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After the European Constitution: Twin Action Proposals

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Contents

Executive Summary p.3
Explanatory Note on Enabling Majority Voting p.5
Proposal 1 p.9
Explanatory Note on the EIB, Stability, Growth and Cohesion p.14
Proposal 2 p.18
Executive Summary

Pending any proposal for a new or revised European Constitution it is arguable that the Union needs to show that it has addressed two of the main issues emerging in the French and Dutch referendums: (1) ‘Democratic Deficit’ and (2) ‘Social Europe’.

The twin proposals explained and drafted below would be for decision by the European Council constituting itself as an inter-governmental conference to address these issues.

1. Enabling Democracy

Invert QMV so that it binds only member states in a majority, enables them to progress new policies, and enhance others, but does not bind the minority against the wish of their governments or national parliaments.

Weight it as for QMV. Call it an Enabling Majority Vote or EMV. Allow governments to call for it where there is provision for a QMV by a new article 206 in Nice.

An EMV could not revoke the acquis communautaire nor therefore amend the Stability and Growth Pact, but advance common policies in any area, e.g. joint fiscal policies agreed by a majority of member states.

Allow national parliaments to debate and amend EMV proposals, with these amendments then composited by the EP before reference back to the relevant Councils.

2. Combining Stability Growth and Cohesion

Most EU member states do not count borrowing from the EIB against national debt. De facto, in EIB bonds, the EU already has the equivalent of US Treasury bonds which do not count against the debt of member states of the American Union such as California.

- Europe does not need its own treasury or fiscal federalism to finance investment for growth and social cohesion. It already has what it needs in the European Investment Bank and EIB Bonds.

Since the Amsterdam Special Action Programme and Luxembourg 1997, the EIB can finance investments in health, education, urban renewal and the urban environment. All of these are key cohesion areas and all are labour intensive.

The limits to these programmes, as with the TENs, are that national co-finance has been presumed to be constrained by the SGP.

But the revised SGP allows exceptions to national borrowing limits for projects ‘achieving European policy goals’. The EIB itself exists to achieve European policy
goals. National counterpart funding for EIB co-financed investment projects, subject always to the approval by the EIB of their viability, therefore should be exempted from the debt conditions of the SGP.

Such exempting counterpart funding for EIB finance should not be seen as loosening the pact rather than realising its commitment to both stability and growth, and also thereby realising the commitment of the Single European Act to the twin pillars of (a) the internal market and (b) economic and social cohesion.
Explanatory Note on
Enabling Majority Voting

QMV was understandable in the context in which the original Six wanted to set an agenda and get results. But it now has key political and practical disadvantages all of which are central to ‘the democratic deficit’. First, it implies that a member state, and its parliament and the will of its electorate could be overruled. Second, because of this, it hardly ever is used. Third, as an outcome, the Union proceeds on a lowest common denominator basis. Fourth, while it could minoritise only a couple of member states in the original Six, it now could minoritise twelve. Fifth, it does not involve or allow suggestions for amendment either by national parliaments or the EP.

The ‘No’ campaigns in France and the Netherlands addressed the issue of the democratic deficit in the context less of national sovereignty, than of national democracy. Poll analysis shows that most electors wanted ‘Europe’ but a more democratic and accountable Europe. The Constitution for Europe failed to address the issue, and proposed further extensions of QMV. The proposal for enabling voting, as attached, was put to the Praesidium by Giuliano Amato as one of the two vice presidents of the Convention on the Constitution, but was rejected without reference even to its relevant sub committee. It did not enter the public domain as an issue for debate. Giscard opposed, disposed and, unlike Louis XV, did not even foresee the coming storm of popular rejection.

The Consensus Case
One of the arguments commonly made for not changing QMV is that the sanction of calling for it encourages consensus by a defined deadline when otherwise the issues might drift. But this is weak on several grounds. 1: when a consensus is reached it often is on a faute de mieux basis, when Europe deserves better. 2: it delivers lowest common denominator outcomes. 3: governments cannot consult their parliaments and gain constructive amendments. 4: they therefore offer them a fait accompli rather than a dialogue. 5: notoriously, much of the drive for consensus often is late at night when no one is in best condition to optimise outcomes. 6: the press and media, with reason, highlight this. 7: the process thereby devalues the democratic process.

An EMV Procedure
An enabling majority voting or EMV system would invert QMV by binding only the majority, not the minority. It would not change the weighting of votes. It would not need re-writing of Treaty references to QMV. But the principle, and provisions, would mean a higher degree of democracy, and facilitate more effective Union decision-making.

- First, an EMV proposal could be debated and voted on by national parliaments. These amendments then could be composed, by the EP, before forwarding them, with its own, to the relevant Councils. This would enhance the rights of national parliaments relative to QMV procedures on which they are not even consulted. It also would give a new in depth dimension to co-decision by the EP.
Second, an EMV procedure would enable Europe to act on, or react to, current realities, speed construction by needing a majority but not unanimity, and amend policies to achieve best practice, including previous Council decisions. It would mean more joint actions and common policies being adopted by a majority of member states. But it would not bind the minority, and would avoid federalism without consent.

This would mean a variable geometry Europe. But there already is one. Not all member states are in the Euro, or Shengen; some allow free movement of labour from new member states, others do not; most do not count borrowing from the EIB against national debt, while two do. Besides which, the principle of enhanced cooperation as in Title VII of Nice implies variable geometry. EMV decision-making would be far more democratic than the inner directorate of big countries proposed by Nicholas Sarkozy. Enabling voting would not mean an inner-outer two speed Europe, but a multiple speed Europe, where different groups of countries could set the pace on new policies and break the lowest common denominator deadlock.

More than Enhanced Cooperation

An enabling voting procedure therefore is consistent with the principle of enhanced cooperation in the variable geometry sense. But it also is more. Enhanced cooperation means a minority of member states agreeing a policy or joint initiative. Enabling majority voting means that a majority agreeing such a policy or initiative, or common action, should not bind the minority. Enhanced cooperation only allows assent. An EMV procedure would allow both reasoned assent and dissent.

The issue here is not national sovereignty but national and local democracy. And democracy is about the right to agree or disagree.

Enabling decision-making, unlike enhanced cooperation, directly responds to the claims of a democratic deficit.

A national parliament can say ‘no’ to a proposal from a government, even if the ‘no’ implies ‘not yet’, or ‘not in this form’, or ‘only with this key amendment’. This democratic principle should be available to national parliaments in Union decision-making, not least since the number of member states and parliaments which could be minoritised by QMV now is twelve and shortly could be more.

Enabling voting therefore is enhanced cooperation plus the right to dissent from a new policy or policy initiative. Because it is more central to democratising decision-making, and to demonstrate this, it is arguable that provision for it should not come within Title VII of Nice, but directly following the Treaty provisions for QMV. This could be a new article 206, with 206, which is minor, becoming 205.5. The draft proposal on Enabling Democracy provides for this.

Implications for the Acquis

Clearly there are questions of the implications of enabling voting for the acquis. The acquis is rarely defined, but rightly enough viewed as the corpus of EU legislation and treaty objectives. It too often is wrongly assumed that it also is inviolable and cannot
be changed. Treaties have amended its earlier provisions. Protocols have provided exceptions. Article 3 of the Treaty on European Union refers to ‘respecting and building upon the *acquis communautaire*, but Article 7.4 both provides that this can be done by qualified majority and that earlier policies may be varied or revoked (‘The Council, acting by a qualified majority, may decide subsequently to vary or revoke measures taken under paragraph 3 in response to changes in the situation which led to their being imposed’).

The provision of Title VII insists that policies for enhanced cooperation should not be part of the *acquis*. It also itemises those policies which enhanced cooperation may not modify, including the single market etc. This is understandable since if a minority of member states want to pursue a common policy this lacks majority legitimation to constitute a Union policy.

But there is reason to hold that if a policy is adopted by a *majority* of member states representing near or more than two thirds of its population (Nice: 62%), it therefore *should* be considered part of the *acquis*. The precedent for this would be article 7.4 which provides for varying or revoking previous policies on a majority QMV basis. The politics would be that in most cases the majority would be more than two thirds and could be overwhelming, but would not overwhelm national democracy.

**Advancing, not revoking**

The more direct path to gaining support for enabling voting would be to stay with the principle of Article 3 and to allow that an EMV procedure should ‘respect and build upon’ the *acquis*’ rather than ‘revoke’ it, as provided for QMV in Article 7.4.

Enabling voting therefore would safeguard the broad principle of the *acquis*. It would not revoke policy decisions already made by all member states, but could enable and advance policies and policy initiatives by those member states seeking to build on them.

On this basis, decisions made on an enabling voting basis would have the status of Union policies or policy initiatives. Thus, were a peacekeeping initiative approved by a majority of member states on a weighted basis it would constitute the Union’s Foreign Policy Initiative for X, where X is the country or region concerned. If it suited some member states to stress that this was on an EMV basis rather than unanimous, it could be stressed that this was a Council EMV decision.

To demonstrate that it centrally addresses the issue of the democratic deficit, unlike the provisions under Title VII for enhanced cooperation, there should be no exceptions to the right for a member state to call for an enabling voting procedure for any policy.

This obtains even for competition policy and the internal market. For instance, there are constant efforts to enhance the internal market. Some are highly controversial, such as the Services Directive. Other proposals, however, while less controversial, might be supported by most but not all member states. In many cases this could be on
the thoroughly practical grounds for some of the new member states, and others if enlargement continues, that their institutions as yet 'are not ready for them'.

It is for such reasons that, unlike Title VII of the TEC on Enhanced Cooperation, which has so many exceptions as to near render it void, no exceptions have been made in the attached formal proposal on Enabling Democracy to a decision by an EMV procedure, as an alternative to QMV. If the draft proposal gains interest, it could be suggested that in this case there is no need to illustrate the policies which it could advance. But there is every reason to do in order to illustrate to a wider public how what otherwise might be seen as an arcane amendment is in their interest.

**Detail and Impact**

The specification of the areas to which enabling majority voting procedure could apply in the formal proposal is intentional. It is vital if this is to gain consent in public opinion that the new decision-making procedures both could safeguard and enhance their rights in these wide ranging areas affecting them, and thereby contribute to eliminating the democratic deficit.
Proposal 1
Enabling Majority Voting - Votation Majoritaire Habilitante

The European Council, constituting itself as an Inter-Governmental Conference:-

In view of:

- the aim of the Treaties that qualified majority voting should assist the construction of Europe;

- the reality that no QMV was called from the Luxembourg Compromise of January 1966 until November 2004 against the consent of a member state;

- the feasibility that more votes on a QMV basis may be called in a Union of 25 member states which needs to gain direction and momentum on a range of policies;

- recognition that member state governments in a minority in a European Council vote taken by QMV may face difficulties in sustaining their parliamentary or popular support;

- apprehension among smaller member states that the agenda for decision-making in an enlarged Union may be determined by a inner group of member states;

- appreciating the need to ensure that the future construction of Europe commands the consent of a substantive majority of its governments, parliaments and citizens;

- the case for a mechanism for decision on policies which would bind governments voting in favour of them but which would not be binding on those governments which prefer not to do so, or as yet are not ready to do so;

- recognition that the principle of enhanced cooperation is based on the consent of the governments of member states agreeing to such cooperation and does not bind governments not entering such an agreement;

- the provision for this within Title VII of the Treaty of Nice on enhanced cooperation;

- recognition that the adoption of the single currency, was supported by most but not all member states;

- recognising that the Shengen Agreement also has been supported by only some rather than all member states;

- aware that such initiatives have advanced rather than retarded the Union.
2. **Principles of an Enabling Majority Procedure**

Approves the principle of an Enabling Majority Vote or EMV voting procedure which will:

- be weighted by population as for a QMV procedure and, as in Article 205.4 of the Treaty of Nice, will be constituted by a majority of member states representing at least 62% of the total population of the Union, or whatever subsequent amendments may be unanimously agreed for the weighting of the votes of member states in a QMV procedure;

- bind only the majority of member states voting for a new policy proposal or policy initiative, common position or joint action under such a procedure;

- enhance but not revoke the acquis communautaire;

- not undermine the single market, nor economic and social cohesion, nor amend the Stability and Growth Pact;

- not exclude enhanced cooperation by a minority of member states in other policy areas;

- be serviced by the institutions of the Union as an EMV Council policy or policy initiative;

- apply in policy areas where QMV as yet has not been adopted by Treaty, such as defence, peace-keeping or foreign affairs or the other areas specified in new Article 206 amending the Treaty of Nice and the amendments to provisions for common foreign and security policy as hereafter agreed;

- may be invoked by any member state where there is Treaty provision for qualified majority voting;

- be announced as a call for an EMV initiative or policy either by the European Council or other relevant Councils;

- allow sufficient time for a new policy on an EMV basis to be debated by national parliaments;

- allow for proposed amendment of the policy by national parliaments to be compositive by the European Parliament, and for the European Parliament to propose its own amendments to the European Council or relevant Council;

Thereby:
- recognise and enhance the role of both national parliaments and the European Parliament in co-decision making;

- be agreed by governments representing a substantive majority of the citizens of the Union without binding governments in a minority on the decision;

- carry political authority and the status of an EU Council EMV Decision on the basis of being supported by a majority of Union governments;

- enable the more rapid achievement of new policies, or of policy initiatives, by member states representing a substantive majority of the citizens of the Union.

Therefore:

- adopts an Enabling Majority Voting or EMV Procedure amending the Treaty of Nice to include article 206 as Article 205.5, and substituting for Article 206 the following provisions.

3. Amendments to the Treaty of Nice

New Article 206: Enabling majority voting

1. Where the Treaties of the Union provide for a qualified majority voting procedure, a member state may call for an enabling majority voting procedure. Such a procedure shall bind only those member states voting for the proposal concerned. It may not revoke, but may advance any common policy of the Union.

2. The weighting of an enabling majority voting procedure shall be the same as that for qualified majority voting in the Treaty of Nice or any subsequent amendment by unanimous decision of the procedure for voting by qualified majority.

3. Decisions taken on an enabling majority procedure may include joint actions in the form of either policies or initiatives. Joint Policies may be determined only in the European Council or other Councils. Joint Initiatives may be determined within a meeting of the relevant Council but, where their nature is urgent, may be agreed on an enabling majority basis without such a meeting.

4. Any policy or initiative proposed in the European Council or other Council of Ministers under an enabling majority vote procedure may be submitted to national parliaments for their consideration and proposal of amendments.

5. The European Parliament will consider and composite amendments proposed by national parliaments under an EMV procedure and forward them to the European Council or other Councils of Ministers. It also may propose amendments on its own initiative to such Councils.
6. Other than in the case of urgency, such as may concern hazard to the environment, or such as peace-keeping, the relevant Councils have an obligation to take such proposals for amendments into account before proceeding to a vote on an enabling majority basis. The terms of Joint Initiatives also may be amended retrospectively by the relevant Councils on the basis of the procedures of clause 4 of this article.

7. Acts adopted in the framework of an EMV procedure shall be open to all member states and may include:
   (a) advance in areas which otherwise fall within the exclusive competence of the Union, but without detriment to such competence;
   (b) initiatives in foreign affairs, peace-keeping and security policy;
   (c) measures to promote growth and employment;
   (d) joint action on policies for economic and social cohesion;
   (e) reinforcing human and social rights, including gender rights and the rights of migrant and minority communities;
   (f) measures to protect and safeguard the environment;
   (g) closer harmonisation of fiscal policy;
   (h) promoting a better functioning of the internal market;
   (i) enhancement of competition policy and policies in external trade;
   (j) policies for Development Cooperation.
   (k) joint initiatives with New Neighbourhood States;
   (l) research and development and innovation policy;
   (m) networking of local authorities, development agencies and other institutions to enhance technology and promote innovation and competitiveness;
   (n) enhancement of the provisions of Shengen.

8. Decisions taken by an enabling majority procedure:
   (a) shall respect the single institutional framework of the Union;
   (b) may advance the acquis communautaire and the measures adopted under the other provisions of the said Treaties;
   (d) shall not undermine the internal market, or economic and social cohesion, or the stability of the single currency;
   (e) shall not constitute a barrier to trade or distort competition;
   (f) shall respect the competences, rights and obligations of those member states that do not vote in favour of a policy or policy initiative on an EMV basis.

9. The President of a Council may vote on an Enabling Majority proposal where he or she may be the sole representative of a member state on such a Council.

10. The Council Secretariat and the European Parliament, in association with the European Commission, shall ensure the consistency of activities undertaken on the basis of an enabling voting procedure with the policy aims of the Union.

11. Expenditure resulting from implementation of a policy or policy initiative agreed under an EMV procedure, other than the administrative costs entailed for the institutions, shall be borne by the participating Member States, unless all members
of the Council, acting unanimously, after consulting the European Parliament, decide otherwise.

Amendments to Provisions for Common Foreign and Security Policy

Amends also the specific provisions for implementing common foreign and security policy in the Treaty of Nice as follows:

**Article 14: Joint Actions**
Insert at end of 14.1.
Joint actions including initiatives may be undertaken by an enabling majority procedure as provided for in New Article 206.

**Article 15: Common Positions**
Insert at end of the article.
Common positions may be adopted by an enabling majority procedure as provided for in New Article 206.

**Article 17: Common Policy**
Insert at end of 17.1
Such decisions may be undertaken by an enabling majority procedure as provided for in New Article 206.

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**Note 1:** Title VII of Nice (Articles 43 through 44a)
To stand unamended since enhanced cooperation is not on a majority basis and in Nice allows eight or more states to proceed on this basis. Therefore, until a majority of member states vote on an EMV basis, the provisions for enhanced cooperation stand.

**Note 2:** Article 27 (a) through (e) of Nice: Enhanced Cooperation in Common Foreign and Security Policy
To stand unamended since enhanced cooperation is not on a majority basis.
Explanatory Note on the EIB,
Stability, Growth and Cohesion

‘The ECB is the guardian of stability. The EIB is the safeguard of growth’.

FDR financed the US New Deal in his first term entirely from borrowing, without deficit spending, and thereby maintained an election pledge to a balanced budget. With overwhelming popular support for this ‘First New Deal’ he then went for both borrowing and deficit financing in his second term.

This clearly is relevant to Europe achieving both growth and stability with fiscal balance or near such balance under the terms of the SGP. The borrowing institution by which the EU now could do the same is the European Investment Bank. The financial instrument is EIB bonds.

- Most EU member states do not count borrowing from the EIB against national debt any more than US Treasury borrowing counts against the debt of California. De facto, in EIB bonds the EU already has the equivalent of US Treasury bonds.

- Europe does not need its own treasury or fiscal federalism to finance investment for growth and social cohesion. It already has what it needs in the European Investment Bank and EIB Bonds.

- EIB borrowing therefore already is the de facto PSBR of the Union, defined pragmatically, case by case, on a project basis. It also has a potential macroeconomic role. Its lending already is three and a half times that of the World Bank.

On a proposal from Antonio Guterres, the Amsterdam Special Action Programme invited the EIB to extend its co-finance for investments in health, education, urban regeneration and the urban environment.

- Shifting more investment in these areas to the EIB would release more national fiscal resources for financing the call of the Essen Council to increase ‘the employment intensiveness of growth, for example in the environmental and social-services spheres’.

- This also would contribute to fulfilling the call of the Nice European Council for ‘an efficient welfare state’.

Limits of the Giscard Constitution
- The Giscard Constitution failed entirely to refer to any of these new roles for the EIB. Its text, with only on change, was lifted straight from the Rome Treaty.

It left the EIB late in the text of the Constitution rather than bringing it next to that for the ECB. It therefore failed to give the message that while the ECB is the guardian of stability the EIB is the safeguard of growth and cohesion.
It made no reference whatever to the European Investment Fund, introduced in 1996 as an outcome of the Delors 1993 White Paper with the remit to guarantee venture capital in small and medium firms, and especially promote new high tech start-ups.

Exempting National Co-Finance
EIB borrowing by its own custom and practice is limited to 50%. The Bank is unlikely to wish to change this nor need be invited to do so. But it was difficulty in gaining the other 50% which has meant that so few of the trans-european networks agreed over a decade ago at Essen have been completed. And is holding back national investment programmes in the key cohesion areas of health, education, urban regeneration and urban environment.

Government investment as a share of GDP (Eurostat) has fallen by a third since Maastricht, from 3% to 2% of EU 15 GDP. This is equivalent on an annual basis to all of own resources. Allowing for multipliers as low as 2 or less it accounts for growth being from 1% to 2% below its potential since Maastricht.

There are a host of projects that finance ministers have 'frozen' because of the SGP but have been through their various planning stages and which could 'start soon' if it is agreed that counterpart national funding of EIB projects should not count on the debt and deficit conditions of the SGP. Some 750 becu worth were identified by Delors in a sweep of national governments before the proposal of Union Bonds in the White Paper on Growth, Competitiveness, Cohesion of December 1993.

The revised SGP could accommodate exemption of such counterpart funding under its admission of latitude for projects ‘achieving European policy goals’. But the issue of exempting counterpart funding for EIB finance should not be seen as loosening the pact rather than direct measures to promote growth and cohesion. It should be seen and grasped as a political strategy for a New Deal, not a device exploiting particular wording within the revised pact.

Therefore the proposal that by a decision on ‘broad economic guidelines’ by the European Council, at the discretion of member states, EIB counterpart funding need not be counted on national debt.

The ECB and the EIB
The ECB may have reservations, but it has an obligation ‘to support the general economic policies of the Union’ as defined in broad economic guidelines set by the European Council.

The EIB is unlikely to oppose the proposal that national co-finance for its funding should not count against national debt. It would generate sustained and cumulative business for it. It should be open to the message that while the European Central Bank is the guardian of stability, the Bank is the safeguard of growth.
The Bank also responded well to the proposal that its terms of reference should be extended to investment in health, education, urban renewal and urban environment (Luxembourg ‘97), and also to investment in R&D and innovation (Lisbon).

These EIB programmes are up and running well, even if its website gives the wrong message on health, education and urban renewal by claiming that they are investment in Human Capital rather than Finance for a Social Europe. They should be invited to change this to highlight the degree to which these changed terms of reference were designed to enhance the cohesion, not human capital.

**Eurostat**

Eurostat has tried to relax the definition of counterpart funding by governments in the case of public-private partnerships. But none of the public knows this.

It is vital that Eurostat should not be a surrogate Eurostate. It does not seek this role but de facto is being obliged to adopt it. A European Council decision within the framework of ‘broad economic guidelines’ would bring this issue into the public domain, and clarify the terms of reference within which Eurostat should operate, and legitimate them in exempting national counterpart funding of EIB investments from the SGP.

**Criteria and Monitoring**

Commission officials are likely to stress that criteria are crucial for what should or should not be allowed within the SGP.

But the EIB already has its own criteria for project approvals. Therefore the Council does not need to decide new criteria nor do they need to be made explicit in a further revision of the SGP. The monitoring, appropriate for a strategy that balances stability with growth, will be by the EIB itself. It will not approve projects unless it deems them viable. Member states could not simply rush to finance what took their fancy and claim it did not count under the pact. Nor will the EIB rush approvals.

Even if the investment projects currently ‘frozen’ by finance ministers now were equivalent to the 750 becu Delors identified in the early 90’s, their implementation would take years. The upwards investment curve would be concave not convex. There could not be a ‘rush to growth’ but would be the beginnings of a recovery of sustainable growth not least in the sense that one of the key remits to the EIB since the 1997 Luxembourg Council is investment in the urban environment, which could include finance for low emission zones of the kind now being planned by London jointly with other EU cities.

**Cohesion Key**

What should be avoided is allowing the debate on co-financing to be focussed near exclusively on trans-european networks. This is what happened to the original proposal to Delors for the 1993 White Paper that Union Bonds should fund social investments central to cohesion. Focus on the trans-european networks therefore lost the message that funding cohesion need not only be fiscal compensation constrained
by limits to Own Resources, but could be through EIB promotion of investments advancing a Social Europe.
Proposal 2
Stability, Growth and Cohesion

The European Council:­

In view of:

- the commitment of the Single European Act to the single market and economic and social cohesion as the twin pillars of the construction of Europe;

- the successful establishment of the single currency;

- the strength of the Euro against other currencies;

- the need to ensure both stability and growth;

- the aim of the 1993 Commission White Paper on Growth, Competitiveness, Employment to create 15 million jobs within ten years;

- the call by the Prime Ministers of the UK and Portugal in February 2003 for an action programme to create 15 millions jobs within the same period;

- the commitment of the Lisbon European Council to promote innovation, improve competitiveness and assure full employment;

- the reality that technical progress and efficiency gains in the economic sphere does not of itself assure an increase in overall employment;

- the therefore justified call of the Essen European Council to increase ‘the employment-intensiveness of growth,… for example, in the environmental and social-services spheres’.

With regard to:

- the Amsterdam Special Action Programme and the 1997 Luxembourg Council decision that the European Investment Bank should finance investment in the social spheres of health, education, urban renewal and urban environment;

- the successful pursuit by the EIB of the proposal by the Lisbon European Council that it should finance investments in R&D and technological innovation;

- the experience and success of the EIB in funding these investments and other projects in transport and other infrastructure;

- the institutional standing of the EIB as the as the investment bank of the Union since 1958;
the scale of the EIB’s borrowing and lending, which exceeds that of the World Bank;

the pre-eminent credit rating of the EIB in view of its repute and operational success;

bonds issued by the EIB for on lending to borrowers being its liability and not those of EU member states;

most member states not counting lending by the EIB as a liability against their national debt;

the parallel in this regard with US Treasury Bonds whose lending does not count against the debt of member states of the United States;

the manner in which the US administration during the 1930’s financed the first four years of the New Deal programme by the issue of bonds, and from 1933 to 1937 did so without increasing fiscal deficits but with balanced budgets;

that such New Deal programmes represented investment led growth;

the success with which the issue of such bonds shifted the high savings typical of low growth or recession into labour creating and socially useful investments;

the reality that Europe for too long has been faced with low growth and high unemployment;

the new challenge to its model of social partnership and cohesion from global relocation of companies and out-sourcing of jobs and the need for growth within the Single Market to promote job creation;

the evidence that low growth and high unemployment, including youth unemployment, compromises the commitment of the Union to economic and social cohesion;

the imperative of assuring the peoples of the Accession states that membership of the single currency is not at the cost of austerity;

lack of readily accessible venture capital finance for employment generation through small and medium firms in many of the Accession states and of the increased role which could be played in guaranteeing this by the European Investment Fund;

the reality that the price of oil rather than other factors within the internal market is a significant factor in inflationary pressure, and likely to be so in the longer term;
- the imperative of diversifying energy sources as a response to such pressure, rather than deflating or restraining internal demand;

Recognising:

- the scale of the success of the single currency and internal market in increasing mutual trade between member states;

- that the export success of the economies of key member states has not been sufficient to generate high and sustained levels in the growth of the internal market;

- that more than 90 per cent of member states' trade is with other members of the Union, and rising, especially in the Eurozone;

- the consequence that Europe needs to pursue an internal recovery programme to assure sustained recovery;

- the degree therefore to which a social investment led recovery is likely to be supplied by goods and services from within the internal market;

- that such a recovery, as with the US New Deal, and the European Recovery programme, can be led by social investment co-financed by the EIB through its remit since the 1997 Luxembourg Council to invest health, education and urban regeneration, as well as the urban environment;

- the central role which such social investment led growth could play in realising the aim to create 15 million jobs in ten years;

- the key role of the EIB since Lisbon in financing investment in R&D and technology and the significance of this for responding to globalisation by innovation rather than only cutting costs;

Affirming that:

- while the European Central Bank is the guardian of stability, the European Investment Bank is the safeguard of growth;

- whether governments or their central banks choose to count borrowings from the European Investment Bank against national debt is at their discretion, and consistent with the principle of subsidiarity.

Therefore, adopts the following Broad Economic Guidelines:
Broad Economic Guidelines

Affirming that:

- the twin pillars of the Single European Act were commitment both to the internal market and to economic and social cohesion;

- the third pillar of the Union is the single currency;

- the governance of the single currency commits member states to respect both stability and growth;

- while the European Central Bank is the guardian of stability, the European Central Bank is the safeguard of growth;

- it is vital to assure that the Stability and Growth Pact enables both stability and growth.

1. Recommends that an increased share of investment within member states in health, education, urban regeneration and urban environment should be financed through borrowings from the European Investment Bank (Luxembourg European Council, 1997).

2. Recognises that most member states within the Union do not count such borrowings by the EIB against their national debt, and acknowledges the precedent for the Union in this regard in that US Treasury borrowings are not counted against the debt of individual member states of the American Union.

3. Affirms that, at the discretion of member states, any national counterpart finance for projects approved and co-financed by the European Investment Bank need not be counted by member states on national debt.

4. Confirms that this is consistent with the provision of the March 2005 revision of the Stability and Growth Pact to allow projects to achieve ‘European policy goals’, and that a central European policy goal is to promote economic and social cohesion.

5. Calls on the European Commission, and Eurostat, to exempt such national counterpart finance for investments approved and co-funded by the European Investment Bank from the national debt ceilings of the Stability and Growth Pact.

6. Allows that, with regard to otherwise maintaining the terms of reference of the Stability and Growth Pact, Eurostat should ensure transparency of such counterpart finance for investments approved and co-funded by the European Investment Bank;

7. Recognises that EIB co-financed investment in health, education, urban renewal and the urban environment will create labour intensive employment in both construction and urban regeneration.
8. Anticipates that increased investment and employment enhanced by EIB co-
finance will reduce the claim on national budgets from unemployment compensation,
and thereby also facilitate fulfilment of the 3% deficit criterion by member states.

9. Anticipates also that increased fiscal receipts from such higher levels of
employment also will further assist member states in fulfilling the debt and deficit
conditions of the Stability and Growth Pact.

10. Appreciates also that the combination of higher levels of cohesion investments
funded by the EIB, combined with reduced fiscal pressures on member states from
higher employment, should release a larger share of national revenues to finance
more employment in the social sphere within member states (Essen European
Council).

11. Welcomes that these measures thereby should facilitate achievement of more
efficient welfare state (Nice European Council) and more intensive policies for social
inclusion.

Recognising also that, to enhance progressive fulfilment of these guidelines, it is
desirable to clarify the provisions for a deepened contribution of the European
Investment Bank and the European Investment Fund to economic and social
cohesion,

Constituting itself for this purpose as an inter-governmental conference:-

Decides that the following new articles should substitute for those of articles 266 and
267 in the Treaty of Nice.

**New Article 266**

**The European Investment Bank**

1. The European Investment Bank is the non-profit making investment finance
institution of the European Union. Its members are the member states of the Union.
By recourse to the capital market and utilising its own resources, and with
guarantees for private sector finance, the EIB co-fines investment in projects of
common interest to several member states, or to individual member states.

2. Its primary tasks are to contribute to the balanced and stable development of the
Union and to finance investments that can enhance both the functioning of the
internal market and economic and social cohesion.

3. In fulfilment of its remit, the EIB co-fines general infrastructural projects. It also
is remitted to co-finance R&D and technology and innovation projects, and
investment in health, education, urban regeneration and urban environment within
member states.
4. At their discretion, member states need not count EIB borrowing or EIB guarantees as a liability against their national debt. The Commission and Eurostat, at the request of a member state, may exclude national counterpart funding for EIB co-financed projects from the national debt criterion of the Stability and Growth Pact.

5. The EIB issues bonds to finance its investment operations both within and outside the member states of the Union, and has a significant role to play in the context of the New Neighbourhood Policy of the Union.

6. The EIB coordinates its actions with those of the European Commission and the European Investment Fund. The Commission makes available to the Bank those projects submitted to it under the Framework Programmes for Science and Technology which in the view of its assessors are technically viable but for which there may not be available finance within Own Resources.

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**New Article 267**

**The European Investment Fund**

1. The European Investment Fund is the non-profit venture capital institution of the Union. Its shareholders are the European Commission and the European Investment Bank. Its task is to reinforce and promote the success of small and medium enterprise throughout the Union.

2. The EIF undertakes guarantees for private or public intermediaries offering venture capital to enterprise.

3. The EIF has a special responsibility to guarantee venture capital to small and medium firms, and also to promote new technology initiatives and new high tech start-ups.

4. The EIF operates through financial intermediaries in the member states. It also may undertake direct operations to guarantee venture capital finance in any member state.

5. At their discretion, member states need not count EIF guarantees as a liability against their national debt.

6. The EIF coordinates its actions with those of the European Commission and the European Investment Bank. The Commission makes available to the Fund those projects submitted to it under the Framework Programmes for Science and Technology which in the view of its assessors may constitute the basis for enhancing innovation within medium sized firms, or constitute the basis for new high tech start-ups, but for which there may not be available finance for such development within Own Resources.
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