Yellow
– Future of copyright	Communication	12/2012	n/a		Follow-up at EU and national level. Follow up to Commission review to be announced in 2014	Yellow
E-invoicing in public procurement	Legislative proposal	Q2 2013	✗		Commission proposal (part of SMA II)	Yellow
High-speed broadband infrastructure	Legislative proposal	03/2013	✗		Political agreement required (part of SMA II)	Yellow
Connecting Europe Facility	Legislative proposal	10/2011	✗		Political agreement required	Yellow

COMPLETING THE INTERNAL ENERGY MARKET BY 2014

Completing the Internal Energy Market	Communication	11/2012	✓		Follow-up at EU and national level	Yellow
Third Energy Package	Legislative proposals	09/2007	✓	07/2009	Implementation (part of SMA I)	Yellow
Connecting Europe Facility	Legislative proposals	10/2011	✗		Political agreement required	Yellow
Energy Taxation Directive	Legislative proposal	04/2011	✗		Political agreement required (part of SMA I)	Red
TEN-Energy	Legislative proposal	10/2011	✓	04/2013	Implementation (part of SMA I)	Green
Energy efficiency	Legislative proposal	06/2011	✓	10/2012	Implementation	Green

Overall State of Play:

 On track

 More effort required

 No / little progress

Action	What has Commission contributed?	Agreed at EU level?	What happens next?
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COMPLETING EUROPEAN RESEARCH AREA BY 2014

Strengthening the European Research Area	Communication	07/2012	✓		Follow-up at EU and national level, Commission to report on progress ahead of October European Council	Yellow
Investment in research and innovation (Horizon 2020 and COSME)	Legislative proposals	11/2011	✗		Political agreement required	Yellow
Key enabling technologies (KETs)	Communication	06/2012	✓		Implementation through Horizon 2020, structural fund programmes and national programmes	Yellow
Modernising industrial policy	Communication	10/2012	✓		Follow-up at EU & national level. Debates in European Council June 2013 and Feb 2014, implementation progress report Q3 2013	Yellow
Unitary patent protection	Legislative proposal	04/2011	✓	12/2012	Implementation (part of SMA I)	Green

INVESTING IN GROWTH

Increase in EIB Capital by Dec 2012	n/a	n/a	✓		€ 10 billion increase to be reflected in lending programmes. Commission / EIB to report to June European Council on progress	Green
Project bonds	Commission-EIB cooperation agreement	11/2012	n/a		€ 230 million to be mobilised in 2013 for transport, energy and ICT Commission / EIB to report to June European Council on progress	Green
Reprogramming EU structural funds	Action team initiative with Member States	01/2012	✓		€ 39.2 billion reprogrammed; to be implemented at national level	Yellow
Budget 2013	Budget proposal	04/2012	✗		Agreement required on amending budget	Yellow
MFF 2014-2020	Budget proposal	06/2011	✗		Political agreement required	Yellow
Future cohesion policy	Legislative proposal	10/2011	✗		Political agreement required	Yellow

Overall State of Play:

 On track

 More effort required

 No / little progress

Action	What has Commission contributed?	Agreed at EU level?		What happens next?
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TAX POLICY FOR GROWTH

Savings taxation directive	Legislative proposal	11/2008	x		Political agreement required	
Third country negotiating mandates	Proposal for mandate	05/2012	✓	05/2013	Negotiations to start with third countries	
Common Consolidated Corporate Tax Base	Legislative proposal	03/2011	x		Political agreement required	
Tax fraud and evasion	Action Plan and 2 recommendations	12/2012	✓		Follow-up at EU and national level	
Financial Transaction Tax	Legislative proposal	02/2013	x		Political agreement required	

CREATING JOBS AND A GENUINE EUROPEAN LABOUR MARKET

Employment policy	Employment package	04/2012	✓		Follow-up at EU and national level	
Youth unemployment						
– Youth Opportunities Initiative	Communication	12/2011	✓		Follow-up at EU and national level	
– Youth Employment Package (incl. Youth Guarantee)	Communication and proposal	12/2012	✓		Follow-up at EU and national level following Council agreement in February 2013	
– Youth Employment Initiative	Legislative proposal	03/2013	x		Political agreement required	
Education and skills	Communication	11/2012	✓		Follow-up at EU and national level	
Portability of pension rights	Legislative proposal	10/2005	x		Political agreement required	
Posting of workers	Legislative proposal	03/2012	x		Political agreement required (part of SMA I)	
Professional qualifications	Legislative proposal	12/2011	x		Political agreement required (part of SMA I)	


Action	What has Commission contributed?	Agreed at EU level?	What happens next?
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HARNESSING THE GROWTH POTENTIAL OF TRADE

Trade agreements

– US	Proposals for negotiating mandates and negotiation on basis of agreed mandates	03/2013	✓	Mandate agreed 06/2013	Negotiations to be launched	Green	
– Peru and Colombia		Various	Mandates agreed	✓	02/2013	Implementation	Green
– Canada				Negotiations to be finalised	Green		
– Singapore				Agreement to be initialled	Green		
– India				Negotiations to continue	Yellow		
– Japan				Negotiations have started	Green		
– Ukraine				Agreement to be signed dependent on fulfilment of conditions	Yellow		
– Egypt, Jordan, Tunisia				Negotiations to begin	Yellow		
– Morocco				Negotiations have started	Yellow		
– Georgia, Moldova, Armenia				Negotiations to continue	Green		
– Vietnam				Negotiations to continue	Yellow		
– Thailand				Negotiations have started	Yellow		
– Central America				Negotiations to be finalised	Yellow		
Access to third country public procurement markets	Legislative proposal	03/2012	✗		Political agreement required	Red	

Overall State of Play:

 On track

 More effort required

 No / little progress

Action	What has Commission contributed?	Agreed at EU level?		What happens next?
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CREATING THE RIGHT REGULATORY FRAMEWORK FOR GROWTH

Smart Regulation

– EU Regulatory Fitness ('REFIT')	Communication	12/2012	n/a		First results of the REFIT programme to be presented to European Council in June 2013 (Top Ten Consultation), and Oct 2013	
– SMEs and micros	Communication	03/2013	n/a		Follow-up at EU and national level, including via Top Ten Consultation and Scoreboard	
– Cutting administrative burden	Legislative proposals	Various	✓	Partially	Adoption in legislative procedure and implementation at national level	
Entrepreneurship 2020 Action Plan	Action Plan	01/2013	✓		Follow-up at EU and national level	

DEEPENING EMU AND PROMOTING FINANCIAL STABILITY


Deepening EMU

Blueprint and follow up	Blueprint	11/2012				
– Convergence and Competitiveness Instrument	Communication	03/2013	n/a		Discussion at June European Council	
– Ex-ante coordination major economic policy reforms	Communication	03/2013	n/a		Discussion at June European Council	

Banking Union

Single Supervisory Mechanism	Legislative proposals	09/2012	✓	04/2013	Implementation	
Single Resolution Mechanism	Legislative proposal	06/2013	✗		Commission proposal under preparation	
Other measures, including						
Deposit guarantee schemes	Legislative proposal	07/2010	✗		Political agreement required	
Framework for national resolution	Legislative proposal	06/2012	✗		Political agreement required	

Overall State of Play:

 On track

 More effort required

 No / little progress





Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives

Joint Commission-EIB report
to the European Council,
27-28 June 2013

Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives

EXECUTIVE SUMMARY

Following the capital increase agreed by the European Council in 2012, the European Investment Bank (EIB) has significantly boosted its activity with a counter-cyclical impact on the European economy.

Although the ultimate impact of EIB activity can only be assessed a few years from now, significant results are already visible. Substantial increases in signatures and new lending initiatives, and a strengthened emphasis on SMEs and vulnerable countries will generate increased investment and employment where it is most needed. It is essential to continue our joint efforts to ensure that the available resources are effectively channelled to the real economy. To this end, the European Commission and the EIB are closely cooperating to develop new joint initiatives to support SMEs. Blending EU funds and EIB resources strengthens the impact of EIB lending where it is most needed.

Context

Following the decision of the European Council in 2012, the capital increase is beginning to demonstrate its effectiveness as a powerful mechanism to enhance the countercyclical investment activity of the EIB, contributing to restore lending to the economy in support of growth and employment. The favourable lending conditions that the EIB can offer in all EU Member States (owing to its status as prime issuer in the capital markets) provide an essential support to offset market fragmentation in Europe with a particular focus on the most vulnerable countries.

Under the umbrella of the Growth and Employment Facility, up to EUR 60 bn will be added to the lending activity of the EIB in the EU in the period 2013-2015 representing a 49% increase compared to lending that was planned for the EU before the capital increase. The additional volume hinges on continued significant access to capital markets, relying on the sustained ability to cater to both EU and non-EU investors.

The EIB's additional activity is expected to unlock around EUR 180 bn of additional investments across the EU. The additional lending will support viable projects in all Member States with a particular focus on (i) Innovation and skills, (ii) SME access to finance; (iii) Resource efficiency; and (iv) Strategic infrastructures.

The combined effect of the EIB increased lending capacity, the specialised activities of the European Investment Funds (EIF) and the joint Commission-EIB financial instruments – including new initiatives under the next Multiannual Financial Framework (MFF) – represents an important contribution to growth and employment for the years to come.

The results of EIB activities in the first half of 2013

In the first five months of 2013, one can clearly see how the capital increase is unleashing additional lending capacity of the Bank. Across all Member States, signatures in the EU have increased on average by 66% (including special efforts in programme countries) compared to the corresponding period in 2012. Increased volumes are complemented with additional products. For example, in Greece the new Trade Finance facility (signed at the beginning of June) is expected to mobilise up to EUR 1.5 bn of resources and the first operations underpinned by the Greece Guarantee Fund were signed in January 2013.

The reinforced capital base has allowed the EIB to adapt its risk tolerance, which is expected to further evolve with economic conditions. Own risk operations with higher risk in the EU - Special Activities - are targeted to increase to EUR 7.8 bn in 2013, of which EUR 5.5 bn on the EIB balance sheet (compared to EUR 1.5 bn in 2012).

The increase in lending activity in the EU has been particularly focused on support to SMEs as the main driver of European growth and employment: the initial target of EUR 13.6 bn in lending to SMEs for 2013 is currently being revised up to EUR 15.9 bn compared to EUR 10.7 bn in 2012. Together with the EIF more than EUR 19.1 bn in SMEs lending is expected to be signed in the EU.

The impact on new employment and the preservation of existing jobs is significant: the EIB expects that its lending to infrastructure, resource efficiency and knowledge economy projects in 2013 alone will directly generate employment for around half a million people. In addition, SMEs and mid-caps benefitting from EIB and EIF financing sustain employment for an estimated 2 million people every year.

Joint Commission – EIB initiatives

The Commission and the EIB have closely cooperated to develop and implement risk-sharing instruments which leverage resources from the EU budget with EIB lending. The Project Bond Initiative is one of the most visible examples with already 9 projects approved in 6 countries. Similar instruments have been deployed in cooperation with the EIF in support of SMEs and mid-sized businesses.

The use of financial instruments is expected to increase during the next MFF under programmes such as the Connecting Europe Facility, COSME, Horizon 2020, as well as under European Structural and Investment Funds (ESIF). All the above has been initiated during the last year and, whereas the initial signs of improvement are already visible, a more significant impact for the economy can be expected in the next years.

What can be done to further enhance impact?

The EIB initiative “Skills and Jobs – Investing in Youth” will provide SMEs with better access to finance related to investments in training, job-related skills and on-the-job-training. Coupled with the frontloading of the Commission Youth Employment Initiative and an acceleration of investments in young people through the European Social Fund, this is expected to further foster youth employment in Europe.

The Commission and the EIB are exploring joint risk-sharing mechanisms under the new Multiannual Financial Framework (MFF) which would allow Member States to voluntarily earmark part of the Structural Funds for this purpose. In particular, a joint-instrument blending EU funds available under COSME and Horizon 2020 and EUR 10 bn of ESIF dedicated resources in cooperation with EIB/EIF is proposed in view of generating additional lending to SMEs. Three options have been proposed by the Commission which could, in the

period 2014-2020, leverage up to EUR 100 bn depending on the scale of participation by Member States, the adjustments made in the draft European Structural and Investment Funds legislation and on the timing and the response of the financial markets.

The EIB and EIF together with the Commission and the European Central Bank (ECB) are analysing the best ways of enhancing funding to SMEs, revitalising the securitisation market as a channel to mobilise more resources and redistribute risks across the economy in a sustainable way.

Joint Commission-EIB report to the European Council

Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives

1. Introduction

In June 2012 the European Council launched a Compact for Growth and Jobs comprising a range of policies aimed at stimulating smart, sustainable, inclusive, resource-efficient and job-creating growth.

Given the concurrent need to get lending flowing to the economy, one of the measures agreed in the Compact by the European Council was to increase the EIB's capital by EUR 10bn. This capital increase is designed to strengthen the EIB's capital base and thus increase its lending for 2013-2015 by up to EUR 60bn, and thereby unlock up to EUR 180bn in additional investment. This increased lending capacity shall be spread across the whole European Union, including in the most vulnerable countries.

As part of this important effort to increase the funding of the economy, synergies between the EIB and the EIF have been enhanced with the latter reinforcing the development of its activity in liaison with public financial institutions in Member States, in particular to promote venture capital and assist in the re-launch of the securitisation market in Europe.

At the same time the EIB and the Commission have been asked to develop new instruments to leverage the EIB's support for growth and jobs across Europe.

In June 2013 the European Council will assess the implementation of the Compact with a particular emphasis on measures aimed at job creation and boosting the financing of the economy to enable fast-acting growth measures. The Commission and the EIB were invited to report on how the Compact, including the EIB capital increase, would be used.

2. Economic and financial environment

While significant advances have been achieved in terms of crisis resolution and institutional strengthening in Europe, economic conditions remain challenging. The easing of financial market stress has not fully fed through to the real economy. Investments in the EU have been contracting for the past seven quarters with an accelerated fall at the end of 2012. At the same time, the need to ensure debt sustainability limits the room for national counter-cyclical policies in highly-indebted Member States. Labour market conditions in the EU and the euro area have continued to worsen since the end of 2012, on the back of weak economic activity and labour market adjustments.

Credit markets remain fragmented and actual credit volumes to non-financial corporations have contracted over recent years in many Member States, with significant cross-country differences. Lending spreads seem to relate not only to the credit quality of the borrower but also to geographical location, suggesting a wide divergence in financing conditions for companies in the Single Market. In parallel to the cross-country divergence in bank lending rates, the spreads between interest rates on small compared to large enterprises have also increased since end-2011.

The Compact for Growth and Jobs is an important response to the challenges facing the EU. The EIB capital increase and an enhanced recourse to joint Commission-EIB risk sharing instruments, coupled with synergies between EIB and EIF specialized activities, are key elements for its success.

With the launch of the Growth and Employment Facility (GEF), EIB has further strengthened its commitment to monitor the employment and growth impact of the projects it finances. The EIB will also regularly report to its Board on the outcome of these projects.

The EIB continues to focus its financing on projects with high economic rates of return, which ensure that individual investment projects contribute strongly to economic growth.

The wider impact on the EU economy, through the indirect effects of investments, will be much greater and is expected to be the strongest in those Member States that currently face very high levels of unemployment.

Examples of projects

Innovation & Skills

- A Spanish world-leader in renewable energy technologies, notably in thermo-solar power, benefits from an innovative credit risk sharing scheme jointly set up by the Commission and the EIB. The EIB financing allows the company to continue the development of the next generation of equipment to improve the capacity to store the captured energy and its conversion into electricity. The project will directly employ about 750 R&D staff in Spain and involve a large number of suppliers throughout the EU.
- In Ireland, the EIB supports a project covering a total of 49 schools that will increase school places and improve education facilities across the country. This project will directly benefit more than 30.000 pupils and improve learning facilities where most needed. Buildings will comply with the highest energy-efficiency standards. The project will generate labour demand for about 2,400 person-years, which will benefit mostly smaller construction companies. This investment in education is essential to respond to the demographic challenges of Ireland and to provide children with those skills necessary for an evolving economic environment.
- In France, the EIB has funded a major automotive manufacturer to invest in electric vehicle technology that will reduce the impact that travel has on the environment. EIB finance will support R&D and help develop a new generation of efficient and affordable electric and hybrid-electric vehicles. The new vehicle platform will feature a simpler and significantly less expensive powertrain (engine and gearbox) as well as a light-weight body. The investment will generate direct demand for about 3,200 person-years of highly skilled engineers and scientists.
- The EIB is backing the construction of new teaching and research buildings, as well as the refurbishment and upgrading of research and teaching facilities of ten universities outside the greater Helsinki area, which hosts around 100 000 students. This project seeks to revolutionise teaching by designing new premises that best support learning, studying and the creation of new knowledge. The various projects aimed at modernising the existing facilities will also help to improve usability as well as bringing savings on running costs. Estimated CO2 emission savings as a result of the upgrades are in the order of 10%.
- EIB is providing support to a leading integrated Italian energy group with activities in the chemicals sector, to support the conversion of an old and loss-making

petrochemical site located in Sardinia into a modern green chemistry production plans and R&D site. The project would help preserving 676 jobs in a region characterised by high unemployment rates and progressive de-industrialisation while producing also other positive externalities. It is a flagship project based on the deployment of innovative process and product technologies, including Key Enabling Technologies (KETs). The project will strengthen the competitiveness of a European mid-cap promoter, contributing to safeguarding employment opportunities in Europe and to enhancing Europe's position as a major technology provider.

Access to Finance for SMEs and Mid-Caps

- A cooperation agreement between the EIB and BPI France (Banque Publique d' Investissement) leverages the combined forces of national and European support for SMEs, channelled through an extensive local French network close to the customers.
- The Bank's first ever trade finance facility was developed that will increase liquidity, restore trade flows and reduce Greek SMEs financing costs in the import-export sector. This short-term lending instrument will support a volume of transactions of the order of EUR 1.5 billion per year at a time when trade has a significant role to play in economic recovery for Greece.
- In Portugal an agreement between EIB and Millennium bcp was reached to support the economic development of small and medium-sized business in Portugal. This will have a positive impact on economic activity and job creation in the country as it will provide financing for smaller projects in the areas of industry, tourism, services, including research and innovation, energy and environmental protection.
- The EIF increased its EIB-funded risk capital resources mandate with EUR 1 billion that particularly focuses on higher risk mezzanine financing as part of the joint EIB-EIF actions to tackle financing constraints for new innovation and growth plans of European mid-sized businesses.
- In Italy, the European Investment Fund (EIF) has signed two transactions with Banco Popolare and Cassa di Risparmio di Cento which will make available up to EUR 160 million of loans to innovative SMEs. These operations were concluded under the Risk-Sharing Instrument (RSI) initiative, a joint pilot guarantee scheme of the EIF, EIB and the European Commission (DG Research & Innovation) which aims at encouraging banks to lend to SMEs and small mid-caps (with fewer than 500 employees) in need of investment financing and/or operating capital to support research, development and innovation activities.

Resource efficiency

- A credit facility to the promotional bank of Slovenia will co-finance energy efficiency and renewable energy projects. The small-scale investments carried out both by private and public sector promoters will have large economic benefits and generate significant local employment effects throughout the country. The EIB financing is crucial to fill the financing gap due to the scaling down of public grant funding.

- Support for a large wind farm with 80 turbines in the German part of the North Sea will have a total generating capacity of 288 MW. Off-shore wind farms are needed to help Germany meet its ambitious plans to boost green-electricity production.
- The Bank is providing support to the construction of the central section of Warsaw's new metro line, thereby promoting the development of sustainable public transport in one of the most congested cities in Europe. The support for the Warsaw metro will improve the quality of public transport service in terms of speed, comfort and reliability. The estimated reduction of CO2 emissions is some 42 000 tonnes per year. Besides the environmental benefits, this EIB-supported project will also trigger growth in jobs, as the planned increase in metro operations will require additional drivers, maintenance workers and office staff.
- The EIB is supporting the implementation of an integrated solid waste management system in Sofia, Bulgaria, including a sanitary landfill, a mechanical-biological treatment plant and bio-waste and green waste composting plants.

Strategic Infrastructure

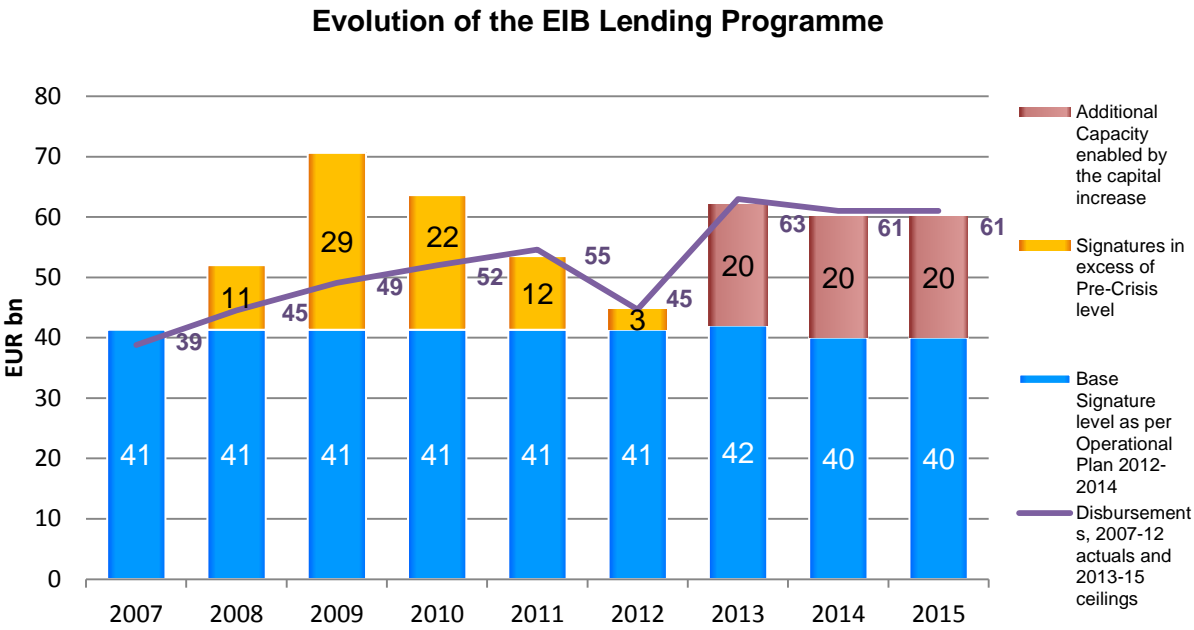
- EIB is financing the development of a new container terminal at the port of Savona (Italy) which is one of Europe's major port projects. The new terminal is aimed at large global shipping companies operating in the Mediterranean Sea and will facilitate European trade. It will result in the creation of about 2,400 person-years of employment during construction and will generate around 400 direct jobs during operation in Italy. It will also help facilitate European trade and logistic activities and in doing so reducing costs of production and distribution for the industry.
- EIB finance for investment in new rolling stock for the London Overground will support 1,300 person-years of employment in existing manufacturing facilities. It will significantly improve the quality of public transport, reduce congestion in the greater London region and thereby facilitate accessibility for the benefit of the wider economy.
- Financial backing of Lithuania's vital rail transport corridors will allow the acquisition of 590 new freight wagons and nine new passenger trains. Passenger numbers have been growing steadily, to reach 4.8 million in 2012, and the nine new passenger trains can support this trend of using public transport. The 590 new freight wagons will mainly be used for cross border railway traffic between Lithuania and its neighbouring countries to the East, and will be quieter and lighter than the outgoing equipment. In 2012, a total of 49.5 million tonnes of freight was carried on Lithuania's rail network.

3. Implementation of the EIB capital increase and joint EU-EIB risk sharing instruments

3.1 Implementation of the EIB capital increase

By the end of 2012, EU Member States had unanimously approved the capital increase at the EIB's Board of Governors. The capital injected significantly improved the EIB risk ratios,¹ contributing to the strengthening of the EIB's credit standing and status as prime issuer on the capital markets. This is essential for the EIB to be able to continue providing financial value added to its shareholders' economies.

From an operational side, the capital increase allowed for increased lending targets in the EU of EUR 62bn (+/-10%) in 2013 and overall lending targets for 2013-2015 of EUR 182bn.



All additional lending is targeted at the EU, with up to EUR 60bn or 49% expansion in the lending targets in the EU over the three year period 2013-2015 compared to the pre-capital increase business plan. A similar enhanced lending programme was achieved at the onset of the economic and financial crisis. Based on average co-financing rates, this additional lending will support total investments in the range of EUR 180bn.

The EIB is working closely with the Commission, and Member States to implement the capital increase in the priority areas which reflect Europe 2020 objectives and country-specific recommendations of the European Semester. Under the umbrella of the Growth and Employment Facility (GEF), the additional lending enabled by the capital increase is supporting viable projects within all Member States with a particular focus on (i) Innovation and skills; (ii) SME access to finance; (iii) Resource efficiency; and (iv) Strategic infrastructure. In order to adequately address the increasingly diverse economic environments in individual EU countries, tailored funding strategies are designed to target

¹ As a result of the capital increase, the EIB's capital adequacy ratio increased from 23.1% end of 2012 to 28.0% at end March 2013, and the leverage ratio improved from 976% to 821% in the same period

regions and sectors where financial constraints are the most severe and where investment can be unlocked rapidly.

By developing and offering targeted financial products (including guarantees, venture capital and microfinance), the EIF enhances crucial access to finance for SMEs across the EU and fosters employment, growth and competitiveness through entrepreneurship, innovation, research and development.

EIB's lending is distributed across the different policy areas in the following table, which also provides indicative² signature figures for the coming three years.

Indicative EIB lending inside the EU by policy areas (figures in EUR bn)

Public Policy Objectives (Inside EU)	2012 Achieved	Orientations			2013- 2015 Average
		2013	2014	2015	
Support to SMEs	10.7	13.6	13.3	13.3	13.4
Knowledge Economy	8.9	11.1	10.6	10.6	10.7
Transport (TENs, sustainability)	9.3	12.5	11.8	11.8	12.0
Energy (TENs, renewable and efficiency)	7.2	12.5	12.5	12.5	12.5
Urban and health	2.3	2.9	2.7	2.7	2.8
Environment and non-transversal* climate and convergence	6.1	9.5	9.1	9.1	9.3
Total (inside EU)	44.7	62.0	60.0	60.0	60.7

* Projects that are not eligible under any of the main COP objectives, but can be accepted purely eligibility criteria under either Convergence or Climate action

As of 31 May 2013, year-to-date loan commitments signed by the EIB totalled EUR 13.8bn, (66% higher than on 31 May 2012). The EIB expects annual lending targets to be substantially met.

The following table shows the evolution of EIB signatures in those Member States which are currently receiving financial assistance and who have agreed a macro-economic adjustment programme with the Commission. Despite the difficult financial and economic context, the EIB maintained a sustained level of activity in programme countries. In 2013, it is expected that more than EUR 3.5 bn will be invested in programme countries out of an overall EU target of EUR 62bn.

EIB signatures in programme countries (in EUR m, own resources)

	2011	2012	2013 expected
Greece	860	550	1500
Ireland	475	505	650
Portugal	1970	871	1200
Cyprus	180	398	200

² Figures in the table for 2013-2015 are purely indicative, as they have been derived from available forecasts for EIB operations in Europe (including Candidate and Potential Candidate Countries) by applying a proportional reduction, based on the expected ratio of (i) lending in the EU to (ii) total lending in Europe

Over the first half of 2013, the aggregate level of disbursements to programme and ex programme countries³ materially increased with respect to the corresponding period of 2012 (from EUR 1.4 bn to EUR 1.9 bn) for a total increase of approximately 36%.

The EIB has undertaken a series of measures since the 2012 proposals concerning the capital increase in order to facilitate as much as possible the achievement of the new lending targets in the difficult economic environment.

- The EIB has implemented a package of measures to adapt its risk tolerance and pricing to the changed environment and to continue operating in all Member States. In addition, the EIB is reprioritising its lending, giving greater weight to those projects that heavily impact employment.
- The EIB has stepped up its support for SMEs and Mid-caps through numerous measures.
 - o It has increased its lending volumes to SMEs in the EU considerably. In 2012 signatures for SMEs increased to reach EUR 10.7bn. The 2013 target for signatures for SMEs is EUR 13.6 bn. The current forecast is even higher at around EUR 15.9bn (which would represent an increase of about 49% on 2012). Including EIF activities and third-party funds, the total amount of this year's funding to support SMEs and mid-caps is expected to be around EUR 19.1 bn.
 - o It is developing new security structures and products and is launching new initiatives. For example, it developed and concluded in May 2013 a EUR 500m trade finance facility for the first time to support a trade volume of EUR 1.5bn per year in Greece and is studying similar facilities in other countries where funds are not available from other sources on reasonable terms.
 - o In responding to the gap left by the withdrawal of institutional investors, the Risk Capital Mandate was reinforced and established as an open ended, EUR 7bn revolving fund managed by the EIF on behalf of the EIB.
 - o Following the European Council conclusions on the Compact, the EIF is strengthening partnerships with national institutions to deliver a variety of equity and debt solutions through a wide range of financial partners across the EU.
- In the EU, the EIB has increased its lending target for Special Activities⁴ in 2013 to EUR 7.8bn, EUR 5.5bn of which will be on the EIB's balance sheet.

3.2 Joint EIB-EU risk sharing instruments

The Commission and the EIB have worked together closely on blended risk-sharing instruments leveraging the EU budget with the EIB lending capacity to finance further Special Activities in EU priority areas. Such instruments are particularly effective in vulnerable and programme countries or high-risk sectors such as research and development (where promoters face difficulty in finding alternative long-term sources of financing). The Risk Sharing Finance Facility (RSFF), the Loan Guarantee for TEN-Transport (LGTT) and the Risk Sharing Instrument (RSI) managed by the EIF fall into this category.

In November 2012, the Commission and the EIB launched the Project Bond initiative to support the role of capital markets in financing long-term infrastructure investments. Under this innovative instrument, the EIB Board of Directors has already approved nine TEN-T and TEN-E projects in six different Member States. This includes motorway projects in SK, DE,

³ In addition to Cyprus, Greece, Ireland, Portugal this includes Hungary, Latvia, Romania

⁴ Special Activities are operations embedding a credit risk higher than under EIB standard internal provisions

BE and UK), grid connections to offshore wind farms in DE and UK and gas storage facilities in ES and IT. The first financial closures of these projects are expected in the second half of 2013.

The endorsement of the Commission proposal to modify the structural funds regulations and the subsequent re-programming exercise, led to the creation of a new scheme to support SMEs in Greece (in addition to the trade finance facility described above). Under this scheme, unutilised Structural Funds were used to set up a Guarantee Fund dedicated to EIB lending to SMEs, structured on a portfolio first-loss basis. The first operations underpinned by the Fund were signed in early 2013. A complementary proposal regarding certain financial management provisions for Programme Countries has also been issued by the Commission.

The deployment of joint risk-sharing instruments is expected to grow during the next MFF under programmes such as the Connecting Europe Facility, Horizon 2020, as well as under the European Structural and Investment Funds (ESIF).

4. The way forward

4.1 SME Initiatives

The Commission and the EIB are also working with the ECB to develop an EU strategy to alleviate the financing constraints for SMEs. The discussions focus on options for reviving the structured credit markets to support SME lending in particular (but not limited to) the more vulnerable Member States.

Collaboration is directed at covering two dimensions (i) sufficient funding for the banking sector directed specifically to SME lending and (ii) credit enhancement of existing or new SME loan pools so as to reduce distorted credit margins and attract institutional investors in large SME loan pools alleviating important supply constraints for investments.

Beyond analysing a possible short-term asset driven EIB-ECB initiative, the Commission and the EIB are exploring a joint risk-sharing mechanism to be developed under the new MFF by blending EU budget resources (COSME, Horizon 2020) and ESIF resources with the lending capacity of the EIB, EIF and national promotional banks. Joining forces in this way would achieve the economies of scale provided by EU-wide arrangements and create greater leverage for all participating Member States. The instruments would be designed to provide assurance that the amount of funds contributed by a particular Member State from its ESIF programmes would generate loans to a value of several times the amount through lending to SMEs in that Member State for the benefit of the respective programme areas.

The key to unlocking the leverage effects for such Joint Instruments is the widest possible participation by Member States. While participation through contributions from ESIF programmes would necessarily be voluntary, all Member States would be strongly encouraged to contribute to the Joint Instruments from their ESIF allocations, in the knowledge that their contributions would support increased lending to SMEs on their territory, while increasing the leverage effects for all.

The Commission has developed three broad options for Joint Instruments⁵. Given the need to create critical mass around a core EU Joint Instrument that would leverage the EU-EIB resources and potentially link to ECB decisions, the options below are presented as alternatives. Any such Joint instrument would of course co-exist with multiple initiatives supported by ESIF at regional or national level and would not exclude the creation of

⁵ See the annex for a more detailed description

additional parallel Joint Instruments in other EU policy areas as currently envisaged by the draft Common Provisions Regulation for the ESIF.

The indicative scale of €10 bn⁶ proposed is a fraction of the total EUR 400 bn ESIF budget and a relatively small percentage of the total of ESIF resources that Member States and regions plan to attribute to SME support measures. A more detailed assessment of the impact of the proposed instruments would be carried out before implementation. It is worth recalling that in 2007-2011 alone EUR 23 bn was used by Member States in operational programmes in direct support to SMEs and a further EUR 25 bn benefited SMEs indirectly. In the next MFF all Member States have declared their intention to increase their support through financial instruments particularly for SMEs.

Finally the implementation and absorption of the instrument will depend on developments in other policy areas which are being tackled in parallel. Financial regulation issues can have for example a particular impact on the development of a securitisation market in Europe and are addressed in the Commission Green Paper consultation that expires on 25 June.

1) Joint SME guarantee instrument combined with a Joint securitisation instrument for new loans

Under this instrument, funds would be pooled from COSME, Horizon 2020 and the ESIF funds and combined with the resources of the EIB and EIF to provide a combination of:

- a) guarantees for new SME lending by financial intermediaries to SMEs under a Joint Guarantee Instrument.
- b) guarantees for portfolios of new SME loans for the purposes of securitisation. Such portfolios would need to be built up by the banks in a specified time period (2-3 years) with a view to being securitised.

Under this option, which blends 75% of guarantees with 25% of securitisation, EUR 10 bn from ESIF and EUR 420 m from COSME & Horizon 2020 would be allocated to generate lending to SMEs of an estimated **EUR 55-58 bn (a leverage ratio of roughly 1:5)**, benefiting **580 000 SMEs**. This option does not require changes in the draft Common Procedures Regulation (CPR).

2) Joint securitisation instrument allowing for securitisation of both new and existing SME loan portfolios

Under such a joint securitisation instrument, public funds (ESIF, COSME, Horizon 2020, EIF, EIB, national promotional banks) would be combined for the securitisation of portfolios of SME loans. There would be requirements for the financial intermediary to finance new loans to SMEs proportional to the amount covered by the Joint Instrument. The securitisation of portfolios of existing loans would increase the impact and immediacy of this instrument compared with option 1.

Under this option, EUR 10 bn from the ESIF and EUR 420 m from COSME & Horizon 2020 would be allocated to generate lending to SMEs of an estimated **EUR 65 bn (a leverage ratio of roughly 1:6)**, benefiting around **650 000 SMEs**. In this case, a limited change to the draft CPR would be necessary to extend eligibility of SMEs loans to include existing loans and review eligibility of working capital, thereby facilitating the development of the instrument and its distribution.

⁶ Additional to the other proposed blending facilities (PBI, RSFF, RSI, etc.)

3) Joint securitisation instrument allowing for securitisation of new and existing SME loan portfolios and risk pooling

This Option would be similar to Option 2 but would include the possibility to pool risks and would extend eligibility criteria to include existing SMEs loans and review eligibility of working capital, while ensuring that the on-lending intermediary would generate new loans to SMEs to a value several times higher than the amount set aside by that Member State for the benefit of the respective programme areas. The pooling of risks allows for a better portfolio diversification resulting in much higher leverage than under the previous options. Moreover, it allows providing immediate capital relief and liquidity to banks which facilitates the swift provision of new loans to SMEs.

Under this option, EUR 10 bn from the ESIF and EUR 420 m from COSME & Horizon 2020 would be allocated to generate lending to SMEs for an estimated amount of **EUR 100 bn (a leverage ratio of roughly 1:10)**, benefiting around **1 000 000 SMEs**. This option would require the same changes to the draft CPR as in Option 2.

The EIB will work with the Commission in the development of the proposed instrument and in the necessary work to prepare the required changes with its market and business experience. The leverage will depend on the final choices made by Member States and on the take up by private sector financial institutions.

4.2 Youth employment

Following the Commission's Youth Employment Package of December 2012, the European Council agreed on 7-8 February to create a Youth Employment Initiative with a budget of EUR 6bn for the period 2014-20. The initiative would particularly support young people between 15 and 24 not in education, employment or training in the Union's regions with youth unemployment rates in 2012 above 25% by integrating them into the labour market. Other initiatives have also been announced by several Member States.

The Youth Employment Initiative complements other Commission instruments in the education and social field and which have a significant potential on reducing youth unemployment. In particular, new financial instruments are proposed under the next MFF in relation to student loans (guarantees for student loans under 'Erasmus +'), microfinance (guarantees, microcredit and equity through institutions that invest or lend to entrepreneurs, especially those furthest from the labour market) and social enterprise development.

In view of the forthcoming European Council, the Commission issued on 19 June 2013 a Communication on Youth Employment setting out the immediate priorities for combating youth unemployment, including an agreement on the next MFF and the accompanying programmes, the frontloading of the Youth Employment Initiative and the implementation of the relevant Country-Specific Recommendations and the Youth Guarantee at national level.

Jointly with the Commission and Member States, the EIB proposes to complement the Commission's and Member States' efforts with a dedicated "Skills and Jobs - Investing for Youth" programme to help counteract high and rising youth unemployment. The programme underlines the Bank's commitment to utilize its increased resources and target them towards the EU's political priorities. The EIB's programme has two components:

- (i) "Jobs for Youth" - providing SMEs with better access to finance; and
- (ii) "Investments in Skills" - providing lending to projects investing in the skills of young people, including investments in education infrastructure, training, student loans and mobility.

In the context of Jobs for Youth, the EIB is exploring - together with partner banks - options to further increase its lending to SMEs – the main employer of young people – in order to support employment. The investments targeted under "Investing in Skills" include the EIB's established financing of investments in schools and universities as well as a broad range of training schemes, notably programmes that scale up and improve the quality of vocational training in Europe. The focus on job-related skills from secondary to tertiary education is seen as having the biggest impact on improving the employability of young people and offers the best protection against unemployment. The supported measures also comprise the support of mobility schemes for students and employees across the EU.

Beyond supporting the Commission with a fast implementation of the Youth Employment Initiative, the EIB, with its own resources, will focus on helping Member States to accelerate their national and regional programmes that tackle youth unemployment.

While these initiatives are expected to further focus EIB investments on areas with high impact on youth employment and vocational training, an enhanced availability of EU resources for blended instruments in this field may allow for a more targeted and stronger impact of EIB lending.

4.3. Achieving a stronger impact

Member States, the Commission and EIB are considering further measures to enable the EIB to continue playing a significant role in those markets and sectors where credit is scarce and where funds are not available from other sources on reasonable terms. Such measures would need to enable the EIB to significantly expand its operations in support of SMEs and in vulnerable and programme countries, where the EIB's lending should be further developed.

Among possible additional measures, the EIB is considering the reinforcement of the EIF to support new initiatives to be carried out on behalf of the EIB taking advantage of the specialised experience of the EIF. A special mandate between the EIB and EIF has been reached to mobilise lending by means of an ABS instrument worth EUR 4.5 bn in the period 2013-2015. An extension of the Trade Finance Facility, under implementation in Greece, to other countries is also being analysed.

Should the overall EU economic conditions improve together with the financial stability of the euro area, the EIB could analyse ways to further engage in high value added activities where EIB support is most needed, within the limits of a sound financial management approach.

In addition, the EIB is looking at further means to strengthen its lending and advisory activities to help project delivery, speed up disbursements and real investment as well as increase Member States capacity to absorb EU resources.

Finally, the Commission and the EIB will continue to cooperate and network with other European, national or regional public investment institutions, and banks, as well as the private sector, with a view to maximising the synergies and capacity which are necessary for implementing and leveraging with additional resources lending and credit enhancement operations initiated and co-financed by the Commission and the EIB.

5. Conclusion

The Compact for Growth and Jobs is one of the key elements of the EU response to the crisis. As an integral part of the Compact, the EIB capital increase enables the EIB to significantly contribute to supporting sustainable growth and employment in the face of very serious economic challenges.

The development of joint financial instruments by the Commission, EIB and Member States aims at leveraging private sector and capital market investment in SMEs and infrastructure, thereby reducing reliance on sovereign (backed) financing of such priority investments.

The fragmentation of credit markets and the high dispersion of interest rates across Member States for bank lending to corporates undermine the resilience of banks and financial systems, and reduce the availability and increase the cost of capital for companies and consumers. This thus constitutes a major impediment to growth and employment. As one of the few institutions issuing debt on a European level at AAA financing conditions, the EIB can help to alleviate the problems of fragmentation in EU financial markets. The targeted provision of long-term financing to banks with the aim of supporting access to finance of SMEs fills an important gap that cannot be addressed through central banks and alleviates important supply constraints for investments.

Bringing forward economically and financially viable infrastructure projects can have a significant countercyclical effect and is instrumental in creating employment during the construction phase, especially in segments of the workforce that are hardest hit by the crisis. At the same time, infrastructure that is aimed at improving market access helps boost exports.

The EIB will continue to use its catalytic capacity to attract resources from capital markets to respond to long-term financing requirements in Europe. At the same time, it will reinforce its cooperation with public investment banks in Member States, as this will allow the EIB to extend the reach of its activity, in the light of the greater distribution networks and additional risk-taking capacity warranted by national public banks. Those efforts will be in line with and complement the Commission's work to sustain long term investment in Europe, as highlighted in the Commission's Green Paper on the long term financing of the European economy of 25 March 2013.

To ensure that EIB interventions will be effective, it is important that enabling conditions continue to improve on the EU and national levels. Structural reforms can help address the root causes of internal and external imbalances and boost the employment effect of EIB investments.

Given the widely different economic and financial conditions throughout the EU, the EIB is developing, in close cooperation with Member States, result-driven investment strategies that are properly tuned to national, regional and local growth priorities, taking into due account the horizontal priorities of the Commission's Annual Growth Survey and the European Semester of economic governance.

The months and years ahead will certainly be challenging. The Commission and the EIB remain highly committed to exploring new paths to help the Union revive growth and employment.

Alternative options on the joint SMEs initiative

1) Joint SME guarantee instrument combined with a Joint securitisation instrument for new loans

Under this instrument, funds would be pooled from COSME, Horizon 2020 and the ESIF funds and combined with the resources of the EIB and EIF to provide a combination of:

- a) guarantees for new SME lending by financial intermediaries to SMEs under a Joint Guarantee Instrument. This instrument would provide guarantees to banks which in turn will lend to SMEs. Banks will benefit from partial capital relief for new loans through uncapped portfolio guarantees. Nevertheless banks would keep at least 20% of the risks, to ensure alignment of interest.
- b) guarantees for portfolios of new SME loans for the purposes of securitisation. Such portfolios would need to be built up by the banks in a specified time period (2-3 years) with a view to being securitised. The capital relief and the additional liquidity would materialise in the future once the portfolios are fully created and securitised.

It is worth noting that these two instruments will be operated in parallel and not cumulatively to avoid double funding by ESIF. The proposed allocation is 75/25% to smoothen budget consumption

Leverage (2014-2020)	EUR10 bn from European Structural and Investment Funds (ESIF) + EUR 420 m from COSME & Horizon 2020 => EUR 55- 58 bn in SME lending supported, benefiting 580 000 SMEs (a leverage ratio of roughly 1:5)
Advantages	<ul style="list-style-type: none"> – Provides incentives for new SME lending through partial capital relief for new portfolios of SME lending – Can be delivered without significant modifications to the draft Common Provisions Regulation for the ESIF. – Member States' ESIF funds would be used exclusively to provide loans for and to meet losses incurred with respect to SMEs in their territory in corresponding programmes. – The combination of 2 instruments would help SMEs and help revitalise the SME backed securitisation market in around 3 years' time.
Disadvantages	<ul style="list-style-type: none"> – Any securitisation can only take place in the 2-3 years after new SME loan portfolios have been built up. – For both instruments banks would need to mobilise their own capital upfront to make loans to SMEs. In the current phase of deleveraging and cleaning up of bank balance sheets to prepare for SSM and Banking Union this limits the speed at which new portfolios could be built up.

	<ul style="list-style-type: none"> – No role for private/ institutional investors in the next 2-3 years, hence high reliance on public funds. – Technically complex to operate under shared management with respect to allocation by category of region. – No risk pooling limits portfolio diversification and hence leverage effect.
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2) Joint securitisation instrument allowing for securitisation of both new and existing SME loan portfolios

Under such a joint securitisation instrument, public funds (ESIF, COSME, Horizon 2020, EIF, EIB, national promotional banks) would be combined for the securitisation of portfolios of SME loans. This means that loans to SMEs would be bundled and guaranteed to provide capital relief to the intermediary in the case of unfunded securitisation. In case the tranches are sold on to institutional investors (funded securitisation), they will also generate immediate liquidity for banks to use to create new loans for SMEs. There would be requirements for the financial intermediary to finance new loans to SMEs proportional to the amount covered by the joint instrument. The securitisation of portfolios of existing loans would increase the impact and immediacy of this instrument compared with option 1.

Leverage (2014-20)	<ul style="list-style-type: none"> – EUR 10 bn from ESIF + EUR 420 m from COSME & Horizon 2020 => EUR 65 bn in SME lending supported, benefiting 650 000 SMEs (a ratio of roughly 1:6)
Advantages	<ul style="list-style-type: none"> – Partner banks would not need to mobilise new capital to make new loans. This would accelerate the creation of new SME loans. – Attracts private money from institutional investors purchasing securitised assets. This in turn reduces the demands on public money, which would be freed up for other uses. It will also make European SMEs less reliant on banks for their financing – Member States' ESIF funds would be used to deliver new loans for SMEs and to meet losses incurred with respect to SME loans on their territory. – Would help revive the commercial securitisation market, which would open up new non-bank sources of finance for SMEs that currently depend almost entirely on bank financing.
Disadvantages	<ul style="list-style-type: none"> – Securitisation of existing SME loan portfolios would require modification of draft Common Provisions Regulation. – Complex structure to set up and – as for Option 1 – shared management structure adds to technical complexity. – No risk pooling limits portfolio diversification and hence leverage effect.

3) Joint securitisation instrument allowing for securitisation of new and existing SME loan portfolios and risk pooling

This option would have all the advantages and requirements of Option 2 but add the possibility to pool risks , while ensuring that the on-lending intermediary would generate new loans to SMEs to a value several times higher than the amount set aside by that Member State for the benefit of the respective programme.

Leverage (2014-20)	<ul style="list-style-type: none"> – EUR 10 bn from ESIF + EUR 420 m from COSME & Horizon 2020 => EUR 100 bn in SME lending supported, benefiting 1 000 000 SMEs (roughly 1:10)
Advantages	<ul style="list-style-type: none"> – Partner banks would not need to mobilise new capital to make new loans. This would accelerate the creation of new SME loans. – Attracts private money from institutional investors purchasing securitised assets. This in turn reduces the demands on public money, which would be freed up for other uses. – Pooling of risks allows for greater portfolio diversification and leverage effects. – Centrally managed structure offers economies of scale in terms of fees and costs and less complexity than shared management structure. – Member States' ESIF funds will achieve a minimum leverage at least as in option 2 but will benefit from even higher lending volumes in their regions due to the pooling of risk at EU level
Disadvantages	<ul style="list-style-type: none"> – The use of ESIF funds for guarantees for securitisation of existing SME loan portfolios involving other Member States would require additional modification of the draft Common Provisions Regulation. – The achievement of the potential of the instrument will depend upon a widespread participation by Member States.





European
Commission



**Working together for Europe's
young people**

A call to action on youth
unemployment



EUROPEAN
COMMISSION

Brussels, 19.6.2013
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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE
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**WORKING TOGETHER FOR EUROPE'S YOUNG PEOPLE
A CALL TO ACTION ON YOUTH UNEMPLOYMENT**

Young people hold the key to Europe's future dynamism and prosperity. Their talents, energy and creativity will help Europe to grow and become more competitive as we move beyond the economic and financial crisis. Yet young people have been hit particularly hard by the crisis. At present, nearly 6 million people in Europe under the age of 25 are unemployed and a total of 7.5 million are not in employment, education or training. Youth unemployment rates in Europe stood at 23.5% in the first quarter of 2013, more than twice the - already very high - rate for the population at large. In some countries, more than half of the young people who want to work are unemployed.

This represents both a huge untapped resource that Europe cannot afford to squander and a social crisis that Europe cannot allow to persist. Youth unemployment has a profound impact on individuals as well as on society and the economy. Unless current trends are reversed quickly, today's levels of youth unemployment risk damaging the longer-term employment prospects for young people, with serious implications for future growth and social cohesion. Within Europe's broader strategy to create growth and jobs, helping young people to enter and remain in the labour market and to acquire and develop the skills that will pave the way for future employment is therefore a top priority for the European Union.

Throughout the financial crisis, the Commission has been working with Member States to address the economic and social consequences of high and rising unemployment. Some of this work will take time to bear fruit: Europe needs deep structural reform to become more competitive and this cannot be delivered overnight. Essential reforms must therefore be flanked by fast-acting measures to boost growth and to help young people find jobs and acquire essential skills. These measures will boost confidence and show young people that they have a bright future.

The Commission has proposed a number of practical and achievable measures that have the potential to make an immediate impact, most recently in the December 2012 Youth Employment Package and the March 2013 proposals for the EUR 6 billion Youth Employment Initiative. Some of these proposals have been agreed at EU level and must now be translated urgently into opportunities for young people. Others are yet to be agreed at EU level, in particular those linked to the Multiannual Financial Framework (MFF) for 2014-2020.

Against this backdrop, this report sets out steps to be taken without delay to get young people back into work, education or training. These steps cover:

- the implementation of the Youth Guarantee;

- investment in young people through the European Social Fund;
- the front-loading of the Youth Employment Initiative;
- support for intra-EU labour mobility with EURES;
- steps to ease the transition from education to work by boosting the supply of high-quality apprenticeships and traineeships and addressing skills shortages;
- an acceleration of reforms to deliver a genuine EU labour market in the longer run; and
- measures to support job creation in the immediate term, especially by SMEs, and to incentivise the hiring of young people.

In many of these areas, the groundwork has been done. The priority now is to accelerate and front-load implementation. Success will depend both on the political will of the Member States and the capacity of the private sector to create opportunities for young people. The EU cannot substitute for the work that is required at national level. But it can help to make things happen, by pinpointing the most critical reforms through the Country-Specific Recommendations, disseminating best practice, channelling investment from the EU budget, and helping young people to take full advantage of the European single market.

The European Commission calls upon the European institutions, Member States, the social partners and civil society to work in partnership to implement the measures in this report; and on the June European Council to give its strong political backing to these steps.

1. Making the Youth Guarantee a reality

As part of the Youth Employment Package presented in December 2012, the Commission called on Member States to ensure that all young Europeans receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed. This is the Youth Guarantee.

The Commission's proposal was adopted by the Council in April 2013. The priority now is implementation. This is reflected in the Commission's Country-Specific Recommendations for 2013. The Commission has identified urgent steps needed in 19 Member States to combat youth unemployment through *inter alia* active labour market policies, reinforcement of public employment services and support for training and apprenticeship schemes. These steps will all contribute to the delivery of the Youth Guarantee (see Annex I for a summary of related recommendations).

Implementing the Youth Guarantee will require sustained investment at national level. However, experience has shown, for example in Austria and Finland, that this investment pays off and that the economic and social costs of inaction are far higher than the costs of

implementation. It will take time for the Youth Guarantee to become fully operational, so it is essential that the process begin now with a clear country-by-country implementation plan explaining exactly how the Youth Guarantee is going to be put into practice, taking due account of variations in the scale and nature of the challenges in different national contexts.

The Commission therefore calls upon:

- The Council to adopt the proposed **Country Specific Recommendations** on the Youth Guarantee and on youth employment more generally and Member States to implement these recommendations swiftly.
- Member States with regions experiencing youth unemployment rates above 25% to submit a **Youth Guarantee Implementation Plan** by October 2013. These plans should set out how the Youth Guarantee will be implemented at national level, the respective roles of public authorities and other organisations, how it will be financed, how progress will be monitored and the timetable. Other Member States are encouraged to submit similar plans by spring 2014.

2. Putting the European Social Fund to work for young people

The EU structural funds have proven over many decades to be a powerful driver of job creation and social cohesion in Europe. The **European Social Fund** (ESF) amounts to almost EUR 80 billion for the 2007-13 period. This has provided extensive support for activities throughout Europe designed to help integrate young people into the labour market and to develop human capital.

Looking ahead to the 2014-2020 period, the European Structural and Investment Funds (ESIF) will have a crucial role to play in supporting young people and implementing the Youth Guarantee. An agreement on the next MFF and the programmes implementing it is urgently required to ensure that the ESF and other ESIF can be mobilised immediately in January 2014. This agreement must reflect the priority that the EU attaches to fighting and preventing youth unemployment: a minimum share of 25% of cohesion policy funding for the ESF would help to ensure that at least EUR 80 billion remains available for investment in Europe's human capital.

In parallel, Member States are working intensively with the Commission to design the next generation of Operational Programmes that will govern how this funding is put to use. This is a golden opportunity to gear the new programmes to the most pressing reform priorities for growth and jobs, as set out in the Country-Specific Recommendations, and in particular to delivering the Youth Guarantee.

The Commission therefore calls upon:

- The European Parliament and Council to agree swiftly on the **Multiannual Financial Framework and new ESIF regulations**, which should ensure that a 25% minimum share of cohesion policy funding (at least EUR 80 billion) is allocated to the European Social Fund. Member States with particularly high levels of youth unemployment should earmark a fixed share for priorities linked to combating youth unemployment.
- Member States to accelerate work with the Commission on the **Partnership Agreements and Operational Programmes** for the ESIF and to maintain a very sharp focus on youth employment, investment in human capital and the adaptation of education and training systems to labour market realities.

3. Kick-starting the Youth Employment Initiative

To focus financial support still further on the regions and individuals struggling most with youth employment and inactivity, the European Council agreed in February to create a dedicated **Youth Employment Initiative (YEI)** to be supported by EUR 6 billion from the EU budget. This will target individual young people aged 15-24 not in employment, education or training (NEETs) and complement the support provided by the ESF for the implementation of the Youth Guarantee.

The Commission has fast-tracked the necessary legal proposals and presented them to the European Parliament and Council in March 2013.¹ The priority now is for the European Parliament and Council to agree these proposals and to make this funding available as soon as possible.

3.1 Focusing and front-loading the YEI

The Commission has proposed to concentrate support from the YEI in regions experiencing youth unemployment rates above 25%, and within these regions on young people (NEETs) aged between 15 and 24. These criteria should be maintained: any reduction in the threshold would spread funds too thinly to the detriment of those regions in greatest need.² It is also vital that the YEI be used above all to support the implementation of the Youth Guarantee. Other target groups will be supported by other sources of funding from the ESIF and in particular from the ESF.

¹ COM(2013) 144 final

² Lowering the threshold to regions with youth unemployment rates above 20% and extending support to the 25-29 age group would more than halve the level of support per NEET from EUR 1360 to EUR 560, with a severely detrimental effect on the effectiveness of these interventions.

To ensure that the money from the YEI starts flowing quickly once the legal framework has been agreed, the Commission proposes to adjust the profile of the next MFF to make available the entire amount of EUR 6 billion in commitments within the first two years of the next MFF. This will be achieved by changing the implementation profile of other programmes so as to leave the overall annual levels of commitments unchanged.

Member States will need to be ready to hit the ground running with their Operational Programmes and a pipeline of projects to help get young people into good quality jobs, apprenticeships or education. Implementation should begin without delay, even before the Partnership Agreements are in place and before the legal framework has entered into force. This depends on Member States being ready with their programmes in time: the Commission will process them rapidly.

The Commission therefore calls upon:

- The European Parliament and Council to agree the **Youth Employment Initiative** to target support to regions experiencing youth unemployment rates above 25% and to young people (NEETs) aged between 15 and 24, and with a strong focus on actions to support the Youth Guarantee.
- The European Parliament and Council to agree to **commit all EUR 6 billion of the YEI in 2014 and 2015** by adjusting the commitment profile of the next MFF and to adapt the ESIF regulations to allow expenditure under the YEI to be deemed eligible as of the date of submission of the YEI operational programmes, even before the Partnership Agreements are in place and before the legal framework has entered into force.
- Member States to **accelerate the preparation of the specific YEI programmes** and to submit these programmes during 2013 for immediate implementation.

3.2 Relaunching the Youth Employment Action Teams

In 2012, the Commission established joint **Youth Employment Action Teams** with the Member States experiencing particularly high levels of youth unemployment. These teams worked to help ensure that the EU structural funds are being used to maximum effect to support young people. Through this work, about EUR 16 billion of EU funding has already been targeted for accelerated delivery or reallocation. This will eventually help more than one million young people and the results are already being felt on the ground (see below and Annex II).

Examples of results of the work of the Youth Employment Action Teams

- In **Portugal**, the 'Impulso Jovem' initiative has entailed a comprehensive reprogramming of EU structural funds and will benefit 90 000 young people and support 4 500 SMEs by the end of 2015. For example, EUR 143 million of EU funding has been reallocated to finance measures that include traineeships in key economic sectors, as well as support for the contracting of people aged 18-30 years old via reimbursement of employers' social security contributions.

- In **Spain**, over EUR 286 million in ESF funding has been reallocated to actions related to youth. Actions implemented so far include workshop schools and employment workshops, with about 9 500 young participants. Subsidies in the form of reductions in social security contributions for companies recruiting young people have been implemented for 142 000 young people. The new Entrepreneurship and Youth Employment Strategy sets out 100 further measures to combat youth unemployment. EUR 3.485 billion has been earmarked for these actions, some of which will be co-funded by the ESF. Several specific measures are being funded by the ERDF in regions where the youth unemployment rates are highest.
- In **Italy**, as part of the Cohesion Action Plan, EUR 1.4 billion has been allocated to actions aimed at young people, including a Youth Employment Plan in Sicily worth EUR 452 million, education activities for 65 300 students from Southern regions and 13 000 new mobility opportunities. In a second phase, a further EUR 620 million has been dedicated to new actions supporting young people and NEETs, including child care, support for entrepreneurship and combating early school leaving. The ESF will also co-finance actions to support apprenticeship schemes (EUR 100 million) and to provide guidance and placement for pupils and young graduates (EUR 36 million).

Building on this positive experience, the Commission is ready to relaunch and expand the Action Teams to work with the Member States eligible for financial support under the Youth Employment Initiative. At the initiative of the Member States in question, teams will be set up to support and accelerate work on the preparation of the Operational Programmes and to advise on how EU funding from the ESF and YEI can best be used to implement the Youth Guarantee.

The Commission therefore calls upon:

- Member States eligible for the Youth Employment Initiative, at their request, to work with Commission experts through dedicated **Youth Employment Action Teams** to assist with the implementation of the Youth Guarantee scheme and the mobilisation of the ESF and YEI to this end. To support this process and upon request by a Member State, the Commission will coordinate technical assistance, for example through Member State twinning.

4. Boosting mobility with EURES and the ESF

The single market offers a wealth of job, apprenticeship and training opportunities for Europe's young people. All the evidence indicates that young people are eager to seize these opportunities. However, identifying and taking advantage of opportunities in other Member States in real time can be daunting. The Commission has therefore long been working to make mobility easier both for the benefit of the individuals, employers and the European economy at large.

The **EURES portal** gives access to over 1.4 million job vacancies and nearly 31 000 registered employers. However, the EURES network is not yet operating to its full potential. The Commission has begun a major reform to make the EURES system more responsive to labour market realities and to strengthen the focus on the mobility of young people by offering jobs as well as opportunities to combine work with learning, such as apprenticeships. The EURES portal is also being revamped to make it more user-friendly and a EURES Charter providing commonly agreed EU guidance for national EURES delivery measures will

be tabled before the end of this year. In addition, the Commission is working on new legislation to strengthen EURES services for both employers and job-seekers. The objective is to supply more job vacancies and improve the matching of job vacancies with applications while deepening the integration of EURES within national Public Employment Services.

For a young person, identifying opportunities to work or learn abroad is one thing; taking advantage of them is another. The Commission is currently piloting a new system to help young people seize the job opportunities advertised on EURES, while helping SMEs to recruit young job-seekers from across Europe. **'Your first EURES Job'** helps young people to find jobs in other Member States by providing financial support for language courses and other training needs, travel expenses and integration programmes in the case of recruitment by an SME. The 'Your First EURES Job' pilot will help to place around 5 000 people in the six participating Member States and will be extended in 2013 to cover apprenticeship and traineeship placements. Initial results have been very encouraging and some Member States, for example Germany, have based their own mobility schemes on this model.

Under the next MFF, the European Programme for Social Change and Innovation will provide additional direct funding of around EUR 5 million annually to support this type of targeted scheme. However, in view of the scale of the challenge the onus will be on Member States – working through their Public Employment Services – and employers to step up their financial support for employment through intra-EU mobility, drawing on the experience of Your First EURES Job. The ESF is there to help: from 2014, financial support will be available for language and career-orientation training, travel costs and integration in the host country.

The Commission therefore calls upon:

- Member States to make use of ESF funding opportunities and national funding sources to **promote intra-EU labour mobility**, including using EURES, and to reinforce the capacity of national Public Employment Services in this regard.
- The European Parliament and Council to consider rapidly the forthcoming legislative proposal from the Commission to **strengthen EURES**, which will be tabled by the end of 2013.

5. Easing the transition from education to work

Helping young people to integrate into the job market after leaving school or university is an indispensable part of delivering the Youth Guarantee. In this year's Country-Specific Recommendations, the Commission has recommended to 16 Member States to focus on reforming vocational and educational training (VET) programmes by increasing their labour market relevance through a stronger work-based learning component and accelerating the reform of apprenticeships. The EU budget can support this process: Member States can use the ESF, the YEI and the 'Erasmus +' programme to help improve the quality and efficiency of education and training systems.

The transition from education to work was a central theme of the Youth Employment Package, which launched two specific initiatives to facilitate this transition: the European Alliance for Apprenticeships and the Quality Framework for Traineeships.

5.1 Implementing the European Alliance for Apprenticeships

Experience has shown that countries with strong, attractive VET systems and especially those with well-established apprenticeship systems and strong work-based learning tend to perform better in terms of facilitating the transition from school to work and keeping youth unemployment down. Improving the supply and quality of apprenticeships is therefore an important part of the youth employment strategy.

As announced in the Youth Employment Package, the Commission is launching a European Alliance for Apprenticeships to help improve the quality and supply of apprenticeships and to change mind-sets towards work-based learning. The Alliance will bring together Member States, social partners, businesses, the Commission and other relevant actors to develop high quality apprenticeship-type training and excellence in work-based learning in VET, and to promote national partnerships for dual learning.

The launch of the Alliance on 2 July 2013 is an opportunity to galvanise the private sector and to give new impetus to the supply of and demand for high-quality apprenticeships and work-based learning. Businesses have everything to gain from access to a huge pool of potential candidates for apprenticeships and from investing now to create a highly-skilled workforce for the future.

The Commission therefore calls upon:

- The Member States to implement the proposed **Country Specific Recommendations** on apprenticeships and on vocational education and training.
- Member States to include **apprenticeship reform within their Youth Guarantee Implementation Plans** and to mobilise EU funding to support this objective; and to set up strong partnerships at national level for dual learning bringing together authorities responsible for education and employment, social partners, chambers, VET providers, youth and student organisations, employment services and agencies managing EU funding.
- The **private sector to support fully the Alliance** and to commit to increasing the supply of high quality apprenticeships, building on recent industry-driven initiatives.

5.2 Delivering high-quality traineeships

Traineeships also have an important role to play in smoothing the transition from education to work, particularly in the context of the crisis. High-quality traineeships help boost the employability of young people and are important stepping stones in the progression to regular employment.

However, despite the broad consensus on the importance of traineeships, there are serious concerns about the quality of traineeships on offer and their added-value. These concerns relate to insufficient learning content, inadequate working conditions and repeated traineeships that in reality are used as substitutes for real jobs. To address these concerns, the Commission announced as part of the Youth Employment Package a new European initiative for a European Quality Framework for Traineeships. The Commission has consulted the social partners and work on this framework will now be accelerated in order to present a proposal by the end of 2013.

The Commission therefore calls upon:

- The Council to work quickly on the forthcoming Commission proposal on a **Quality Framework for Traineeships** with a view to having the new Framework in place in early 2014.

5.3 'Erasmus +': opening up cross-border education and training opportunities

Dedicated EU programmes also make an important contribution to the development of VET and to helping young people take full advantage of the single market. Increased mobility of students increases labour mobility and contributes to the creation of a more integrated labour market. For example, the current Lifelong Learning Programme - and in particular the 'Leonardo Da Vinci' sub-programme for VET - has already allowed 500 000 VET learners and 225 000 higher education students to take advantage of work-based training in another Member State, enabling them to develop both the job-relevant and cross-cutting skills that employers are seeking.

Examples of how European VET mobility programmes have helped young people

- In 2012, Lili from Romania participated in a 'Leonardo da Vinci' mobility project entitled 'Applying modern healthcare systems'. She spent four weeks developing nursing skills during a training course at the Barmherzige Bruder Hospital in Vienna in Austria. This gave her the opportunity to acquire new knowledge regarding nursing techniques and modern research techniques and to develop her German language skills. This experience and the Europass Mobility Certificate obtained at the end of the placement helped her to find a new job abroad.
- Joanna, from Poland, took part in 2008 in a one-month vocational placement in Germany through the 'Leonardo da Vinci' programme, working for a local seed company, Appels Wilde Samen. The placement allowed her to acquire skills in the cultivation of many species of plants as well as to work in a different language and cultural environment. This experience paved the way for her to open her own farm in Poland, where she maintains strong links with the host company in Germany.

- Matthias, from Germany, undertook initial vocational traineeship at Munich International Airport to become a mechatronics specialist and then went for three weeks to Vienna Airport to gain experience abroad through the 'Leonardo da Vinci' programme. A placement abroad allowed him to gain new insights into differences in working practices and culture and gave him a new perspective concerning working processes in his home company.

Under the next MFF, as part of the 'Erasmus +' programme proposed by the Commission, support for mobility will be scaled up significantly to help almost 5 million young people in total, including over 700 000 VET placements. Cooperation between employers and education providers will be deepened through strategic partnerships and sector skills alliances to support higher quality education programmes and cross-border mobility.

The impact of this cooperation can be increased by the injection of national and EU funds - in particular the ESF – to provide opportunities for an even larger number of young people. It is clear that the demand for cross-border mobility is high and that the number of placement opportunities abroad therefore has significant growth potential. To help exploit this potential, the Commission will accelerate the implementation of this part of the 'Erasmus +' programme and Member States should use their ESF allocations for this purpose.

The Commission therefore calls upon:

- European Parliament and Council to agree rapidly on the new '**Erasmus +**' programme. The Commission will accelerate the implementation of the VET component of this programme once it launches in 2014.
- Member States to use the ESF to **develop and support mobility in VET** to help young people acquire the skills necessary to find their place in the labour market.

5.4 Investing in skills and addressing skills mismatch

Europe's competitiveness, innovative capacity and productivity depend critically on the availability of highly-educated and well-trained workers. The long-standing trend towards ever higher skill requirements means that young people without the skills that the economy requires will find it increasingly difficult to find employment. Tackling youth unemployment therefore requires action to tackle skills shortages and mismatches.

The process of acquiring skills begins at school and continues through higher education and work-based learning. However, today the performance of many education systems is inadequate as they display unacceptably high drop-out rates and may fail to provide young people with essential skills. There is therefore an urgent need to make education systems more responsive to current and future skills needs so as to avoid skills mismatches and bottlenecks.

Addressing skills mismatch in sectors with recognised job creation potential, such as ICT, healthcare and the green economy is a particular priority. The Commission launched in March 2013 an EU-wide multi-stakeholder partnership – the Grand Coalition for Digital Jobs - to tackle the shortage of ICT skills in the EU and to fill the projected several hundred thousand

vacancies requiring these skills. As part of its action plan for the EU health workforce, the Commission launched in April 2013 a Joint Action to help improve health workforce forecasting and planning, bringing together the Member States and shareholders to exchange best practice. The Commission is also carrying out a cross-country mapping study on innovative recruitment strategies such as the use of social media to attract young people to take up a career in healthcare. The Commission will launch similar coalitions or broader action plans to unleash the job creation potential of the "green economy".

Entrepreneurial skills are also key for young people seeking employment and starting their own businesses. Practical entrepreneurial experiences for all young people help to make the link between education and the real world, turning creative ideas into entrepreneurial action. To support change across the education system, the Commission will provide more detailed policy guidance on entrepreneurship in education. A collaboration action with the OECD on Guiding Frameworks for Entrepreneurial Education at the levels of schools, VET and universities, will encourage entrepreneurial teaching and learning.

To further help young people taking up jobs abroad, the Commission is working in close cooperation with Member States and stakeholders towards the creation of a European Area for Skills and Qualifications. This will ensure that skills and qualifications can be easily recognised across borders and facilitate labour mobility.

The Commission therefore calls upon:

- Member States to **modernise and improve their education systems** by addressing the gaps in basic skills, stepping up efforts to tackle early-school leaving, improve the provision of transversal skills such as digital, entrepreneurial and language skills and scaling up the use of ICT-supported learning.
- All stakeholders to step up their support for the **Grand Coalition for Digital Jobs** with a view to addressing the projected shortfall of 900,000 ICT professionals in Europe by 2015.

6. Building a European labour market for the longer term

Most of the actions described above, if implemented now, will have an immediate effect. However, there is much more to be done in the medium term to reform the economy so as to build a genuine European labour market in which all citizens, young and old, are able to move freely to work, study and train. This will make the European economy more dynamic and flexible while ensuring that the necessary protections are in place for those exercising their rights to live, work and study abroad.

There are already many proposals on the table that will help to make the single market work more efficiently, including the proposed amendments to the Professional Qualifications Directive and to the Directive on portability of supplementary pension rights and the Directive

on the enforcement of the rights of mobile workers. There is also a pressing need to improve enforcement of existing EU law, in particular with regard to jobs and working conditions. In addition, the Commission is working on more citizen-friendly rules on social security coordination concerning unemployment benefits and is analysing the possibility of enabling unemployment benefits to be paid for a period longer than the current 3 months to workers seeking employment in another Member State.

The recent Commission proposal to modernise and enhance cooperation between Public Employment Services will also contribute to improving the operational functioning of labour markets and the delivery of labour market programmes and therefore to helping young people into the labour market. The Commission will propose to establish a network of Public Employment Services in order to start a benchmarking system and corresponding mutual learning activities will contribute to the construction of a European labour market and ultimately provide jobseekers and employers with better and more effective employment services.

The Commission therefore calls upon:

- The European Parliament and Council to step up work on all proposals designed to promote the development of a **genuine European labour market** accessible to all young people.

7. Creating jobs: helping firms to recruit young people

Youth unemployment will only fall in a sustainable manner if the economy creates more jobs. All the work underway in Europe to rekindle growth and job creation will therefore contribute to addressing the youth unemployment problem. The priorities highlighted at European level in the context of the Annual Growth Survey and at national level in the framework of the Country-Specific Recommendations set out the way forward. In this context, a particular effort is needed to create the right incentives for firms, notably SMEs, to recruit and retain young people.

Young people are disproportionately hit by unemployment. This is a reflection of broader, deep-rooted problems in the functioning of labour markets. Moreover, in many countries, young people are over-represented among workers on temporary contracts. Reducing the gap between employment protection legislation for temporary and permanent contracts will contribute to facilitating the transition of newcomers, including young people, from entry jobs with short duration to more stable jobs that offer good career prospects. Moreover, reducing the cost of employing young people in their first job, for example through targeted subsidies and reductions in social security contributions in the case of low-skilled positions, can make an important contribution in the right circumstances.

SMEs and in particular micro-enterprises are an especially important motor of job creation for young people and as such every effort should be made to help them access the finance they

need to thrive. Here EU instruments, in particular the European Regional Development Fund, play an important role, both in providing direct support to SMEs and co-funding a wide range of financial instruments. The European Investment Bank (EIB) also has a crucial role to play with regard to access to finance for SMEs. The recent capital increase of EUR 10 billion is expected to allow EUR 12.5 billion to be released annually in direct financial support for SMEs in 2013-15 and may mobilise in total around EUR 37.5 billion in SME loans when other types of lending indirectly benefiting SMEs and co-financing are taken into account. In addition, the Commission is currently working with the EIB to develop joint instruments to support lending to SMEs.

The Commission therefore calls upon:

- Member States to implement the **Country-Specific Recommendations** addressed to them, including by limiting the tax burden on labour, reducing the gaps in employment protection between different types of work contracts and exploring targeted measures to incentivise the hiring of young people.
- The **EIB to step up support for SMEs** creating jobs and offering apprenticeships for under-25s and to accelerate work with the Commission to implement new mechanisms to support SMEs.

Annex 1 : Youth employment-related Country-Specific Recommendations

BE	Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth.
BG	Accelerate the national Youth Employment Initiative, for example through a Youth Guarantee. Adopt the School Education Act and pursue the reform of higher education, in particular through better aligning outcomes to labour-market needs and strengthening cooperation between education, research and business.
DK	Improve the quality of vocational training to reduce drop-out rates and increase the number of apprenticeships.
EE	Continue efforts to improve the labour-market relevance of education and training systems, including by further involving social partners and implementing targeted measures to address youth unemployment.
ES	Implement and monitor closely the effectiveness of the measures to fight youth unemployment set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the labour market relevance of education and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a comprehensive monitoring system of pupils' performance by the end of 2013.
FI	Implement and monitor closely the impact of on-going measures to improve the labour-market position of young people and the long-term unemployed, with a particular focus on the development of job-relevant skills.
FR	Take further measures to improve the transition from school to work through, for example, a Youth Guarantee and promotion of apprenticeship.
HU	Address youth unemployment, for example through a Youth Guarantee. Implement a national strategy on early school-leaving and ensure that the education system provides all young people with labour-market-relevant skills, competences and qualifications. ... Support the transition between different stages of education and towards the labour market. Implement a higher-education reform that enables greater tertiary attainment, particularly by disadvantaged students.
IT	Take further action to foster labour market participation, especially of women and

	<p>young people, for example through a Youth Guarantee.</p> <p>Strengthen vocational education and training, ensure more efficient public employment services, and improve counselling services for tertiary students. ... Step up efforts to prevent early school leaving and improve school quality and outcomes, also by reforming teachers' professional and career development.</p>
LT	<p>Improve the employability of young people, for example through a Youth Guarantee, enhance the implementation and effectiveness of apprenticeship schemes, and address persistent skill mismatches.</p>
LU	<p>Step up efforts to reduce youth unemployment by improving the design and monitoring of active labour market policies. Strengthen general and vocational education to better match young people's skills with labour demand, in particular for people with migrant background.</p>
LV	<p>Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.</p>
MT	<p>Continue to pursue policy efforts to reduce early school leaving, notably by setting up a comprehensive monitoring system, and increase the labour market relevance of education and training to address skills gaps, including through the announced reform of the apprenticeship system.</p>
PL	<p>Strengthen efforts to reduce youth unemployment, for example through a Youth Guarantee, increase the availability of apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching.</p>
RO	<p>To fight youth unemployment, implement without delay the National Plan for Youth Employment, including for example through a Youth Guarantee.</p> <p>Step up reforms in vocational education and training. Further align tertiary education with the needs of the labour market and improve access for disadvantaged people. Implement a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children.</p>
SE	<p>Reinforce efforts to improve the labour-market integration of low-skilled young people and people with a migrant background by stronger and better targeted measures to improve their employability and the labour demand for these groups. Step up efforts to facilitate the transition from school to work, including via a</p>

	wider use of work-based learning, apprenticeships and other forms of contracts combining employment and education. Complete the Youth Guarantee to better cover young people not in education or training.
SI	<p>Take further measures to increase employment of the young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness.</p> <p>Address the skills mismatch by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.</p>
SK	Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. In vocational education and training, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes.
UK	<p>Building on the Youth Contract, step up measures to address youth unemployment, for example through a Youth Guarantee. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills.</p> <p>Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.</p>

Annex 2 – How the Youth Employment Action Teams have helped young people

Ireland	<ul style="list-style-type: none"> – A Labour Market Education & Training Fund, known as Momentum and part of Ireland's Action Plan for Jobs, was launched in December 2012 to provide skills training for up to 6 500 long-term unemployed. The ESF will contribute EUR 10 million to this Fund, which has an overall budget of EUR 20 million. One of the four strands of this Fund is specifically designed for young people under 25. Currently, 816 young people are supported under this specific strand. But since young people can also participate in the other three strands, the total number of young participants in Momentum is 1 353. – EUR 25 million has been redirected to the integrated <i>Youthreach</i> programme which provides education, training and work experience to young people who have left school early without qualifications or vocational training. This will allow 3 700 training places to be maintained until the end of 2013.
Slovakia	<ul style="list-style-type: none"> – Following the ESF re-allocation, two national projects (worth EUR 70 million) were launched in November 2012 supporting job creation for young people under 29 in private and self-governing sectors in the regions with the highest levels of unemployment (target: 13 000 new jobs). The implementation of the projects to date has been successful, with microenterprises and SMEs showing the greatest interest in offering work opportunities for young people. By mid-May 2013, more than 6 200 new jobs had been created (EUR 33.1 million contracted).
Lithuania	<ul style="list-style-type: none"> – In Lithuania, all planned ESF actions are being implemented. A project was refocused to offer vocational training programmes to about 6 000 young people. The budget is about EUR 6 million. The project started on August 2012 and will end in August 2013. The number of participants is 4 851. – A project providing first-job skills for young people was extended with an additional budget of EUR 6 million, which will support around 6 000 young people. The project started on July 2011 and will end on November 2013. 4 382 young unemployed people have already participated in this project. – The Entrepreneurship Promotion Fund (ESF EUR 14.5 million), currently provides loans and training services for start-ups and self-employment, with young people among the prioritised focus groups under this measure. A new measure (worth EUR 3 million) was approved to increase the attractiveness of this loan scheme for start-ups and self-employment. – Another new ESF measure (EUR 9.3 million) “Support for the first job” has been recently approved, replacing the existing social security reduction scheme for the first job by wage subsidies. The project started on August 2012 and will end in September 2015. The planned number of participants is about 20 000. The number of applications received by 18 April 2013 is 4 858.

	<ul style="list-style-type: none"> – A new measure worth EUR 2.3 million "Promotion of youth employment and motivation" was approved on 17 April 2013. Two of the projects will focus on volunteering and individual support for vulnerable young people.
Latvia	<ul style="list-style-type: none"> – EUR 11 million has been allocated to several measures supporting young people without vocational qualifications and seeking new, labour market oriented, qualifications. As a result of these measures, the proportion of young unemployed receiving EU support will jump from 24% to 40%, while the number of persons in vocational training would double. – The 5-year project "Acquiring Vocational Education Programmes, Basic Skills and Competences for Sustaining Education and Career Development" is aimed at preparing secondary VET level professionals in order to promote the acquisition of vocational competences and skills for occupational activities and further education as well as facilitating integration in the labour market. It is being implemented in partnership with VET schools to provide 12-18 month programmes for 2nd and 3rd level professional qualifications for at least 4 000 under-25s. By the end of May 2013, 1 372 students have received the 2nd and 3rd level of professional qualification. – In 2013, the measure "Youth workshops", co-financed by the ESF, is being implemented with the objective of helping up to 500 young people aged 15-24 without previous vocational education to experience 3 professions and make a well-informed career choice.
Portugal	<ul style="list-style-type: none"> – A national initiative called 'Impulso Jovem' entailed a comprehensive re-programming of structural funds which will benefit 90 000 young people by the end of 2015 in mainland Portugal. EUR 143 million of ESF funding was reallocated to finance measures including traineeships in key economic sectors, as well as support for the contracting of people aged 18-30 years old via reimbursement of employer's social security contributions. – In February 2013, the scope of the programme was broadened, enlarging the eligibility criteria as well as expanding it to additional regions. By the end of May, 9 676 young people have been covered by the programme so far. A transfer of EUR 10 million from the Madeira ERDF Operational Programme to the corresponding ESF Operational Programme was made in order to support youth employment measures such as traineeships and hiring incentives. By the end of May, 1 497 additional young people had been covered.
Spain	<ul style="list-style-type: none"> – In Spain, during 2012, over EUR 286 million in ESF funding was reallocated to actions related to youth. From this, EUR 135 million was directed to the public employment service to help young people find work. The youth actions implemented so far are workshop schools and employment workshops, with about 9 500 young participants. These are mixed

	<p>programmes of employment and training. Furthermore, subsidies in the form of reductions in social security contributions for companies recruiting young people have been implemented for a total of about 142 000 young people.</p> <ul style="list-style-type: none"> – With regard to the EUR 50 million ESF reallocated in 2012 in the Fighting Against Discrimination programme, measures to tackle youth unemployment consist mainly of activities related to integrated pathways to employment adapted to the specific needs of different groups, such as young with disabilities, young Roma, young with special difficulties and unemployed young with a medium level of employability. – The Spanish Government presented on 12 March 2013 the Entrepreneurship and Youth Employment Strategy 2013-2016. This initiative provides 100 individual measures to combat youth unemployment. The actions address young people in general under the age of 30, and especially those who are unemployed. To achieve the Strategy’s objectives and implement the new measures, new resources amounting to EUR 3.485 billion have been earmarked. Some of the actions will be partially funded by the ESF during the current and future programming periods.
Italy	<ul style="list-style-type: none"> – As part of the first phase of the Cohesion Action Plan, EUR 1.4 billion has been allocated to actions aimed at boosting education and employment, including a Youth Employment Plan in Sicily worth EUR 452 million and expected to benefit around 50 000 young people, new education activities for 65 300 students from Southern regions or 13 000 new mobility opportunities. In a second phase, a further EUR 620 million has been dedicated to actions supporting young people and NEETs, including support for entrepreneurship and combating early school leaving. – The ESF is also co-financing the “AMVA programme” worth EUR 118 million to support apprenticeship schemes and the “FIXO programme” (promotion of guidance and placement of young pupils) worth EUR 36 million.
Greece	<ul style="list-style-type: none"> – Following extensive re-programming at the end of 2012, a national youth action plan was endorsed in January 2013 with EU funding of EUR 517 million. The plan is intended to promote youth employment, training and entrepreneurship and targets nearly 350 000 young people. Additional support of EUR 1.2 billion to address the liquidity needs of SMEs is being allocated under the latest re-programming exercise. According to the latest information coming from the Greek authorities, the new initiatives included in the adopted youth action plan that have already started (approx. EUR 47 million) include the temporary hiring of the young unemployed (up to 35 years old) in community-based work programmes in the cultural sector as well as the provision of support to social structures, which aim at combating

	<p>poverty and social exclusion, for the recruitment of the young unemployed.</p> <ul style="list-style-type: none">– In addition, the implementation of the following schemes from the action plan (approx. EUR 146 million) is being launched: a) "voucher for entrance in the labour market" which combines training with a 5-month job placement in businesses and targets 45 000 young unemployed up to 29 years old; b) blended theoretical and on-the-job training for 1000 young unemployed seamen up to the same age limit.
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