

Brussels, 26 November 2008

The Commission launches a major Recovery Plan for growth and jobs, to boost demand and restore confidence in the European economy

The European Commission has today presented a comprehensive plan to drive Europe's recovery from the current economic crisis. The Recovery Plan is based on two mutually reinforcing main elements. Firstly, short-term measures to boost demand, save jobs and help restore confidence. Secondly, "smart investment" to yield higher growth and sustainable prosperity in the longer-term. The Plan calls for a timely, targeted and temporary fiscal stimulus of around €200 billion or 1.5% of EU GDP, within both national budgets (around €170 billion, 1.2% of GDP) and EU and European Investment Bank budgets (around €30 billion, 0.3% of GDP). Every Member State is called upon to take major measures good for its own citizens and good for the rest of Europe. The Recovery Plan will reinforce and accelerate reforms already underway under the Lisbon Growth and Jobs Strategy. It includes extensive action at national and EU level to help households and industry and concentrate support on the most vulnerable. It puts forward concrete steps to promote entrepreneurship, research and innovation, including in the car and construction industries. The Recovery Plan aims to boost efforts to tackle climate change while creating much-needed jobs at the same time, through for example strategic investment in energy efficient buildings and technologies.

Commission President José Manuel Barroso said: "Exceptional times call for exceptional measures. The jobs and well-being of our citizens are at stake. Europe needs to extend to the real economy its unprecedented coordination over financial markets. This Recovery Plan is big and bold, yet strategic and sustainable. It builds on the Commission's proposals of 29 October that were the first blueprint to reach beyond crisis support in the financial sector and address the problems in the real economy. I am happy to see that it was and is the inspiration for the action announced since by the Member States."

The President added: "The Recovery Plan can keep millions in work in the short-term. It can turn the crisis into an opportunity to create clean growth and more and better jobs in the future. The timely, targeted and temporary fiscal stimulus will help put our economy back on track, within the Stability and Growth Pact. Smart investments in tomorrow's skills and technologies will accelerate Europe's drive under the Lisbon Growth and Jobs Strategy to become a dynamic low-carbon economy for the 21st century. If Europe acts decisively to implement this Recovery Plan, we can get back on a path of sustainable growth and pay back short-term government borrowing. If we do not act now, we risk a vicious recessionary cycle of falling purchasing power and tax revenues, rising unemployment and ever wider budget deficits."

A fiscal stimulus of 1.5% of GDP

All policy levers will be activated through the Recovery Plan. It includes a co-ordinated fiscal stimulus of around €200 billion or 1.5% of GDP, with around €170 billion (1.2% of GDP) at Member State level, as action in their budgets, and around €30 billion (0.3% of GDP) as EU level action within the EU budget and from the European Investment Bank. The stimulus will stay within the Stability and Growth Pact, while making use of the full flexibility offered by the Pact. Member States who launch stimulus packages will benefit in two ways: they will stimulate demand in their own economies; and they will stimulate demand in other Member States so giving a major boost to their own exporters. Co-ordinated action will generate multiplier effects and avoid the problems which can result from a piecemeal approach.

As part of the EU's contribution to this stimulus, the Plan proposes accelerating payments of up to € 6.3 billion under the structural and social funds. To improve energy interconnections and broadband infrastructure, the Commission will mobilise a further € 5 billion for the period 2009-10.

The European Investment Bank will increase its yearly interventions in the EU by some €15 billion in 2009 with a similar figure in 2010.

Protecting and creating jobs

The top priority is to protect Europe's citizens from the worst effects of the financial crisis. They are the first to be hit whether as workers, households, or as entrepreneurs.

The Commission is proposing to simplify criteria for European Social Fund Support, re-programme spending and step up advance payments from early 2009, so that Member States have earlier access to up to €1.8 billion in order to reinforce active labour market policies, refocus support on the most vulnerable, step up action to boost skills and where necessary opt for full Community financing of projects during this period.

Up to €4.5 billion of cohesion funding will also be brought forward, alongside other measures to accelerate the implementation of major investment projects and this too will contribute to protecting and creating jobs.

The European Globalisation Adjustment Fund (EGAF) will be reviewed to allow it to act quicker and its scope expanded so it can keep people in jobs as well help people to find new ones. The EGAF budget will also be reviewed.

To create demand for labour the Plan invites Member States to consider reducing employers' social charges on lower incomes and calls on the Council to adopt, before the 2009 Spring European Council, the proposed Directive to make permanent reduced VAT rates for labour-intensive services.

Smart investments

The Recovery Plan includes detailed proposals for partnerships between the public sector – using Community, EIB and national funding - and private sectors to boost clean technologies through support for innovation: these include a European green cars initiative with combined funding of at least €5 billion, a European energy-efficient buildings initiative worth €1 billion; and a "factories of the future" initiative estimated at €1.2 billion.

The emphasis throughout the Recovery Plan is on "smart investments". Investing more in education and (re-)training helps people to retain their jobs and get back into the labour market, whilst raising productivity. Investing in infrastructure and energy-efficiency keeps people in the construction industry in work, saves energy and improves efficiency. Investing in clean cars helps protect the planet and will give Europe's companies a leading edge in a highly competitive market.

The Recovery plan will build on the Small Business Act to provide further help for all SMEs, including among other things removing the requirement on micro-enterprises to prepare annual accounts, easing access to public procurement and ensuring public authorities pay invoices within one month.

The Plan also includes further initiatives to apply state aids rules in a way that achieves maximum flexibility for tackling the crisis while maintaining a level playing field. These new steps include a simplification package to speed up decision-making, a temporary increase in of the "safe harbour threshold" for risk capital to €2.5 million and, also temporarily, further scope for Member States to guarantee loans to businesses.

A balanced and differentiated approach

The proposal for a fiscal stimulus aims to ensure all Member States take part while avoiding a one-size fits all approach which could not work given Member States different starting points (see [IP/08/1617](#)) on the Commission's autumn economic forecast). Those that have used the good times to achieve stable public finances have most room for manoeuvre.

The level of the stimulus is balanced. On the one hand it is sufficient to be effective in limiting unemployment and pulling millions of SMEs through the crisis. On the other hand it avoids levels of lasting debt that could undermine Europe's economic base in the long-term and lead to mass unemployment in future.

The stimulus is foreseen for a limited period after which Member States should reverse the budgetary deterioration. They will be asked to spell out how they intend to do this and ensure long-term sustainability in updated Stability or Convergence Programmes to be presented by the end of 2008.

Structural reforms

To speed up and strengthen recovery as well as to help prevent future crises, the Commission's Recovery Plan also provides for ambitious structural reforms tailored to the needs of individual Member States. Some of these reforms will be complementary to the fiscal stimulus in boosting demand, for example by supporting consumer purchasing power through making markets work better. The right structural reforms in synergy with smart investment will help Member States, building on progress already made under the Lisbon Strategy, to improve underlying competitiveness and get themselves into a strong position to pay back borrowing and build a platform for sustainable growth.

The Plan strengthens instruments to ensure that Member States meet their commitments under the Lisbon Growth and Jobs Strategy. The "country chapters" issued by the Commission on 16 December as part of its annual Lisbon package will assess the situation in each Member State and include additional proposals for country specific recommendations which the Commission will invite the Spring European Council to endorse. This will mean that EU leaders agree collectively on what each Member State needs to do individually to implement the Recovery Plan while at the same time ensuring medium-term financial sustainability, notably through speeding up Lisbon reforms to boost competitiveness.

Implementing the Plan

The Commission is asking Heads of State and Government at the European Council on 11-12 December to endorse the Recovery Plan and show their determination to act together in a closely coordinated way. This can allow Europe to lead the way globally in decisive action to support the real economy, just as its leadership over financial markets led to agreement at the G20 Summit in Washington on 15 November.

For further details see [MEMO/08/735](#).

The full text of the Recovery Plan will be made available as soon as possible via:

http://ec.europa.eu/commission_barroso/president/index_en.htm