



European  
Commission

# IMPLEMENTATION OF THE COMPACT FOR GROWTH AND JOBS

REPORT TO THE EUROPEAN COUNCIL, 18 - 19 OCTOBER 2012



EUROPEAN COMMISSION

## **IMPLEMENTATION OF THE COMPACT FOR GROWTH AND JOBS**

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The Compact for Growth and Jobs agreed by Heads of State or Government at the European Council in June is an integral part of the European Union's response to the economic and financial crisis. It complements and reinforces the ongoing efforts to restore financial stability and deepen the Economic and Monetary Union. Determined action today to create growth and jobs and to re-energise Europe's economy will pay dividends for decades to come.

The Commission has tabled a wide range of growth-enhancing proposals which form part of the Compact for Growth and Jobs and is working hand-in-hand with the European Parliament and the Council to secure their rapid adoption and implementation so that the beneficial results can be felt in the economy as soon as possible.

Encouraging progress has been made on some aspects of the Compact for Growth and Jobs since June, for example the increase in the capital of the EIB is underway and progress is being made on pilot project bonds. However, results in other areas have been disappointing and the strong political commitment of the Heads of State or Government and the European Parliament has not yet fed through to an intensification of work that would deliver rapid results on the ground.

This report and the accompanying annex take stock of progress and highlight where efforts should be redoubled in order to actively promote growth opportunities.

#### **Boosting the implementation of the Europe 2020 Strategy:**

There is broad agreement on the priorities for reforming and modernising the European economy. The adoption by the Council of the 2012 Country Specific Recommendations must now be followed by resolute action at national level to put the recommendations into practice. The new system of European economic governance is proving its worth but is not complete: agreement on the '2-pack' legislation to strengthen further budgetary coordination in the euro area remains a top priority. Progress on the Commission's banking union proposals and the longer term work on economic and monetary union will help to restore confidence to the economy and create the right conditions for growth.

#### **Deepening the Single Market:**

The huge potential of the single market as an engine of growth is not yet fully harnessed. Progress on the key actions of the first Single Market Act has been uneven. The recent adoption of the standardisation legislation is a welcome step. The co-legislators should aim to adopt key proposals on the unitary patent, venture capital, social investment funds, accounting and alternative dispute resolution before the end of the year and to accelerate work on other key actions – such as public procurement, professional qualifications, posting of workers, energy taxation and e-Signatures – where progress has so far fallen short of expectations. The Commission has just proposed a further set of new growth-enhancing actions in a second Single Market Act. The Commission has

also accelerated its work on the implementation of the services directive, on eliminating the remaining illegal restrictions on company structures or capital and on facilitating access to regulated professions and calls on Member States to engage fully in this work.

### **Connecting Europe:**

We have agreed ambitious but achievable deadlines for the completion of the Digital Single Market and the Internal Energy Market. The decisions and actions we take now will determine whether we can deliver. The Commission will shortly set out an Action Plan detailing what needs to be done by each Member State to complete the Internal Energy Market. This plan will build on the Energy Efficiency Directives which were recently adopted. Similarly, the mid-term review of the Digital Agenda, to be published before the end of the year, will highlight where barriers remain and where action must be taken. An acceleration of the work on the Commission proposal on collective rights management and upcoming initiatives on copyright and audiovisual services will also make a major contribution. An ambitious agreement on the Connecting Europe Facility will be a clear statement of intent to make the necessary investments in energy, digital and transport infrastructure.

### **Creating the right regulatory framework for growth:**

The Commission will report later in 2012 on the considerable progress that has been made on Smart Regulation and will set out to further reduce regulatory burden at the EU and national levels. In early 2013, the Commission will present a first progress report and scoreboard on the ongoing actions to adapt EU regulation to the needs of SMEs and micro-enterprises.

### **Building an innovation union:**

Innovation holds the key to future growth and competitiveness. The Commission has set out how the European Research Area can be strengthened and has presented an ambitious strategy on key enabling technologies. Agreement on the proposed Horizon 2020 and COSME programmes under the next MFF will provide researchers and SMEs with a much-needed boost. The actions set out in the Commission's recent review of EU industrial policy will help the EU to maintain its technological lead and facilitate investment in the early stages of new technologies.

### **Investing in growth:**

The €120 billion financing package enshrined in the Compact for Growth and Jobs has great potential to catalyse growth and further investment from the private sector. The increase in the capital of the European Investment Bank is now agreed: 90% will be available at the latest in March 2013. The 2013 EIB lending programme will reflect the increased lending capacity. The first EU project bonds will be launched in the coming months pending the signature of a Commission-EIB cooperation agreement at the end of October. The EIB board has already approved a pipeline of projects. The Commission continues to work with Member States to reprogramme and accelerate EU structural funds to support growth. However, the decisions to be taken this year on the 2013 Budget and the next Multiannual Financial Framework will be the acid test of the collective commitment to invest in growth and competitiveness. The Commission does not have sufficient payment credits available to pay the payment requests now being submitted by Member States. These are legal obligations which must be honoured and delays in making payments will not help restore growth and confidence in our economy.

### **Tax policy for growth:**

The Commission has made a series of proposals – for example on the revision of the Savings Tax Directive, a Common Consolidated Corporate Tax Base, energy taxation and negotiating mandates for savings tax agreement with third countries – which, when adopted, will help to boost government revenues and create opportunities to stimulate growth and aid fiscal consolidation. However, progress in Council and Parliament has so far been inadequate. The Commission calls for a renewed commitment to moving forward in this area, also through implementation of the action plan on tax fraud and tax evasion including an initiative on tax havens, to be adopted later this year. As soon as the minimum requirements for adoption of a financial transaction tax through enhanced co-operation are met, the Commission will table a proposal for an authorisation decision.

### **Creating jobs and a genuine European labour market:**

Member States must continue to act to respond to the economic and social challenges of high unemployment and demographic change. The framework for progress is in place – the key now is implementation. The Commission has launched an ambitious Employment Package setting out key measures to support job creation, to restore the dynamics of the labour market and to enhance EU governance, and advocates an acceleration of work on the portability of pension rights. At European level, the reform of EURES to become a genuine recruitment and placement platform is under way and the Commission will shortly propose a Communication on Rethinking Education and a Youth Employment Package building on the Youth Opportunities Initiative and including proposals for a Youth Guarantee. Work on the Commission's proposal on posted workers rights should be accelerated.

### **Harnessing the potential of trade:**

Progress is being made in trade negotiations with a number of international partners. Agreements with Peru and Colombia have been signed and the finalisation of agreements with Singapore and Canada by the end of the year is within reach. The Commission has proposed negotiating directives on Japan and negotiations continue with India, where new impetus is needed. Work on the Commission's proposals on access to third country public procurement markets should also be accelerated.

**In all of these areas, the success of the Compact on Growth and Jobs will require a strong partnership between the European Institutions and the Member States. The European Commission will continue to play its role to the full and calls upon:**

- the European Council to confirm 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 agreed in July 2012; and
- the European Parliament and the Council to accelerate adoption of those proposals with the most growth-enhancing potential.

**Implementation of the Compact for Growth and Jobs:  
Actions to be taken at the level of the Member States**

<b>BOOSTING THE IMPLEMENTATION OF THE EUROPE 2020 STRATEGY</b>		
	<b>Progress to date</b>	<b>Next steps</b>
Europe 2020 Strategy	Country Specific Recommendations presented by Commission in May, endorsed by European Council in June and adopted by Council in July.	National level implementation underway. Member States to implement CSRs through reform programmes and preparation of budgets for 2013.  Commission to adopt 2013 Annual Growth Survey in November.
New tools for economic governance and peer pressure	New set of economic governance rules entered into force in December 2011 and applied from January 2012.  Commission presented first Alert Mechanism Report and followed up with in-depth reviews for 12 countries. Imbalances addressed through Country Specific Recommendations.	New rules will continue to be applied in 2013 European Semester.  National Implementation of CSRs. The AMR for 2013 will be presented in November together with the Annual Growth Survey.
'Two Pack' Regulations	Commission proposed two additional Regulations to enhance budgetary surveillance and coordination for all euro area Member States in November 2011 ('2 pack').	Trilogue discussions under way – agreement urgently required.

**Implementation of the Compact for Growth and Jobs:  
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DEEPENING THE SINGLE MARKET		
	Progress to date	Next steps
Single Market Act I	<p>The Commission has presented proposals on all 12 key actions of the Single Market Act I:</p> <p>European Standardisation System</p> <p>Unitary Patent Venture Capital Funds Social Investment Funds Simplification of Accounting Directives Alternative dispute resolution TEN-E Guidelines</p> <p>Energy Taxation Directive Professional Qualifications Public procurement Posting of workers e-Signatures TEN-T and Telecoms Guidelines</p>	<p>Adopted in October 2012.</p> <p>Agreement possible by end of 2012.</p> <p>Legislative process not on schedule: acceleration required</p>
Single Market Act II	Commission presented second Single Market Act in October 2012, identifying 12 further key growth-enhancing actions.	Commission to come forward with proposals by Spring 2013, for adoption by spring 2014.
Single market governance	Commission presented Communication on Single Market Governance in June.	Follow-up work ongoing on measures to expedite transposition, reinforce implementation and monitor and define remedial action.
Services Directive	Commission presented Communication on implementation of Services Directive in June.	Follow-up work on implementation of Directive to continue, including through infringement procedures, peer review and exchange of best practice.

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ACHIEVING A DIGITAL SINGLE MARKET		
	Progress to date	Next steps
Digital Agenda flagship	Progress has been made on implementing the Digital Agenda, including through proposals on collective rights management and European Spectrum policy.	Commission to publish mid-term review before end of year, detailing what remains to be done at European and national level.
eSignature and e-Identification	Commission presented a proposal for a Regulation in June 2012.	Legislative process not on schedule: acceleration required
Modernisation of the copyright regime	Orphan Works Directive adopted in October 2012. Commission has presented proposals on collective rights management. Green Paper on online distribution of audiovisual works published in 2011.	Legislative process should be accelerated on collective rights management. Commission will present follow-up to the Green Paper by the end of 2012.
e-Invoicing	Identified as key action in Single Market Act II.	Commission will present a proposal by Spring 2013.
Investment in digital infrastructure / broadband networks	<p>Public consultation launched in June on the revision of guidelines on the public funding of broadband networks.</p> <p>The Commission is preparing regulatory guidance on access to broadband networks.</p> <p>Commission presented proposals for a Connecting Europe Facility as part of next Multiannual Financial Framework to support investment in networks and in digital service infrastructures in key areas of European interest.</p>	<p>Commission will present revised guidelines on the public funding of broadband networks in the coming months. As announced in the Single Market Act II, Commission will present a legislative proposal to reduce cost of deployment of high speed broadband in early 2013.</p> <p>Commission will present in 2013 recommendations on non-discrimination and on cost methodology for regulated wholesale prices for network access, to promote equivalence of access, consistency and stability across Europe.</p> <p>Ambitious agreement on level of support for Connecting Europe Facility required in 2012.</p>

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<b>CREATING THE RIGHT REGULATORY FRAMEWORK FOR GROWTH</b>		
	<b>Progress to date</b>	<b>Next steps</b>
Smart Regulation	Reducing regulatory burden both at EU and national levels continues to be a key priority for the Commission and central to the Smart Regulation agenda, as described in the 2010 Communication on "Smart Regulation in the EU"	The Commission will present a Communication by end 2012 taking stock of the progress made relative to the measures and objectives set out in the 2010 Communication and outlining future work.
Administrative burden	Commission has proposed measures that, if approved, will reduce administrative burden by around 30%.	Parliament and Council invited to act rapidly to approve remaining measures to achieve an additional 5.5% burden reduction beyond the initial target of a 25% reduction.  The Commission will report on the review of its public consultation policy and on the final results of the Programme for the Reduction of Administrative Burdens in the forthcoming Communication.
SMEs and micro-enterprises	The Commission has launched a consultation to identify a Top 10 list of the most burdensome legislation for SMEs, on which the Commission will make proposals for simplification.	Commission will publish a progress report in early 2013 on the policy to reduce regulatory burden for SMEs and micro-entities, including a scoreboard on exemptions and lighter regimes for micro-enterprises.

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<b>COMPLETING THE INTERNAL ENERGY MARKET</b>		
	<b>Progress to date</b>	<b>Next steps</b>
Completing internal energy market	Work ongoing to identify barriers to completion of internal energy market by 2014	Commission to publish a comprehensive report in November on the functioning of the Internal Energy Market, addressing in particular the prevailing obstacles to its completion by 2014 as requested by the European Council. The Communication will include country specific analysis and an action plan with clear timelines.
Investment in energy infrastructure	Commission has presented proposals for a Connecting Europe Facility as part of next Multiannual Financial Framework to support investment in energy infrastructures of key European interest.	Ambitious agreement on level of support for Connecting Europe Facility required by end 2012.
Energy efficiency	Energy Efficiency Directives adopted in June 2012 and will enter into force by December 2012.	Member States to set national targets by 30 April 2013 and submit first reports on implementation of energy efficiency schemes by end 2013.

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<b>BUILDING AN INNOVATION UNION</b>		
	<b>Progress to date</b>	<b>Next steps</b>
Strengthening the European Research Area	Commission adopted a Communication on "A Reinforced European Research Area (ERA) Partnership for Excellence and Growth" in July 2012.	Measures to be taken by Member States in cooperation with key stakeholders to boost investment and promote national competition, optimise transnational cooperation through research infrastructures, facilitate mobility of researchers, addressing the gender issues and improve access to scientific knowledge.
Investment in research and innovation	As part of the 2014-2020 Multiannual Financial Framework, the Commission has proposed Horizon 2020 and a dedicated programme for the Competitiveness of Enterprises and SMEs (COSME) to provide public support for research, to leverage private investment and to help SMEs to access finance.	Ambitious agreement on level of support for Horizon 2020 and COSME required by end 2012.
Key enabling technologies	The Commission presented its strategy on key enabling technologies in June 2012.	Implementation of the strategy will require substantial efforts by the Commission and Member States. High level group to be established.
Modernising industrial policy	Commission adopted a Communication on a review of the EU Industrial Policy in October 2012 to help EU industries maintain technological leads and facilitate investment in the early stages of the adoption and diffusion of new technologies.	Initiatives in the Communication to be implemented without delay, including through the work of taskforces set up in priority areas.
Unitary patent protection	Commission proposals for legislation on unitary patent protection under consideration by Council and Parliament.	Agreement required by Council and EP by end of 2012 to allow for the registration of the first patent with unitary effect by spring 2014.

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INVESTING IN GROWTH		
	Progress to date	Next steps
Increase in EIB Capital	€10 billion capital increase will be decided by the EIB board by the end of 2012.	EIB 2013 lending programme to reflect increase in lending capacity of around €60 billion, including through new Growth and Employment facility. EIB to increase its technical and financial advisory activity to help project delivery and speed up disbursements and real investments.
Project bond pilot project	€100 million authorised for project bonds in area of transport in 2012, with potential to generate investments of €1.5 - € 2 billion. EIB has prepared project pipeline.	Commission-EIB cooperation agreement to be signed by end October. First project bonds to be launched shortly thereafter. A further €130 million to be mobilised in 2013 (€100 million for transport, €20 million for ICT and €10 million for energy).
Reprogramming and accelerating EU structural funds	Commission working with Member States to reprogramme structural funds to support growth and employment priorities, and to accelerate their disbursement.	Member States to identify further opportunities for reprogramming and mobilising EU structural funds to support growth.
Budget 2013	Commission proposal for 2013 EU budget centres on provision of growth-supporting investment in 2013.	Successful implementation of the financing package requires an adequate level of support in the EU budget for 2013, to be agreed by Council and Parliament in November.  Funds made available will be used to support priority infrastructure (50%), research, innovation, SMEs and IT services (25%) and labour market, human capital and social inclusion measures (25%)
2014-2020 Multiannual Financial Framework	Commission proposals for 2014-2020 Multiannual Financial Framework programmes geared to growth and with sharper focus on results and EU value-added.	Ambitious agreement on level of support for growth-enhancing programmes required by end 2012.

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TAX POLICY FOR GROWTH		
	Progress to date	Next steps
Savings taxation	Commission presented proposals for revision of savings taxation directive and for mandates for revision of EU tax agreements with third countries in November 2008 and in July 2011 respectively.	Legislative process not on schedule: acceleration required.
Energy taxation	Commission presented a proposal for an Energy Taxation Directive in April 2011.	Legislative process not on schedule: acceleration required.
CCCTB	Commission presented proposals for a Common Consolidated Corporate Tax Base (CCCTB) in March 2011.	Legislative process not on schedule: acceleration required.
Tax fraud and evasion	Commission presented Communication on concrete ways to address tax fraud and tax evasion in June.	Before the end of 2012 the Commission intends to come forward with an Action Plan that will identify specific measures which could be developed rapidly, together with an initiative on tax havens and aggressive tax planning. The Action Plan will set out concrete steps to enhance administrative cooperation and will support the development of the existing good governance policy.
Financial Transaction Tax	Commission presented a proposal for a Financial Transaction Tax in September 2011.	Once the conditions are met, the Commission stands ready to advance with those Member States that are willing to proceed under enhanced cooperation.

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CREATING JOBS AND A GENUINE EUROPEAN LABOUR MARKET		
	Progress to date	Next steps
Employment policy	Commission presented an Employment Package in April 2012 setting out key measures to support job creation, restore the dynamics of labour markets and enhance EU governance.	Measures to be implemented without delay.
Youth Unemployment	Commission launched Youth Opportunities Initiative in 2011 and action teams to mobilise the EU structural funds to combat youth unemployment and support SMEs. EU Youth Report published by Commission in September 2012.	Commission to present Youth Employment Package in December to review progress. It will contain a proposal for a Council Recommendation on Youth Guarantees and a second-stage social partners' consultation on a quality framework for traineeships.
Education and skills	Diagnostic work under way on education and skills. Reform of the EURES system is under way to transform it into a genuine recruitment and placement platform.	Commission to present a Communication on Rethinking Education before end of 2012, reviewing the current skills situation and proposing avenues for further work. Commission proposal for reform of EURES will form part of Youth Employment Package.
Portability of pension rights	Commission working with Cyprus Presidency on preservation of cross-border pension rights and social security rights with a view to relaunching the process.	Work to be accelerated.
Posted workers	Commission presented a proposal on posted workers' rights in March 2012.	Legislative process not on schedule: acceleration required.
Regulated professions	Commission presented proposal on recognition of professional qualifications in December 2011.	Legislative process not on schedule: acceleration required. Commission working with Member States on implementation of related Country Specific Recommendations.
Older workers	Social Protection Committee (SPC) working on Guiding Principles for Active Ageing and Solidarity between Generations which are due for adoption in October.	In the context of the multilateral surveillance programme, SPC and EMCO to carry out joint thematic review on active ageing in 2013.

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**HARNESSING THE POTENTIAL OF TRADE**

	<b>Progress to date</b>	<b>Next steps</b>
Trade Agreements	<p>Trade agreement with Peru and Colombia signed in June 2012.</p> <p>Negotiations for a Comprehensive Economic and Trade Agreement (CETA) with Canada are well advanced.</p> <p>Negotiations with Singapore are approaching the final phase.</p> <p>Negotiations are ongoing with India.</p> <p>The Commission adopted its recommendation for negotiating directives for an FTA with Japan in July.</p> <p>The High Level Working Group on Growth and Jobs is preparing a report on the possible scope of an FTA with the USA</p> <p>Negotiations for a DCFTA with Ukraine were concluded in December 2011. A technical initialling of the EU-Ukraine DCFTA took place in July 2012.</p> <p>Negotiating directives for deep and comprehensive free trade agreements with Egypt, Jordan, Morocco and Tunisia were adopted in December 2011.</p>	<p>Consent of the European Parliament required.</p> <p>Negotiations to be finalised in the coming months.</p> <p>Negotiations to be finalised in the coming months</p> <p>Negotiations to be continued – greater impetus required from India for early conclusion.</p> <p>Member States to accelerate work on negotiating directives</p> <p>Report to be adopted by the end of 2012.</p> <p>Further technical steps (translation) towards signature to be completed by end of 2012.</p> <p>Commission ready to launch negotiations as soon as the preparatory processes have been completed and depending on will of partners.</p>

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	<p>Negotiations with Malaysia ongoing.</p> <p>Commission launched the preparatory process for the negotiations with Tunisia, Morocco and Jordan in March 2012.</p> <p>Council authorised the Commission to begin DCFTA negotiations with Georgia and Moldova in December 2011 and with Armenia in February 2012.</p>	<p>Negotiations to continue.</p>
<p>Access to third country public procurement markets</p>	<p>Commission presented a proposal on access of Union goods and services to the public procurement markets in third countries in March 2012.</p>	<p>Legislative process to be accelerated.</p>

