Contribution to the annual growth survey 2012

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The Committee on Economic and Monetary Affairs adopted the own-initiative report drafted by Jean-Paul GAUZÈS (EPP, FR) in response to the Commission communication on the contribution to the Annual Growth Survey (AGS) 2012.

Members welcome the AGS 2012 as presented by the Commission as a good basis for this year's European Semester. They agree with the Commission's analysis that efforts at national and EU level should concentrate on the following **five priorities**:

- pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation;
- ensuring long-term financing of the real economy;
- promoting sustainable growth through more competitiveness and investments;
- tackling unemployment and the social consequences of the crisis;
- modernising EU public administration and services of general interest.

Members deem however that the **Annual Growth Survey falls short of what is necessary to restore confidence** among European households and enterprises as well as financial markets, since it overlooks the need to take urgent action to support short-term activity and employment in investing in the EU 2020 objectives. They deplore the **lack of, or unevenness** in, the implementation in the Member States of guidelines agreed at the EU level, bearing in mind the necessary margin of discretion which the Member States enjoy to pursue their own policies, which prevents the agreed guidelines from unleashing their full potential to achieve EU 2020 goals.

In this context, the report makes the following recommendations:

Pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation: Members urge Member States to take the appropriate steps to correct their excessive deficits by the deadlines set by the Council and to reduce their sovereign debts to a sustainable level. They underline the fact that Member States should pursue differentiated strategies according to their budgetary situations and insist that Member States must keep their public expenditure growth below the rate of medium-term trend GDP growth provided that increased expenditure is not matched by additional discretionary revenue measures.

Member States are invited to **prioritise, on the expenditure and revenue sides of the budget, growth-friendly policies**, such as education, research, innovation, infrastructure and energy, and to ensure the efficiency of such expenditures and revenues. Members call for efficient, socially just and sustainable reform:

- of the **pension and social security systems**,
- **growth-friendly tax policies** in the Member States, better tax coordination and where appropriate harmonisation in the EU; encourages the Member States to improve their domestic fiscal frameworks as agreed with a view to promoting efficient and sustainable fiscal policies.

The Commission for its part is called upon to ensure the coordination of **measures against tax evasion**.

Ensuring long-term financing of the real economy: Members believe that more diligent and ambitious measures are required in order to **enhance the resilience of the EU financial system**. The report

underlines the fact that restoring investor confidence will require a strengthening of the banks' capital positions and measures to support their access to funding, as far as possible curtailing short-term remuneration systems and inadequate business models.

It stresses that, after having been correctly capitalised, **banks should not unduly restrict lending** to the real economy and therefore regulatory actions should lay the basis for an increase in their lending capacity. The Commission is invited to ensure that the European system of financial supervision maintains bank lending, in particular by those institutions that benefited from crisis-related State aid and the support of ECB liquidity lines. Members expect the Commission to make its **proposals on crisis bank management before Summer 2012**.

Promoting sustainable growth through more competitiveness and investments: Members are worried by the macroeconomic imbalances within the EU and the fact that many Member States, in particular those under market pressure, are falling behind in terms of productivity. They insist on the role of **enhanced coordination of economic policies as well as structural reforms** in tackling these problems in both deficit and surplus countries in an adequate way.

Tackling unemployment and the social consequences of the crisis: Members believe that the structural mismatch between supply and demand for labour will hinder recovery and long-term growth. They therefore calls for structural **reforms in the labour market**, while respecting the subsidiarity principle and ensuring social cohesion. They draw attention to the role and responsibilities of the social partners in the design and implementation of structural reforms.

Modernising EU public administration and services of general interest: the report recalls that the quality of public administration at EU, national, regional and local level is a determining element of competitiveness and an important productivity factor. Public-sector reforms are an imperative part of restoring competitiveness.

Members call for **more efficiency in the delivery of public services** as well as an increase in the transparency and quality of public administration and the judiciary, and further encourage **reductions in the unnecessary administrative burden and red tape**. They underline the importance of monitoring and evaluating civil service performance in conformity with the subsidiarity principle. Lastly, regretting the slow pace of the implementation of EU legislation by certain Member States, Members call on the latter to deliver the agreed results concerning the **quality of statistics**.

Procedural framework: the committee responsible deplores the fact that the involvement of the European Parliament in the elaboration of the BEPG (Broad Economic Policy Guidelines)/AGS is not formally provided for by the Treaty, whilst Parliament's contribution to employment topics is made under the consultation procedure (Article 148(2) TFEU). It recalls that the AGS should be subject to a **codecision procedure** that should be introduced by the next treaty change.

Members wish to step up dialogue between EU and national institutions, in particular parliamentary institutions, where appropriate and with mutual respect and consent. They recall that the economic governance legal framework (the 'six pack') provides the **tool of economic dialogue** and should be utilised as much as possible.

The report urges the Commission to provide a detailed assessment of the implementation by Member States of the country-specific recommendations that it will make public before the June 2012 European Council. It also recalls the fact that the Council should explain its position publicly as part of the economic dialogue in Parliament when it diverges significantly from Commission recommendations and proposals.

Lastly, the Commission, the Council and the European Council are urged to **agree with Parliament on a streamlined timetable** for the European Semester in order to make it as effective, transparent and legitimate as possible.