European semester for economic policy coordination: implementation of 2014 priorities

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The European Parliament adopted by 426 votes to 240, with 10 abstentions, a resolution on the European Semester for economic policy coordination: implementation of 2014 priorities

Recalling that the European Semester plays an essential role in coordinating economic and budgetary policies in the Member States, Parliament stressed the following issues:

Stimulate growth and investment: Parliament stressed that the challenges of the current economic situation, characterised by **sluggish GDP** – stable in the eurozone and rising by 0.2% in the EU-28 during the second quarter of 2014 – **remarkably low inflation** – down to 0.3% in August 2014, its lowest level since November 2009 – and **unacceptably high unemployment** – 11.5% in the eurozone and 10.2% in the EU-28 in July 2014 – have to be addressed urgently.

Even though the economic recovery in the EU had encouraging signs in the previous two years, this recovery is very fragile and uneven, and must be sustained in order to deliver more growth and jobs in the medium term. The Commission is called urgently to set in motion a **European investment program of EUR 300 billion** as proposed by Jean-Claude Juncker to contribute to the short term recovery of European growth.

National implementation of the country-specific recommendations (CSRs): Members stressed that there is an **inconsistency** between European commitment and national implementation of the CSRs by Member States. They are concerned that, according to the Commission, only 10 % of the CSRs for 2013 have been fully implemented. They noted, furthermore, that 45% of CSRs have seen limited or no progress.

The resolution stressed the importance of 'national ownership' by the relevant governments of EU-level commitments. CSRs should be formulated so as to provide policy space to Member States for designing the measures and specific reforms required for addressing such recommendations.

The Commission is urged to ensure concrete recommendations to the Member States and for the EU as a whole, including those under economic adjustment programmes, so that they not only address fiscal consolidation but also **structural reforms that lead to real, sustainable and socially balanced growth, employment**, strengthened competitiveness and increasing convergence.

Economic and monetary union: Parliament called on the Commission to put forward proposals for the completion of the EMU without delay in accordance with all the guidelines in its blueprint on a deep and genuine EMU. It reiterated once more its demand for a legal act on '**convergence guidelines**' to be adopted under the ordinary legislative procedure and suggested that, on this basis, the Member States could enter into a **'convergence partnership**' with the EU institutions, with the possibility of conditional funding for reform activities. Members invited the future Commission to put forward a proposal on the **single external representation of the euro area.**

Financial sustainability and flexible application of the Stability Pact: while stressing that fiscal sustainability is a prerequisite for a long term growth, Parliament stressed that special emphasis should be placed on **growth-enhancing reforms and policies** especially by those Member States that have fiscal space to invest in order to promote growth and facilitate rebalancing in the Euro area. It recalled that the

existing legal framework makes it possible, provided reforms have been initiated, to allow Member States a degree of flexibility, and urges that this flexibility should be exploited.

Recommendations: Parliament supported the objective of placing emphasis on policies that enhance competitiveness, support investment and job creation, fight unemployment and improve the functioning of the labour market in particular in sectors with high growth potential. It stressed that **cohesion policy** represents a prominent investment framework for channelling growth friendly expenditure.

The Europe 2020 Strategy should be fully take into account in the implementation of the European Semester.

Parliament stressed the following priorities:

- **modernise their economies, social security systems, pension systems and health care**, in order to avoid placing an excessive burden on future generations;
- target structural reforms at improving **labour markets' capacity to integrate young people** as well as other excluded groups into the workforce and should be able to present opportunities to older workers; establish a **common and inclusive labour market** and a common modern and inclusive immigration policy by avoiding protectionist tendencies;
- implement an **ambitious European energy policy** which, by increasing security of supply and innovation in the energy sector, can bring about greater economic stability and growth;
- **simplify tax systems** so as to restore a favourable environment for undertakings in all Member States without exception and to cut red-tape and reduce administrative burden;
- complete the structural reforms by **longer-term investment in education, research, innovation**, a modern infrastructure and sustainable energy to enhance digital and ecological transition;
- remedy the **lack of access to finance**, particularly for SMEs
- propose measures to complete the **internal market for capital** to improve the allocation of capital to businesses in order to revitalise the real economy;
- stress the importance of the expedition and completion of the **banking union**;
- ensure that the **green economy** is considered as a major driver for the development of the economy.

Parliament called on the new Commission to make the **employment recovery an absolute priority** by drawing up an ambitious and holistic strategy for growth and quality job creation and to propose a **European framework** introducing minimum standards for the implementation of the Youth Guarantees.

Democratic accountability: the resolution stressed the need to strengthen democratic accountability to the European Parliament and the national parliaments as regards essential elements of the euro area's operation, such as the European Stability Mechanism, Eurogroup decisions, and the monitoring and evaluation of financial assistance programmes.

Members urged the Commission and the Member States, to incorporate financial assistance and the ad hoc system of the Troika into an **improved legal structure** compliant with the EU economic governance framework and community law, thereby guaranteeing democratic accountability. They requested that the Commission reports on a quarterly basis in Parliament's competent committee on the measures taken to ensure progress on the implementation of the CSRs and on the progress achieved thus far. They invited Member States to explain the reasons for non-compliance with the CRSs in Parliament's competent committee.