MEPs agree tighter rules on industrial pollution
MEPs in the European Parliament's Environment Committee agreed to strengthen legislative rules to limit industrial air pollution by allowing for more limited derogations than EU governments had demanded. The Integrated Pollution Prevention and Control Directive proposals oblige industrial installations to obtain permits from national authorities to release pollutants into the air, soil and water. MEPs strengthened the instances where public authorities can issue permits for installations that do not follow best available techniques.


EU calls on trading partners to remove protectionist barriers
The European Commission published a report towards the end of the month that highlighted almost 280 trade restrictive measures that have been put in place by the EU's major trading partners during the economic crisis over the last 18 months. EU Trade Commissioner Karel De Gucht said "There is a risk that trade restrictive measures introduced by our partners during the crisis will become part of the trade regime even when the economy picks up speed. What we need now is an exit strategy from protectionism."


Commission launches European SME Week 2010
The European Commission launched a pan-European campaign designed to promote and support entrepreneurship in the bloc. Some 1261 events were organised across the 37 countries in Europe showcasing the support available to business at the European, national, regional and local level. Vice-President Antonion Tajani said "Small and medium sized enterprises run by dynamic entrepreneurs are the job generators of Europe. In rough times we need them more than ever to get the European economy going. Against the backdrop of today’s precarious trends, decisive and comprehensive policy support is vital."
Commission sets out vision for bank resolution funds
The European Commission published its long-awaited proposals on the establishment of a network of bank resolution funds to ensure that future bank failures are not at the cost of the taxpayer or destabilise the financial system. A levy on banks has been in the pipeline for a few months and has proven a popular idea with the French, German and British governments. However, UK Chancellor George Osborne has criticised the idea that the funds will be ring-fenced and held separately from national budgets. Mr Osborne said “We are clear that the purpose of that bank levy is to raise money that will be used for general expenditure purposes.” The proposal is to be refined by EU governments next month and tabled at the G20 summit in Toronto.

http://www.guardian.co.uk/business/2010/may/26/banking-europe-tax-financial-crisis

The month ahead

1st – 6th June

- Committee Week in the European Parliament
- Justice and Home Affairs Council

7th – 13th June

- Political Group week in the European Parliament
- ECOFIN Council
- Employment Council

14th – 20th June

- Plenary Week in the European Parliament
- Foreign Affairs Council

21st – 27th June

- Committee Week in the European Parliament
- Transport Council
- Environment Council
Policy Area Developments

- European Commission - Winners of European Enterprise Awards successful at creating small businesses in times of crisis
- European Commission - Mergers: Commission approves proposed acquisition of ASK by ERSTE BANK
- European Commission - Commission sets out vision for bank resolution funds
- European Commission - Joint Statement by Máire Geoghegan-Quinn, European Commissioner for Research, Innovation and Science, and Vince Cable, UK Secretary of State for Business
- European Commission - European SME Week 2010 - Promoting and supporting entrepreneurship
- Commissioner for Employment, Social Affairs and Inclusion - "Out of the crisis with social dialogue"
- Commissioner for Economic and Monetary Affairs - Closing key-note address, Brussels Economic Forum
- European Central Bank - The challenges of credit risk management: lessons learned from the crisis, Speech by José Manuel González-Páramo
- European Presidency - Spanish Presidency says its six-month term has been a success in the area of R&D+i
European Commission - Winners of European Enterprise Awards successful at creating small businesses in times of crisis
Mon, 31 May 2010 | European Commission Press Release

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IP/10/638

Brussels, 31 May 2010

For its creative approach in attracting business start-ups in this rural region of central France, European Commission Vice President Antonio Tajani awarded today the Auvergne region's "Entrepreneurs in Residence" the Grand Jury's Prize at the 2010 European Enterprise Awards ceremony. The high-level jury representing business, government and academia, selected the project of the Regional Development Agency for its impressive results in helping entrepreneurs to set up their residence and business in this volcanic landscape and creating over 200 businesses generating 600 jobs not only in the tourism sector, but also in trade and services. Five other initiatives from Austria, Germany, Poland, Slovenia and Sweden, also received awards in the ceremony which was jointly organised by the European Commission, the Spanish EU Presidency and the Committee of the Regions. The event closed the second European SME Week, the European Commission's pan-European campaign to promote entrepreneurship and small businesses (SMEs) in Europe.

European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship, said: "Small business needs the right soil to grow. The European Enterprise Awards winners are a living testimony of how the public sector can help plant the seeds for business creation and growth. The key to this success is building strong public-private partnerships that create win-win situations for companies and communities."

Ramón Luis Valcárcel Siso, 1st Vice-President of the Committee of the Regions said: "As the difficulties of the EU economy, and the Euro-zone in particular, are being discussed all over Europe these days, it is vital to acknowledge that encouraging entrepreneurship at local and regional level is a key ingredient for the success of any plan to exit the current difficult economic situation."

The six winners of the European Enterprise Awards 2010 edition are:

Grand Jury's Prize

The “Entrepreneurs in Residence” project (France) by the Agence Regionale de Developpement des Territoires d'Auvergne has attracted entrepreneurs to set up their businesses in a region that is perceived as rural and remote. Offering participants individualised start-up support and funding has resulted in more than 300 new residencies. More than 200 businesses have been set up, employing over 600 people. The region of Auvergne has already started to expand the programme to the medical professions.

Promoting the Entrepreneurial Spirit

Self-employment in the creative industry (Austria) - a university-based seminar focusing on preparing art students to become entrepreneurs has helped more than 300 participants develop 40 business ideas over the past 5 years.

Investment in Skills

Företagsamt Halland (Sweden) – a strategy that is instilling entrepreneurship among children and young people through business-oriented learning, thus almost doubling the number of children who would like to become entrepreneurs from 26% to 44%. 

DeHavilland
Improving Business Environment

Programme of Providing Support to Entrepreneurs Aimed at Reducing the Closure Rates of Businesses (Slovenia) – a public-private partnership that has helped to decrease the number of business closures from 57% to 9% within two years through free support to potential or current enterprises in the first stages of their company lives. Originally only operating in the Ljubljana area, it has already been progressively expanded throughout the country.

Internationalisation of Business

EGI Euregional Start-up Initiative (Rhein-Maas-Nord, Germany and the Netherlands) – a jointly established programme to promote cross-border activities of local young enterprises with an international focus that has resulted in 64 new businesses and that has led to several interesting collaborations.

Responsible and Inclusive Entrepreneurship

Construction of Houses by Means of a Training System for Unemployed People (Nysa, Poland) – a municipal project that has provided on-site training for 176 formerly unemployed people by having them build social housing and therefore tackling two problems at the same time.

The Jury's special mention has been awarded to:

"Time for Ethics", Nuremberg, Germany – which aims to keep up ethical standards in business even during times of change or crisis by developing a strong network of volunteer experts who provide local entrepreneurs with coaching and advice on leadership ethics.

The European Enterprise Awards were launched four years ago to recognise and reward initiatives that support entrepreneurship at a regional level. This year 338 national, regional and local authorities – including towns, cities and regions, as well as public-private partnerships – competed for nomination to the European competition for which each country can select up to two candidates.

The twelve nominees which were shortlisted for the awards were showcased as part of a conference on "Getting SMEs on the road to recovery" in Madrid. The conference provided a forum for exchange of best practice in implementing the Small Business Act for Europe (SBA) and highlighted a series of inspiring examples at national, regional and local levels from across the EU. The event marked the official closing of the second European SME Week 2010, a pan-European campaign of more than 1000 events across Europe that aim at informing entrepreneurs and potential entrepreneurs about the available support as well as recognising the role of entrepreneurs in society.

For further information, please visit:


"Small Business Act" for Europe


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European Commission - Mergers: Commission approves proposed acquisition of ASK by ERSTE BANK
Fri, 28 May 2010 | European Commission Press Release

Brussels, 27 May 2010

The European Commission has cleared under the EU Merger Regulation the proposed acquisition of the savings bank Allgemeine Sparkasse Oberösterreich Bank Aktiengesellschaft (ASK) by Erste Bank, both of Austria. After examining the operation, the Commission concluded that the transaction would not significantly impede effective competition in the European Economic Area (EEA) or any substantial part of it.

Erste Bank is an Austrian savings bank mainly active in retail and corporate banking. ASK is a regional savings bank in Upper Austria with activities in retail banking and corporate banking for small and medium sized companies.

The transaction is part of the restructuring of the Austrian savings bank sector. It is the last of a series of transactions in which Erste Bank as the central institute for the savings banks sector acquired control over more than 40 regional savings banks.

The previous transactions were notified to the Austrian competition authority as they did not reach the turnover thresholds of the EU Merger Regulation, except for Steiermärkische Sparkasse, which was referred from the Commission to the Austrian competition authority for examination on the request of the parties.

The Commission’s examination of the proposed transaction showed that the horizontal overlaps between the activities of Erste Bank and ASK in retail and corporate banking are limited and that, for all products and services concerned, the merged entity will continue to face effective competition.

The transaction was notified to the Commission on 19 April 2010. More information on the case will be available at:


European Commission - Commission sets out vision for bank resolution funds
Wed, 26 May 2010 | European Commission Press Release

Brussels, 26 May 2010

The European Commission is today proposing that the European Union establishes an EU network of bank resolution funds to ensure that future bank failures are not at the cost of the taxpayer or destabilise the financial system. Following discussion at the forthcoming European Council, the European Commission will present these ideas at the G-20 Summit in Toronto on 26-27 June 2010. Such funds would form part of a broader framework aimed at preventing a future financial crisis and strengthening the financial system. The Commission believes that a way to achieve this is by introducing requirement for Member States to
establish funds according to common rules into which banks are required to pay a levy. The funds would not be used for bailing out or rescuing banks, but only to ensure that a bank's failure is managed in an orderly way and does not destabilise the financial system.

Internal Market and Services Commissioner Michel Barnier said: "It is not acceptable that taxpayers should continue to bear the heavy cost of rescuing the banking sector. They should not be in the front line. I believe in the 'polluter pays' principle. We need to build a system which ensures that the financial sector will pay the cost of banking crises in the future. That is why I believe that banks should be asked to contribute to a fund designed to manage bank failure, protect financial stability and limit contagion – but which is not a bail-out fund. Europe must take a lead in developing common approaches and providing a model for cooperation which could be applied globally."

Why bank resolution funds are needed

As a result of the financial crisis, national governments have had to use massive amounts of taxpayers' money to support their financial sector, maintain financial stability and protect depositors. Efforts are now needed to ensure that such situations never happen again. The Commission is already putting in place preventive measures which should reduce the probability of bank failure, but work is also needed to ensure that should bank failures arise in the future, robust mechanisms backed by private money are in place to deal with them.

In October 2009, the Commission made clear that it supports the establishment of a new crisis management framework at the EU level. This new framework will include a harmonised set of powers and rules allowing regulators to prevent bank failures and to take measures to facilitate the orderly resolution of insolvent banks whilst minimising costs to taxpayers (IP/09/1549). The Commission is now suggesting resolution funds as a complement to this new framework. Naturally, their size and scope would depend on the efficiency of improved supervision and regulation.

A number of EU Member States have already introduced, or are considering introducing, levies on their banking sector. However, the lack of a coordinated approach towards how much money should be levied and how it should be used means there is a risk of competitive distortions between national banking markets and of cross-border cooperation during crises being hampered.

What is the Commission suggesting? An EU network of bank-funded resolution schemes

The Commission believes that establishing an EU-wide network of pre-funded schemes with narrowly defined mandates would constitute the best use of bank levies. These funds would be designed to provide financing for the types of measure outlined in the October 2009 Communication on crisis management, which include: providing financing for 'bridge bank' operations; total or partial transfer of assets and/or liabilities; and financing a 'good bank' / 'bad bank' split.

The establishment of resolution funds would enhance the resilience of the banking sector and avoid the need to revert to taxpayer funds. The Commission also recognises that the existence of large bank-funded schemes raises important 'moral hazard' issues if there is a belief that such funds exist to protect banks against future failure. This is a major concern which needs to be addressed by making it clear and unambiguous that shareholders and uninsured creditors must be the first to face the consequences of a bank failure and that resolution funds will be no insurance policy, and be used not to bail out failing banks, but rather to facilitate an orderly failure.

Potential size and operation
Bank resolution funds would need to be constituted over a period of time and the contributions levied from the banks could be designed in ways which incentivised appropriate behaviour and mitigated the risk of resolution. However it is not the Commission's intention at this stage to provide precise details about how bank resolution funds would be expected to operate and how large they would need to be. The Commission recognises that it will be essential to develop a clear understanding and careful assessment of the cumulative impacts of the broad set of reforms dealing with levies and bank capital. It will also be necessary to ensure that these costs are calibrated in such a way as to avoid stifling the economic recovery and the cost of credit to the real economy.

Next steps

The Commission will present its ideas to EU Finance Ministers, Heads of State and the G20 over the course of June 2010. It will press for broad agreement on general principles and orientations.

In October 2010 the Commission will put forward more detailed proposals on its broader plans for the development of a new crisis management framework and the planned adoption of legislative proposals. The Commission will carefully consider the implications of its proposals for resolution funds in accompanying impact assessment work.

The Commission, with a view to maintaining a worldwide level playing field, intends to lead G20 efforts to find a global approach on resolution funds based on the ideas put forward in this Communication.

The Commission's Communication on bank resolution funds is available at:


memo 10/214
innovation investment is coordinated and coherent, especially to tackle the "grand challenges" – such as climate change - facing European and global society.

Mr. Cable underlined UK support for the continuation of research and development as a major priority for the EU.

Mr. Cable and Mrs. Geoghegan-Quinn agreed on the need further to cut red tape in EU research funding, under the current Seventh Framework Programme (FP7) and its successor (FP8). Commissioner Geoghegan-Quinn brought forward proposals to achieve this on 29 April. At a time when fiscal consolidation is needed, it is essential to achieve maximum value from every euro spent.

Completing and consolidating the European Research Area is a priority. Mr. Cable underlined UK support for mobility among researchers which enables cross-fertilisation of ideas, methods and techniques.

The Commissioner and the Secretary of State also discussed the EU Research and Innovation Strategy that she will announce in the autumn, and its intended focus on translating more of the bright ideas generated in Europe's universities and research institutes into world beating products and services.

They identified a series of priorities on which there is an emerging consensus EU-wide:

* making sure that collaborating on research and innovation is as easy and as mutually rewarding as possible for universities and businesses;
* new financing options for high-tech companies, small businesses and new start-ups;
* using the billions of euro spent annually on public procurement as a lever to encourage innovation;
* re-focusing research and innovation policy on major societal challenges, such as climate change, which offer major opportunities for EU business.
business at the European, national, regional and local level. At events SMEs and micro-firms can share experiences and develop their businesses. There is also a special focus on promoting entrepreneurship as a career option, especially for younger people. Some countries will run company open days, which will provide an insight into the challenges and rewards of running a business. The winners of the European Entrepreneurship Video Award 2010 will be honoured at a ceremony in Brussels tonight. European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship, said: "Small and medium sized enterprises run by dynamic entrepreneurs are the job generators of Europe. In rough times we need them more than ever to get the European economy going. Against the backdrop of today’s precarious trends, decisive and comprehensive policy support is vital."

With the onset of the economic crisis in 2008, a very positive development of small and medium enterprises (SME) has come to a halt. Between 2002 and 2008, SMEs in the EU turned out to be the most important European Economy job engine. With 9.4 million jobs created between 2002 and 2008 SMEs outperformed large firms. This is in sharp contrast to an estimated loss of 3.25 million jobs in the SME sector over 2009 and 2010 further to the annual SME report 2010 published today. For each EU Member State and 10 more countries, selected key facts describing the national SME sector are provided, such as number of SMEs and employment creation. In light of the rather testing times ahead, an effective policy response is crucial in helping SMEs to be successful. The European SME week launched today is an important step in this respect.

During this week, the European Commission will showcase the support available to business at the European, national, regional and local level and the important role that the Enterprise Europe Network plays in each country with its 600 partner organisations which provide information and advisory services to SMEs and help them find business partners.

The European Commission's Small Business Act for Europe (SBA), adopted in 2008, is the key policy instrument which sets out an ambitious agenda for action both in the Member States and at the EU level in favour of entrepreneurship and SMEs. It aims at developing an environment within which entrepreneurship is rewarded, such as:

* Introducing entrepreneurship education an integral part of the curriculum at all stages of education in Member States.

* Stimulating exchange of skills and mutual learning among young entrepreneurs through the Erasmus for Young Entrepreneurs scheme

* Promoting female entrepreneurship through the network of Female Entrepreneurship Ambassadors.

The swift implementation of the actions of the SBA is of utmost importance to help SMEs resuming their role as job engine of our economies as quickly as possible. European SME Week 2010 will offer the possibility to highlight the actions that each country has taken to implement the SBA and make life easier for SMEs.

First held in 2009, European SME Week is now central to the European Commission's actions to support micro, small and medium-sized enterprises.

More information in 21 languages on European SME Week 2010

http://ec.europa.eu/sme-week
Commissioner for Employment, Social Affairs and Inclusion - "Out of the crisis with social dialogue"
Tue, 1 June 2010 | European Commissioner Speech

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SPEECH/10/277

Mr. László ANDOR
EU Commissioner responsible for Employment, Social Affairs and Inclusion

Figures and graphics available in PDF and WORD PROCESSED

ETUC Executive Committee

Brussels, 1st June 2010

Thank you for inviting me to this important meeting, which gives me the opportunity to outline my vision and approach to a fair, more participative and more social Europe. This is a commitment I made before the Parliament and one that I wish to make once more before you.

Your meeting takes place at an extremely difficult time for the EU, its workers and companies. There are signs of recovery but these are fragile. Unemployment and poverty remain a major concern.

Europe’s economy is under the stress of financial markets speculation, while national governments face excessive public deficits and must engage in austerity programmes.

This is why the Commission has put on the table ambitious proposals that reinforce the way we conduct economic policy in Europe. The proposals aim to make sure all countries respect fiscal discipline and make sure we detect bubbles, lack of competitiveness and other sources of imbalances. They will also make sure that if an exceptional crisis beyond control ever happens again we have the mechanism to support each other.

In all of this, I would like to highlight the importance of social dialogue and the commitment of the Commission to promote it further – especially in times of crisis. And this is why I am here today.

At John Monks’ request, President Barroso and I will also meet with a high level delegation of social partners this Friday to discuss the social impact of the crisis. I believe this demonstrates further our commitment to dialogue.

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When I was appointed to this portfolio, I said that the next 10 years should not become a lost decade. I have taken a firm commitment to strengthen the social dimension of Europe’s political agenda. And I have stated, from the start, that my intention is to do this with the social partners’ cooperation and support.

Our short-term priorities are to make a credible exit from the crisis. Fighting unemployment and fostering job opportunities are at the core of my immediate agenda. And as I have said on other occasions, I put the people, their health, their work and well-being at the forefront.

The crisis has shown the strengths of the European social model, and it was widely acknowledged that welfare states acted as automatic stabilisers. However, the financial and economic crisis has lead to a further substantial increase in public debt of a number of European countries. Let's face it: Current levels are very high.

But we cannot let this challenging situation affect essential public services, or weaken our commitment to solidarity with the most vulnerable members of the population.

We have to strike a delicate balance between, on the one side providing adequate support for individuals, reducing social inequalities and preventing poverty, and on the other side ensuring that our social protection systems are financially sustainable in a period of high public deficits.

That is why we cannot lose sight of long-term challenges. Ageing populations; fast-changing technologies; climate change and other environmental challenges all have to be addressed – and sooner rather than later. The sheer size of this task shows that no-one can shoulder the burden alone.

It’s true that responsibility for employment and social policy lies mainly at national level. But the European institutions must support the Member States and use all the instruments available. And, in the European Commission, we are ready to do so.

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As part of this effort, the Commission has proposed a new ten year jobs and growth strategy: Europe 2020. It promotes mutually reinforcing economic, social and environmental objectives and addresses both short term and medium term challenges. In Europe 2020, we are fully committed to a reinforced social dimension of EU policies.

Let me be clear, austerity is not the only game in town.

To overcome the crisis, we will need growth! And we can produce growth. We can turn the tide with the help of European polices that we have: like policies for jobs, social protection and health and safety, but also genuine financial regulation. We must make sure that GDP levels rise this year in the majority of Member States. And next year we must make sure we see job growth.

Europe 2020 makes it clear the kind of growth we need: smart, green AND inclusive.

These three reinforcing priority areas are interdependent with strong inclusive components in the "smart" and "green" growth pillars. For example, improving the quality of education, training and lifelong learning is essential for creating quality jobs. It is also vital for the objectives in the "smart" growth pillar to promote knowledge and innovation and for the "green" growth pillar, supporting the transition to an eco-efficient economy.

Four out of the 10 proposed integrated guidelines and three out of the five proposed headline targets of the Europe 2020 strategy refer to employment, education and social affairs.
There is a direct link between the proposed guidelines and the targets on employment, educational attainment and poverty reduction. I am optimistic that the June European Council will finalise an agreement on all the EU headline targets, including the poverty reduction target.

The Commission's 2010 work programme also reflects this reinforced social dimension. Some of the immediate areas are:

The launch of a Green Paper consultation on the future of Pensions, an issue that, in the context of an ageing population and tighter public budgets, is a massive concern for Europeans in all countries - a concern that is being increasingly hotly debated, not just around policy tables but out on the streets too. I am fully aware of the trade unions' positions when it comes to longer working lives. But we have to acknowledge that time spent in retirement has increased considerably over the last decades – with well-known consequences for public budgets.

The work programme also includes a commitment for the Commission to step up its work on social impact assessment and ex-post evaluation, notably in the employment and social fields.

Addressing the review of the Working Time Directive and the Posting of Workers Directive will be crucial initiatives. On Working Time, we have launched a broad debate and we are actively exploring all the issues. I understand that you will adopt/have adopted the ETUC contribution to the first phase consultation today; and we hope to see social partner negotiations later this year. On posting, we are committed to improving its implementation and we are working on a legislative proposal to this end.

Another key initiative will be the Communication on Youth unemployment for the second half of this year. It will address the particularly difficult situation of young people on the labour market.

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Ladies and gentlemen,

I said earlier that the sheer size of the task to overcome the crisis and prepare our economies for smart, sustainable and inclusive growth means that no-one can shoulder the burden alone.

That is why making Europe 2020 a reality on the ground has to be about partnership.

The success of this strategy depends on real ownership at European and national level, as well as a coordinated response with social partners.

The involvement of social partners is necessary at all levels in all policy priorities. Only with your contribution can we create a win-win situation for workers and enterprises. Promoting entrepreneurship, enhancing the access to training, improving the anticipation of skills needs, strengthening education and career guidance, fighting poverty, in particular in-work poverty and precarious employment.

This translates as stronger governance and the need to associate social partners more closely in drawing up and implementing national reform programmes. The guidelines also make an implicit reference to exit strategies, urging that temporary measures introduced in response to the crisis only be withdrawn in a coordinated manner when recovery is secure.
At European level, the Commission needs the social partners to play a role in the new flagship initiatives such as ‘Youth on the move’, aimed at promoting young people's entry into the labour market through apprenticeships, placements or other work experience.

Social Partners’ involvement in the ‘agenda for new skills and jobs’ is vital, for example, to identify ways to manage economic transitions better, fight unemployment and raise activity rates.

Finally, the flagship initiative a ‘European Platform against Poverty’ aims to ensure that the benefits of growth are widely shared and that people experiencing poverty and social exclusion are enabled to take an active part in society.

The social partners are often best placed and closest to the workplace and this is why their views, in these times of constant change, are especially important.

I share your concerns about the social consequences of austerity measures being taken in more and more Member States to counter difficult and sometimes critical budgetary situations.

It is very worrying for immediate growth outlooks but particularly for the social situation and the impact on labour markets. These developments are something which the Commission is monitoring closely.

I believe the current economic situation shows more than ever the need to reinforce the role of social partners and strengthen the social dialogue. The countries making the best progress at the moment are the ones where social partnership is strongest!

I look forward to the joint social partners’ contribution to the Europe 2020 strategy, which I know you are working on. I believe there is an important added value in reflecting on issues on which you can work together, providing additional support for the EU institutions and national authorities.

And, finally, I would like to reiterate and confirm my commitment to reflecting, debating, working – and, where necessary, arguing – with you. I hope your discussions today will be lively and fruitful.

Thank you for your attention.
Ladies and Gentlemen,

We have an intensive day and a half of economic policy discussion behind us. The Brussels Economic Forum has once again shown its value as a way to bring together policy makers, senior civil servants, academics and other experts of economic policy issues.

Let me thank all the speakers and organisers for making this a very stimulating and interesting conference.

The central theme of the Forum, mapping strategies for a post-crisis world, has been approached from many angles. I won't try to summarize the great variety of viewpoints presented in the conference. Instead, let me try to translate the intellectual input of this two-day think-thank into operational policy conclusions.

The over-arching task now is to ensure that the recovery will not be derailed and that we can adequately address the longer term policy challenges, which calls for determined action on all fronts.

The policy agenda comes as no surprise to any of us having followed the discussion in this conference. We need to:

* get on with a rapid but smart process of consolidation,
* put life into our long-term structural growth agenda, Europe 2020, including the measures on green growth,
* complete the reform of financial regulation and supervision, and,
* improve economic governance on a broad basis.

1. The debt burdens that have been and are being cumulated call for a stronger approach on fiscal consolidation than pursued so far. This concerns basically all EU member states. However, there is also a clear need for differentiation. The most indebted countries and who have turned out to be most vulnerable to market reactions need to take speediest and strongest measures. This is in fact happening. This also needs to continue.

The countries that have more fiscal room of manoeuvre, can take a more gradual approach to consolidation.

When considering consolidation measures, it is essential to keep in mind their effects on growth. Some types of expenditure are more growth friendly than others; some taxes more harmful that others. Here economic analysis provides important guidance.

Expenditure on key infrastructure, education (particularly at the early stage), and research and innovation activities support growth. Corporate income taxes and taxes on labour harm growth.

Smart consolidation therefore implies important choices. But clearly fiscal consolidation alone is not enough.
2. The second task is to lift our growth potential. Given the constraints on public spending, potential growth cannot be lifted by throwing more money at the perceived bottlenecks.

It is simply wrong to think that promoting growth equals more public spending. There are areas where growth promotion is not primarily – if at all – a matter of higher public spending.

Instead, the key task is to allocate the available resources efficiently and to make the most of the current resources for investment. We also need to improve the general framework conditions for higher productivity and employment creation.

As has been noted in this conference many times, we need structural reforms more than ever. This concerns all scenes of economic activity: the product and service markets; labour markets; financial markets; and the provision of public services, including social security.

Especially, we have to make the most of our 500 million people internal market. A balanced re-launch of the single market programme, which was so well presented today by Mario Monti, is central. The completion of the single market agenda is in my view the least costly way to boost growth in Europe.

It is also obvious that the fast-advancing digital technology still provides huge possibilities for productivity growth. In particular many public services can be much more efficiently produced by creatively applying modern digital technologies. This requires substantial adjustment in the way services are organised, which can lead to equally important savings.

Moreover, Europe has been on the forefront in developing green, resource-efficient technologies, but risks loosing that lead.

While we cannot base our success in this area either on increased overall spending, we can allocate the funds for research and subsidies more effectively and efficiently. One particularly important thing is to create large enough markets for innovative European products and processes through common standards and forward-looking government procurement policy.

3. We must soon complete our ambitious agenda of reforming financial regulation and supervision. Our priority here is to have the legislation ready for the European System of Financial Supervisors (ESFS) and the European Systemic Risk Board (ESRB) to start at the beginning of 2011.

As far as financial regulation and the resolution mechanisms for banking crisis are concerned (including the participation of the financial sector in costs of resolution), we need global solutions. That is why Europe must speak with one clear voice in the international arena, particularly in G20.

4. The same goes for policy coordination in general. We need to strengthen the existing rules-based mechanisms to prevent fiscal profligacy of individual member states harming the others. We need to better tune the overall fiscal policy stance to the needs of the euro area and the Union as a whole.

The Commission's proposals are on the table, and I'm glad to see that they have received wide support, I would say such support that was hard to imagine just a few months ago.

There seems to be one silver lining in the crisis: it has made it absolutely clear to everyone that coordinated policy making is a necessary condition for economic and financial stability in the increasingly integrated European Union.

Ladies and gentlemen,
I'm equally encouraged by the discussions in this Forum. There is a wide recognition that fiscal consolidation is necessary, which must be accompanied by structural reforms to lift our potential growth.

By recognition I don't mean just an expert opinion. I think that what has been said here also reflects broader understanding among the decision makers and citizens that we have to change our ways.

We have indeed formidable challenges ahead of us. But I'm convinced that we also have the means and the will to meet them. In that joint European action will be the key factor.

Not least, since we are at a crossroads today. Either we take determined and joint action for Europe's economic and political revival – or we risk economic stagnation and political irrelevance.
in products you understand”, “do not outsource credit risk management by relying exclusively on external credit assessments”, “do not rely exclusively on quantitative models, however sophisticated” had been abandoned. It is interesting to recall at this stage the work of the original Counterparty Risk Management Policy Group [1] co-chaired by E. Gerald Corrigan and Stephen G. Thieke which already in 1999 stressed that “better knowledge of one’s counterparty represents the foundation upon which the other pillars of risk management rest”. Re-establishing these principles in risk management practice is essential for the resilience of the financial system.

I would like to highlight in particular the trend witnessed in recent years for many market participants to exclusively rely on external assessments for the management of their credit risk. These assessments have been often provided by only a small number of specialised institutions (rating agencies). The critique on the role of rating agencies has become a recurring theme in all analysis of the current crisis. In addition to potential conflicts of interest embedded in their business models, rating agencies have faced questions on their methodology, in particular in the area of structured finance, and the lack of transparency in their activities. The ex-post assessment of the performance of their ratings in the last two years has raised serious concerns. At the same time the use of credit rating in legislation, regulations, and other supervisory policies is so widespread [2] that I would agree with the Financial Stability Forum which has questioned whether it is not these policies that unintentionally give credit ratings an official seal of approval and discourage investors from performing their own due diligence. This should certainly be one of the main concerns of regulatory authorities in the immediate future.

How central banks address credit risk

Central banks are unique as market participants because they do not face liquidity risk in their own currency. However, they are not immune to credit risk. Losses occurred because of a default of one of their counterparties or an issuer of a security they hold in their portfolio can deplete their financial buffers. Although their financial survival does not depend in any vital way on such buffers, their perceived lack of financial resources could irrevocably damage their credibility in the market and thus their ability to implement monetary policy and safeguard financial stability. Furthermore, if a recapitalisation of the central bank by the government becomes ultimately necessary, it could jeopardise the independence of the monetary authority.

In general central bank risk management is considered conservative, so that overall it could be perceived that the development of an elaborate risk management framework is not really necessary. However, the central bank becomes an above average risk taker in a crisis situation – first of all by showing inertia in its risk management framework. There is thus some fundamental transformation taking place in the risk tolerance of the central as it continues operating in a financial crisis when other market participants have long adopted a very conservative approach. At a time when all risk measures (probabilities of default of collateral issuers and counterparties, correlations, expected loss, VaR-measures) have gone up dramatically and financial institutions are cutting credit lines and are increasing margin requirements in the interbank market, the central bank becomes the lender of last resort. In such a situation its risk taking increases considerably. This suggests that the management of the central bank’s risk exposures is even more important in a crisis and requires, at least then, a very carefully designed risk management framework.

Credit assessment in the Eurosystem

The experience of the financial crisis has led the Eurosystem to solidify the already elaborate credit risk assessment framework it uses in its credit operations. Let me now give you some more information on the way the Eurosystem handles credit risk assessment in the context of its own credit operations. As you are probably aware, Article 18.1 of the Statute of the ESCB requires that all credit operations conducted by the ECB and the National Central Banks
(NCBs) should be based on adequate collateral. In particular all such collateral must meet high credit standards.

The Eurosystem has defined an elaborate framework of credit assessment (the European Credit Assessment Framework – ECAF) to ensure that such standards are met. In the assessment of the credit standard of eligible assets, the Eurosystem takes into account credit assessment information from credit assessment systems belonging to different sources. Some of them are private, namely external credit assessment institutions (ECAIs), counterparties’ internal ratings based (IRB) systems and third-party providers’ rating tools (RTs). Others are public, namely the national central banks’ in-house credit assessment systems (ICASs), Additionally, in the assessment of the credit standard, the Eurosystem takes into account institutional criteria and features guaranteeing similar protection for the instrument holder such as guarantees.

The performance of all credit assessment systems that are accepted by the Eurosystem is closely monitored. On an annual basis the observed default rate for the set of all eligible debtors assessed by a particular system is compared to the credit quality threshold set by the Eurosystem. This way, the results from credit assessments are comparable across systems and sources.

With regard to the ECAI source, the Eurosystem does not automatically follow the assessments provided by a rating agency. First, any such assessment must be based on a public rating. Even then, the Eurosystem reserves the right to request any clarification that it considers necessary. In particular when it comes to asset-backed securities, a number of transparency requirements are imposed. Ratings must be explained in a publicly available credit rating report, namely a detailed pre-sale or new issue report, including, inter alia, a comprehensive analysis of structural and legal aspects, a detailed collateral pool assessment, an analysis of the transaction participants, as well as an analysis of any other relevant particularities of a transaction. Moreover ECAIs must publish regular surveillance reports for asset-backed containing an update of the key transaction data (e.g. composition of the collateral pool, transaction participants, capital structure), as well as performance data.

The need for better understanding of the underlying assets in securitised transactions was emphasised by the ECB when it launched a public consultation on loan-by-loan information requirements for asset-backed securities (ABSs) in the Eurosystem collateral framework. With this initiative, the ECB strives to promote an improvement of disclosure standards in securitisation markets from current levels. Such higher standards would contribute to avoiding the inadequate assessment of risks in the underlying asset pools of ABSs by investors and the exclusive dependence on third-party assessments that was at the core of the current crisis.

Finally, I would like to emphasise one important element of our framework. Despite the fact that the Eurosystem uses ECAI ratings as one of its credit assessments it still reserves the right to determine whether an asset fulfils the requirement for high credit standards on the basis of any information it may consider relevant from a risk management perspective. Therefore it should not come as a surprise that on 3 May 2010 the ECB decided to suspend the application of the minimum credit rating threshold in the collateral eligibility requirements for the purposes of the Eurosystem’s credit operations in the case of marketable debt instruments issued or guaranteed by the Greek government. This suspension was based on the positive assessment on the side of the Governing Council of the ECB, in liaison with the European Commission and the International Monetary Fund of the Greek government’s economic and financial adjustment programme. The measure acknowledged therefore the strong commitment of the Greek government to fully implement the programme and was an example of the ability and will of the ECB to make an independent credit assessment.

The connection between credit and liquidity risk
While I have emphasised so far credit risk management, I would also like to touch upon the more elusive concept of liquidity risk. The current financial crisis has been triggered by the inability of some financial institutions to fund some complex assets. It has been traditionally thought that while such a situation may put the institution at strain, it should be clearly distinguished from that of an insolvency. However, the experience of the last three years has showed that the distinction is far from simple. A prolonged period of liquidity difficulties may easily leave no other choice to the institution than an emergency sale of assets at significant losses and a subsequent depletion of its capital position. Therefore a liquidity problem, if it cannot be properly addressed – possibly by the intervention of the central bank- can easily lead to insolvency.

In recognising the importance of liquidity risk and the systemic implications of a liquidity crisis, the Basel Committee issued a consultative document on an international framework for liquidity risk management, standards and monitoring in December 2010. The document put forward two liquidity risk standards and a set of tools for ongoing monitoring of liquidity risk exposures and information exchange among supervisors. The two standards, namely (i) a global minimum ‘liquidity coverage ratio’ which aims at capturing liquidity risk in the short term by ensuring that banks hold sufficient high quality liquid assets to withstand an acute stress lasting one month; and (ii) the longer term ‘net stable funding ratio’ which aims at incentivising banks to fund themselves using more stable sources on a structural basis by establishing a minimum acceptable amount of stable funding based on the liquidity characteristics of the financial institution’s assets and activities over a one year time horizon.

A discussion has been triggered and various concerns were voiced on the calibration of the standards, which in the view of some could generate significant negative repercussions for the real economy, for certain markets (such as the money market and interbank market) and for the business models of some banks. Central in this discussion is the question on the set of assets considered eligible for the short-term liquidity standard. It has been claimed that the proposal is not in line with the severe stress scenario that is assumed and that it could lead to concentration risk as well as higher cost for the assets that are not included. Furthermore, the design of the longer-term standard was questioned, as it was argued that a higher level of mismatch between assets and liabilities is necessary for banks to fulfil their intermediation role in the economy.

The ECB has a particular interest on the Basel Committee proposal on liquidity risk as it relates to the implementation of monetary policy, has an impact on the money market, as well as possible consequences on the financial integration in the Euro area. Clearly the proposed liquidity standards address the major shortcomings identified by the financial crisis in the area of liquidity risk by requiring banks to increase their holdings of liquid assets and to reduce their reliance on short-term volatile funding sources. Furthermore, enhancing the liquidity risk management of banks could have a positive impact on market confidence, reducing thus the volatility in money and capital markets.

Still the calibration of the proposed liquidity standards needs to be revisited to take into account the comments received during the public consultation and their impact on the banking sector, financial markets and the overall economy. Finally, the establishment of an appropriate phase-in period that will allow banks to adjust their balance sheets without an undue impact on their operations or an increase in their reliance on central bank funding is warranted.

Conclusions

I would like to close my remarks by the rather pessimistic conclusion that, unfortunately, it appears that periods of “irrational exuberance” can lead us to forget well established practices on how to prudently manage risks. Financial crises like the current one remind us of their importance. Also central banks have learned valuable lessons in their own risk management.
and have made steps in solidifying their defences, while remaining faithful to their objectives of ensuring price stability while also safeguarding financial stability.

Thank you very much for your attention.


Basel Committee on Banking Supervision: The Joint Forum: Stocktaking on the use of credit ratings
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European Presidency - Spanish Presidency says its six-month term has been a success in the area of R&D+i

Wed, 26 May 2010 | European Presidency Press Release

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Following the last meeting of the Competitiveness Council under the Spanish Presidency, Spain's Minister of Science and Innovation, Cristina Garmendia, said the R&D+i programme drawn up by the government had been a success, having "placed the important role of science in achieving greater social cohesion and combating poverty firmly on the European political agenda".

"The Spanish Presidency believes the entire programme set out at the start of its term has been successfully achieved", said Garmendia at a press conference following the Council of Science Ministers of the EU.

During the meeting, the ministers backed the Spanish proposal to give the European Research Area a "social dimension", putting science to work in the battle against poverty and social exclusion.

The Spanish minister also pointed out that the EU has made progress over this six-month period on issues relating to scientific excellence, researchers' careers and mobility, and the management of infrastructures.

Describing the Council's conclusions, Garmendia said a common position had been agreed to explore the synergies between innovation and development policies in greater depth, while the ministers also decided to move forward on simplifying R&D+i programmes, with the aim of "making them more efficient" for users, researchers and small and medium-sized companies.

The ministers were also able to exchange opinions about the budgetary allocations to be dedicated to research over the coming years.
The Europe 2020 strategy for growth and employment, which will be approved by the European Council on 17 and 18 June, envisages a combined public and private investment of 3% in the area of research and knowledge by 2020.

Efficient energy storage, the citizens’ challenge

European citizens also took centre stage in this Competitiveness Council, with the revelation that more efficient energy storage is the priority challenge that science must overcome by 2030.

Around 106,000 Europeans took part in an Internet initiative to choose the most urgent goal from among 14 challenges proposed by 14 well-known figures.

Following the winning proposal, the one that received the second most votes was the creation of artificial organs in laboratories to replace damaged ones, while robots to make life easier came in third place.

The initiative, promoted by the current Spanish Presidency of the EU, received proposals from well-known figures in six EU countries, including the biologist Jane Goodall, the researcher Margarita Salas, the architect Norman Foster and the chef Ferrán Adrià.

* Video: Highlights of the press conference given by the Spanish Science and Innovation Minister, Cristina Garmendia, following the Competitiveness Council held in Brussels
* Video: The Spanish Minister for Science and Innovation, Cristina Garmendia, explains the ‘Science and Innovation Citizens Agenda’ initiative
* Video: Statements made by the Spanish Minister for Science and Innovation, Cristina Garmendia, prior to the Competitiveness Council

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