EESC Contribution to the EC Consultation on Stability Bonds

Extract from EESC opinions and Statements
in support of the introduction of Eurobonds (Stability Bonds)
(all opinions/statement mentioned have been transmitted with this extract)

Statement by President Staffan Nilsson of 8 December 2011

The Committee welcomes the Green Paper on the feasibility of introducing Stability Bonds. The Committee believes that under the condition of strict rules and a corresponding governance at EU-level to exclude moral hazard and promote responsible and predictable governmental behaviour in Member States, the management of sovereign debts with joint guarantees in the euro area will be an important contribution for overcoming acute problems as well as the austerity-growth deadlock.

Progress in this area will also enable the ECB to phase-out its government bond-purchase programme currently needed to enable individual Member States to refinance public debts. Instead, the ECB could decide to back the new stability bonds giving additional assurance to market actors, at least in a transitory phase.

Treaty change may be envisaged, but, as the Commission points out in its Green Paper, already an "*agreement on commons issuance could have an impact on market expectations and thereby lower average and marginal funding costs for those Member States currently facing funding pressures*"[1]. Such a political agreement and commitment by all players for the introduction of stability bonds would undoubtedly improve the financing situation within the euro area, especially if the ECB were to decide to back the new stability bonds.

Opinion of the EESC on *"Smart fiscal policy consolidation strategies – challenges of identifying growth drivers for Europe. How to exploit fully the labour potential of our economies in parallel with the pressing need for fiscal adjustments"*
(exploratory opinion for the Hungarian presidency) adopted on 15 June 2011.
OJ C 248 of 25.08.2011, pg. 8, pt 4.2.4
(ECO/292)

The Committee supports the creation of Eurobonds because, as well as making it possible to fund major infrastructure projects that aim to modernise Europe by creating jobs and relaunching growth (as project bonds would do) they would reduce debt refinancing costs

1 COM(2011) 818 final, point 1.2.1.

for struggling eurozone countries and give a European dimension to the public bond market. Issuing Eurobonds would be further evidence to the market, following the setting up of the European Financial Stability Facility, of the European Union's internal solidarity, and at the same time would demonstrate its political commitment to economic and monetary union and the irreversibility of the euro.

Opinion of the EESC on *"The implications of the sovereign debt crisis for EU governance"* (own-initiative opinion) adopted on 21 October 2010
OJ C 51 of 17.02.2011, pg. 15, pt 1.2
(ECO/279)

The EESC supports the actions taken to date by the Council and ECOFIN to support member states in financial distress via the European Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF). This is an interim solution but it may form the basis of a more permanent procedure and framework for conditional financial support through the establishment of a genuine European Monetary Fund. The case could also be considered for setting up a European sovereign debt agency that issues Eurobonds.

Opinion of the EESC on the *"Economic recovery: state of play and practical initiatives"*(own-initiative opinion) adopted on 16 September 2010
OJ C 48 of 15 .02.2011, pg. 57, pt 3.4.6.2
(ECO/278)

Another new public financing method is Eurobonds. This could supply capital to the public sector without a total reliance of the private financial sector. Eurobonds would attract financial resources directly from their source such as pension funds looking for long-term placements for their money. There is also the possibility to open up to private long-term placements for savings at the EIB in order to find new sources for the EIB. Hence, the EIB becomes an interface between these new capital resources and its investments. Long-term savings would then be available for long-term public investments e.g. in infrastructure. Eurobonds are a "concept" but should include all EU Member States. Here, we once again have a double dividend – room for speculation against sovereign debt on the financial market would also be reduced.

Opinion of the EESC on *"The post-2010 Lisbon Strategy"* (exploratory opinion) adopted on 5 november 2009
OJ C 128 of 18.05.2011, pg. 3, pt 3.4.6
(ECO/267)

Maintain fiscal policy scope for investment: Steps must be taken to increase the scope of economic policy by restructuring budgets, making use and taking account of the flexibility mechanisms provided for under the stability and growth pact in place to handle crisis situations so that public investment relevant to Lisbon (including affordable and efficient public services, research, education and innovation) and productive investment by the private sector, not least in low-CO2 production, can be boosted. In this connection, the idea of a European bond from a European state fund should be developed further

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