EESC launches its 2017 Civil Society Prize

Rewards to go to best projects to integrate people into labour market

The EESC has launched its 2017 Civil Society Prize. This year, the EESC will reward **innovative projects to promote quality employment and entrepreneurship for the future of work** undertaken by civil society, focusing on young people, migrants and other people who have difficulty accessing the labour market.

A total of **EUR 50.000** will be awarded to a maximum of five winners. The **deadline for applications is 8 September 2017** while the award ceremony will take place on 7 December 2017 in Brussels.

Almost ten years after the peak of the financial and economic crisis the European Union is still struggling with high levels of unemployment, despite recent improvements. That is why this year the EESC has decided to reward the best innovative projects which promote quality jobs, entrepreneurship or self-employment, and thus fight to reverse the trend.

The prize will be granted to initiatives already implemented or still ongoing which favour non-discrimination as regards labour market integration. Initiatives must target newcomers such as young people, people with a migrant background or requiring specific support such as the long-term unemployed, women detached from the labour market, people with disabilities or living in poverty.

The Civil Society Prize, now in its ninth year, was launched by the EESC to reward and encourage tangible initiatives and achievements by civil society organisations and/or individuals that have made a significant contribution to promoting the common values that shore up European cohesion and integration. In 2016 the Prize focused on migration.

Further details and the application form are available here.

EU boosts aid to drought affected countries in the Horn of Africa

The European Commission has announced additional humanitarian assistance of €60 million to help people in Somalia, Ethiopia and Kenya, who have been facing critical levels of food insecurity due to severe drought.

This additional assistance brings EU humanitarian aid to the Horn of Africa region (including Somalia, Ethiopia, Kenya, Uganda, Djibouti) to nearly €260 million since the beginning of the year.

"*The situation in the Horn of Africa has drastically deteriorated in 2017 and it keeps getting worse. Millions of people are struggling to meet their and their families' food needs. The risk of famine is real. The European Union has been following the situation closely since the very beginning and progressively increasing aid to the affected populations. This new package will help our humanitarian partners scale up the response further and keep bringing lifesaving assistance to people in need,*" said Commissioner for Humanitarian Aid and Crisis Management Christos **Stylianides**.

The Horn of Africa region has been affected by prolonged drought, particularly severely in south-eastern Ethiopia, northern Kenya and in Somalia where a pre-famine alert has been issued. Some 17 million people are in urgent need of food to survive, while the countries' coping capacities are exhausted. In addition, all three countries are hit by a cholera outbreak, which has a severe impact on the most vulnerable.

The newly announced EU assistance will support humanitarian partners already responding to the needs of the affected populations to step up emergency food assistance and treatment of malnutrition. Projects addressing water supply, livestock protection and response to outbreaks will also be supported. The bulk of the funding (€40 million) will go to help the most vulnerable in Somalia, while €15 million will go to Ethiopia and €5 million to Kenya.

Background

Millions of people in the Horn of Africa are affected by food insecurity and water shortages. Vegetation is sparse. Livestock deaths, high food prices and reduced incomes are being reported. As a result of the poor performance of the ongoing rainy season, the next harvests will be much reduced and the situation is expected to worsen in the coming months.

The drought comes on the heels of the erratic weather caused by the El Niño phenomenon in 2015-16. In Ethiopia, it prompted the biggest drought response operation in the country's history.

The region also hosts 2.3 million refugees, notably from Yemen, South Sudan and Somalia account for the majority of refugees, and is struggling to meet their increasing needs.

The EU has allocated over €1 billion in humanitarian aid to its partners in the Horn of Africa since 2011. EU funding has helped provide food assistance, health and nutrition care, clean water, sanitation and shelter to those whose lives are threatened by drought and conflict.

However, aid for the drought-affected populations is complicated by the remoteness of certain areas, as well as by the ongoing violence in Somalia. All parties to the conflict are therefore urged to provide unimpeded access to people in need.

For more information:

[Factsheet Horn of Africa]

[Factsheet Somalia]

[Factsheet Ethiopia]

[Factsheet Kenya]

Benoît Cœuré: Interview with Le Monde and La Stampa

Optimism is back in the euro area. Are we at the beginning of a "golden decade"?

It's true that in the space of one year the situation has improved considerably. The euro area can be said to have entered a phase of economic expansion. The recovery has finally arrived. It has spread to virtually all sectors and countries. This is excellent news. But it would be unwise to let our guard down, because this recovery is of a cyclical nature and builds on significant support from monetary policy. There is still much to do to make it long-lasting. Structural growth needs to be strengthened in each country and the euro area must be made more resilient to shocks.

Emmanuel Macron's election in France has rightly relaunched the discussions on strengthening the euro area. Which area of work must be prioritised?

The priority is reform in each country. That goes for France and Italy, among others, but also for Germany. For example, the rates of economic growth have now largely converged in the various euro area countries, but their per capita income levels still differ widely. This is a problem for the euro area. Once each of the Member States has done its share of the work, they will then be able to strengthen their joint structures. In the end, I think that this calls for stronger institutions, such as a finance ministry that is allocated a common budget, but let's be careful not to put the cart before the horse.

How can the Germans be convinced to move towards this common budget?

There will be no single budget policy, as the Member States do not want one. Pooling the budget is simply a tool that allows joint projects to be financed. To make progress in this area, it is necessary to sweep away the preconceptions that paralyse the discussions between the Member States. In Germany, for example, people think that Berlin alone paid for the other countries during the crisis, which is not true. In France, the thinking is that Europe is dominated by Germany, which is also not the case. And in Italy, the euro is held responsible for the country's problems, when the

Italian economy’s weaknesses, such as lacklustre productivity growth, pre-date the single currency. Such biases will not go away until the economies have converged sufficiently.

Why does making the labour market more flexible appear to be the keystone of reforms to be carried out in France?

Reforming the French labour market has become extremely symbolic in Europe: it is considered everywhere as proof of France’s willingness to reform. That’s what makes it essential. The new French Government fully understands this. However, this can only be a first step. The notorious “flexicurity” includes the word “security”. Making the labour market more flexible can unleash potential, but doing so also requires safeguarding workers’ careers and reforming their training. There is also the problem of the mismatch between France’s output and foreign demand, as shown by its external deficit, which is one of the highest in the euro area. This deficit is not the result of an overly rigid labour market, but rather of a skills mismatch. Education and training must therefore be at the heart of the reforms of the French economy.

Should inspiration be taken from the Italian “Jobs Act” reform, which introduced a single labour contract?

Each country has its own unique features, but it’s true that, with the “Jobs Act”, Italy went further than France. What is more, this reform is starting to bear fruit.

Several plans are also on the table for eurobonds, these European bonds whereby the risks are more or less shared among the member countries. What is the current thinking on these?

Discussions are under way, in particular within the European Systemic Risk Board. But it is unrealistic to imagine, as is too often the case in France, that technical fixes can solve political problems. Prior to any reform of the euro area, discussions need to take place on the joint projects and their democratic basis. Public debt, whether French or European, constitutes the taxes of tomorrow and beyond. Who will vote for these taxes? The national parliaments or the European Parliament? And what will they finance? These are very political choices. With the economic upswing and the return of confidence in Europe, the time has come to embark on this joint reflection.

Doesn’t the coming increase in interest rates pose a threat to the countries with weak public finances?

The increase in long-term interest rates is the result of consolidating growth. Governments and financial players must prepare themselves for it. They are aware of that.

Do the divisions within the European Central Bank (ECB) over the withdrawal of exceptional monetary policy measures weaken its credibility?

The European treaties chose for monetary policy to be steered by a governing council precisely to allow for the expression of different viewpoints. This range of opinions is an antidote to groupthink. What’s essential is to come to a consensus at the end of the discussion, which is nearly always what happens. There is no disagreement over the current monetary policy stance.

How can one avoid the reduction of monetary support causing panic on the markets?

The choices available to the ECB are too often caricatured by its observers. Some fear that we might traumatise the financial markets if we turn the dial of monetary policy by a millimetre, while others prescribe a forced march towards normalisation. The reality is quite different. As early as last December, we scaled back our asset purchases without undermining the support given to the economy. So, I would argue that we have already adjusted our monetary policy, and this was made possible by the continued improvement in the economic situation. This adjustment has been done in a very careful way, as a number of factors continue to weigh on inflation. If needed, the Governing Council will continue to adjust its instruments both qualitatively and quantitatively. But when this is needed, it should do so carefully and flexibly, and based on what matters for us within the framework of our mandate: the inflation outlook. We must be transparent in our communications on these developments. Otherwise we run the risk of a more abrupt adjustment for the markets when the decisions are actually taken.

But inflation today is very close to the objective of 2%…

We base our decisions on facts, but make no mistake – without monetary support, inflation today would not be approaching 2%. That gives us reason to be careful. The underlying inflationary pressures are still weak. Another issue that we are monitoring closely is the impact of the ECB’s negative deposit rates on the banking sector and its capacity to support the economy. Banks’ profitability and the growth in credit show that fears over negative side-effects are not justified at present. In the light of these observations, there is no reason to change our strategy.

Some economists argue that low rates are contributing to speculative bubbles forming, in particular in the housing market. Are they wrong?

We monitor financial stability very closely. Our assessment is that there are currently no bubbles at euro area level. There’s a simple reason for this – financial asset bubbles have historically been associated with an increase in bank credit and the size of banks. Today, the flow of credit to the economy is picking up but remains moderate. What is more, the size of the banking sector is limited by regulation.

What about bubbles in unregulated financial institutions in the “shadow banking” sector?

The increase in credit in this sector is happening quickly, and we have a limited number of tools with which to constrain it. It’s an area of concern for the future.

By being so cautious, isn’t the ECB at risk of finding itself out of

ammunition when the next crisis hits?

The main danger for the euro area is having to tackle the next slowdown without the necessary tools. Today, the euro area economy is exceeding its cruising speed, mainly due to the support of monetary policy. Without reforms, however, growth will peter out sooner or later. So it's critical that the euro area prepares for future shocks by recovering fiscal room for manoeuvre. The most indebted countries, which include France and Italy, should take advantage of the current upturn to consolidate their public finances. The French Government's commitment to bring the public deficit below the 3% threshold this year is a positive step. It prepares the country for the future and enables it to regain credibility in Europe.

Is the lure of protectionism a threat to the global economy?

At the global level, this temptation is very strong. And that's a serious problem. The global economy needs cooperation. We were only able to overcome the 2007 crisis through a collective commitment, in particular from the G20 and the Financial Stability Board, to resist protectionism and respect common financial standards. Going back on that commitment would hurt growth and employment. In this context, Europe has a responsibility to defend the values of openness and free movement that it embodies, without being naive. For example, the free trade deals agreed with Canada, and soon to be agreed with Japan, contain guarantees that uphold the European values of respect for social standards, public services and the environment. Protectionism should not be confused with protection.

Is that enough to protect those who lose out as a result of globalisation?

The tools to deal with this issue are mainly available at national level. But Europe is probably the best-equipped region. Some years ago, Chancellor Angela Merkel highlighted that Europe accounts for 7% of the world's population and 25% of its GDP, but 50% of its social expenditure. European countries' responsibility, first and foremost, is to ensure that their social systems are sustainable and work well by securing their funding. And this doesn't exclude European-level mechanisms.

Is common unemployment insurance an example of this?

Personally, I'm not sure. Harmonising workers' rights seems to me to be a difficult goal to achieve. But tools available at European level, such as the Globalisation Adjustment Fund, could be better used. Currently, too few workers have access to it. In addition, the best way to protect workers is to provide them with training. This priority is not visible enough in European budgets.

Is Italy the sick man of the euro area?

I wouldn't say that. I'm optimistic for the Italian economy over the short term. It is benefiting from accelerating economic growth in the euro area. Reforms such as the "Jobs Act" are bearing fruit and the banks' non-performing loan problem is now being dealt with proactively. On the other hand, the country’s long-term growth prospects remain lower than those of the euro area as a whole, and that’s a problem. But I must highlight that it’s a problem that already existed before the euro was introduced. Today, this is making it harder to reduce the public debt, but doing so is vital for Italy’s future.

Does the Italian economy really benefit from the euro?

Yes, of course! The single currency, like banking union, is very beneficial for Italy. Today in Italy there’s a kind of mistrust of Europe, which is particularly worrying given that it is one of the EU’s founding Member States, where the Community values have always been strong. One of the major challenges in the months to come will be for Italy to reclaim the European project. It’s vital that it does so. Europe needs Italy to stand up for it. A well-functioning Franco-German alliance is also necessary, but it isn’t enough on its own. Italy is a key component of the European project. Today, we need it to act as a positive force and be supportive of the euro.

The Italian banks Veneto Banca and Banca Popolare di Vicenza were wound up using public funds. Is this a failure for banking union?

No. Quite the contrary, in fact. The ECB, in its role as banking supervisor, identified the problems ahead of time and put pressure on the banks to strengthen their capital, which they did on several occasions, and to find a buyer. Once these options were exhausted, the ECB declared that these two banks were failing or likely to fail, in order to trigger the mechanism for winding them down. The decisions regarding their liquidation and the use of public funds do not fall under our remit, but everything was done in accordance with European rules. Of course, there are lessons to be learnt, but let‘s not lose sight of the bigger picture. From now on, it will be possible to close down banks when they are no longer viable. This is a massive cultural shift in Europe – for a long time the assumption had been that all banks had to be kept afloat, including those that were no longer viable. This mindset contributed to the weakness of the European banking sector, which currently has too many institutions. It will have to consolidate.

Will the Brexit negotiations harm investment in the euro area?

Brexit is bad news for everyone, but it was the British people’s choice, and its economic impact is far less significant for us than it is for them. Political uncertainty is diminishing on the Continent, which helps boost investment, but in the United Kingdom the opposite seems to be the case. It is for the British people to choose their destiny outside of the European Union, but one thing must be clear: this cannot call into question the coherence of the European project and the integrity of its single market – a legal space in which the common rules are respected and consumers and investors are protected. The purpose of the European institutions is to protect that integrity. And that holds true if the negotiations fail, which is sadly a possibility.

With its economy battered by year after year of crisis, what could be the

future drivers of growth in Greece?

That is the issue the Greek Government can now tackle. The agreement reached by the Eurogroup in June isn't perfect, because it doesn't provide a clear answer to the issue of Greek debt sustainability, but it will enable the economy to stabilise and investment to return. If political uncertainty and uncertainties around the implementation of the aid package disappear, I am sure that Greece will be able to benefit from a strong cyclical recovery that will ultimately enable it to consider its model for future growth. The time has finally come to ask these long-term questions.

"There is no cherry-picking on Brexit"

Michel Barnier debates Brexit negotiations with European Economic and Social Committee

"Brexit means uncertainty", said **Michel Barnier** at the outset of the debate with EESC members on 6 July, *"uncertainty for citizens, businesses and jobs"*. He stressed his task was to negotiate on the basis of what the United Kingdom put on the table, which included no free movement for EU citizens, full autonomy of laws, no role for the European Court of Justice and the autonomy to sign free trade agreements. The latter involves leaving the customs union and the single market.

But there was also one certainty, he said, namely that the UK would become a third country, and this would entail three main consequences:

1. The basic freedoms – free movement of people, goods and capital – are indivisible;
2. There is no option for a sector by sector participation in the Single Market; and
3. The EU will keep its own independence in setting economic and social rules and standards that all 3rd parties must respect.

The United Kingdom and the EU need to be aware that Brexit has a cost and it is the task of the negotiating team to keep this cost as low as possible. *"From the EU's side, there will be neither aggressiveness nor arrogance,* said Mr Barnier, "*but we need to be ready for any situation, even a no deal situation, although this would be the worst-case scenario."*

Members of the European Economic and Social Committee voiced their concerns on many aspects, including consumer rights, social rights or the trade policy. Irish and Northern Irish members raised the issue of the Good Friday Agreement, which was mainly achieved with the help of the EU.

Luca Jahier, President of the EESC's Various Interests Group stated that "*A bad deal is better than no deal, we need to achieve a deal at any cost,* *because nobody voted to become poorer, nor for the end of the Irish peace process."* Mr. Jahier proposed that *"half of the frontier negotiations should take place at the border between Northern Ireland and the Republic of Ireland and that a cultural route of peace be established between the Irish border and Nicosia in Cyprus, where another wall still exists in Europe."*

Business investments are high on both sides of the Channel. Brexit could jeopardise business relations; particularly as uncertainty is a disruptive factor for businesses. **Jacek Krawczyk**, President of the Employers Group stressed that *"The main expectation for employers is that companies have certainty on the withdrawal agreement and clarity about the future relationship. These negotiations create challenges for both sides, but the EU is no 'restaurant à la carte'. Here we fully support the Commission: there are no low hanging fruits to grab. Transparency and integrity – this is what we appreciate."*

Gaby Bischoff, President of the Workers Group referred to the fact that 4 million workers are affected by Brexit, that is to say the equivalent of the population of two Member States – Estonia and Latvia – taken together. She stressed that *"we cannot accept that people could be used as bargaining chips. "Workers' rights– protecting jobs, working and living conditions – must be high on the agenda. We cannot let EU workers' rights be undermined by low pay, low regulation or tax havens."*

Mr Barnier stressed that the EU too wanted a fair and balanced deal, and that failure to reach a deal would be the worst option, as it would mean reverting to a distant past, including trading relations with the UK regulated by WTO rules, making products more expensive.

EESC members agreed with Mr Barnier that although Brexit is important and a good deal is in the interest of both the 27 and the UK, the most important thing is the future of Europe. "*We have to make people aware about the countless advantages of EU membership. Brexit has shown very clearly that many people are not aware of the fact that these advantages come from being a member of the European Union. In the UK for many people the awakening has already begun. Now it's for the European stakeholders to make the EU27 stronger and more cohesive. The EESC is ready to be a main partner in this process",* concluded EESC President **Georges Dassis***.*

Rural funding: Keep it simple, but make it better

Europe's rural regions vary within and between Member States. It is important to be aware of these differences and to ensure that rural programmes and measures take into account the differences at EU and Member State level. In its own-initiative opinion *From Cork 2.0 declaration to*

***concrete action*, the European Economic and Social Committee (EESC) calls for more targeted funding, based on the priorities of Member States, regions and citizens' initiatives, to help rural areas develop.**

Only rural proofing which is mandatory will ensure effective policies

Rural development is a horizontal issue and it is not sufficient for it to be mainly shouldered by the European Agricultural Fund for Rural Development (EAFRD) only. Rural development practically affects all policy areas. The EESC therefore calls for a more cohesive policy as well as to increase the shares of the other ESI funds – in particular of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) – allocated to rural development. These are necessary steps in order to reduce existing disparities and territorial imbalances.

The EESC believes that rural proofing (a tool for identifying the impact of policy decisions on rural areas) must be mandatory. *"Rural proofing which results only in reports and findings is meaningless; it must deliver a true and accurate basis for people who are taking the rural policy decisions including the distribution of funding"*, said **Brendan Burns**, President of the EESC NAT section.

In its opinion, the EESC emphasises that **simplification** at all levels – EU, national, regional – is a matter of urgency. *"If the EU doesn't ease the regulatory burden, fewer and fewer farmers will be willing to safeguard and promote its unique landscape and this will be much more costly than targeted subsidies. The victims will be European citizens in both the cities and rural areas,"* stressed rapporteur **Sofia Björnsson**.

The EESC backs the Cork 2.0 Declaration as it offers strong support for a rural policy at EU level.

Boosting innovation and digitisation helps to create jobs in rural districts

Sustainable agriculture and rural development need innovative solutions. There is high potential for climate-smart solutions and a more circular and bio-based economy. Generating solar, wind, hydro and bio-energy would not only help the climate, but would also be a sustainable income source for people in rural areas. *"Implementing innovations and applying new technologies, however, often require extensive investment and high risk. To ease that risk either public funding could be used or a group of farmers could invest together",* said Ms Björnsson, who believes that innovation strategies and funding need to be based on identified needs. In the EESC's view, the European Innovation Partnerships (e.g. the EIP-Agri) can be useful because of their bottom-up approach.

If young people are to remain in rural areas and businesses and entrepreneurs to thrive, quality broadband coverage is essential, both for safety and quality of life. *"Broadband is a must for businesses and entrepreneurs, and modern farming is more and more dependent on a well-functioning internet",* said Ms Björnsson**.** Where market forces are not enough, EU funding should be used in order to help broadband reach remote communities.

Farmland and forests make up 85% of the EU’s land area and provide Europeans with food, animal feed, energy and fibre as well as with public assets such as rich flora and fauna. This diverse landscape can also help generate economic activities other than agriculture, particularly in the tourism and recreation industry.

Agriculture is also the main driver in the transition to sustainable food systems. Promoting local consumption not only benefits local economies and agricultural production, but shortens the supply chain and thus helps our environment.

Last, but not least, rural areas are key players in implementing the international commitments under the UN Sustainable Development Goals and the Paris climate agreement (COP 21).