European semester for economic policy coordination: annual growth survey 2016

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Maria João RODRIGUES (S&D, PT) on the European Semester for economic policy coordination: Annual Growth Survey 2016.

The Committee on Budgets, exercising its prerogatives as an associated committee under Article 54 of the Parliament's internal Rules of Procedure, was also consulted for an opinion on the report.

This report represents the **European Parliament's contribution** to the definition of economic policy priorities for the 2016 European Semester process of policy coordination, responding to the Commission's Annual Growth Survey.

Members stated that economic recovery in the European Union is under way, but recovery remains weak and uneven between and within Member States. Some Member States face the persistent problem of **very low growth rates**, whereas net **external debt** in percentage of GDP has not decreased in most Member States.

Moreover, Europe still faces an important **investment gap**. The **employment rate is improving** but is still insufficient to significantly curb unemployment, particularly youth and long-term unemployment, as well as poverty.

In this regard, the report made the following recommendations:

Policy mix: Members welcomed the 2016 Annual Growth Survey package and the proposed **policy mix of investment, structural reform and fiscal responsibility**, aiming to further promote higher growth levels and strengthen European recovery and upward convergence. They called for further efforts to support recovery and foster convergence towards the best performers and correct macroeconomic imbalances, including by increasing productivity and boosting investment.

- *Investment*: the report called for the European Fund for Strategic Investments (EFSI) to be used to maximum effect to support strategic projects not otherwise financed. These investments should serve a consistent industrial policy and should involve a particular focus on quality job creation, especially for young people.

The report also stressed the need:

- for **greater investment in human capital**, notably education and innovation, also in the context of labour market reforms;
- **improve national education**, vocational training and lifelong learning systems and to adapt them to the new skill and knowledge demands of the EU labour market.

Members underlined the need for **adequate administrative capacity**, an active role for the regions and better coordination at all levels of government and among them. They also called for available adequate instruments to be made available in order to bring together public and private financing.

- *Structural reforms*: Members also stressed the importance of:

- **sustainable reforms in the product, services and labour markets**, as well as in connection with pension schemes, and for better regulation, which promotes innovation, job creation and welfare-enhancing, fair competition without watering down consumer protection;
- **greater resource and energy efficiency**, including through the development of the circular economy;
- developing further a **true Energy Union** based on solidarity, efficiency and diversity while not ignoring indigenous energy sources, including renewable energy;
- stimulating **quality job creation** and creating resilient labour markets with reduced segmentation;
- a **modern, efficient, democratic and citizen-friendly public administration** at all levels of government, as well as for efficient and transparent public procurement rules;
- a **greater shift of taxation away from labour**, to be decided at national level, while ensuring the sustainability of social protection systems.

- ***Fiscal responsibility***: Members reiterated the need for **responsible, growth-friendly fiscal policies**, ensuring debt sustainability and taking account of the economic cycle and investment gaps, while at the same time respecting citizens' social rights. They insisted on:

- the implementation of the Stability and Growth Pact, while making full use of its existing flexibility clauses, in line with the Commission communication of 13 January 201, inter alia to support greater investment and structural reforms, as well as to deal with security threats and refugee inflows;
- the need for improving tax collection, combating tax fraud and evasion, enforcing action against aggressive tax planning and tax havens, as well as for improved tax policy coordination within the EU.

Euro area: Members welcomed the recommendation on the economic policy of the euro area, proposed by the Commission six months before country-specific recommendations. They considered this as a step towards deepening policy coordination in the follow-up to the Five Presidents' Report and relevant resolutions of the European Parliament.

The report emphasised that, given its high level of interdependence and the singleness of its monetary policy, **the euro area is an economic entity where convergence towards best performers must be promoted** and supported by stronger coordination of national policies. It insisted on full coherence between the euro area recommendation and country-specific recommendations.

Stronger democratic accountability: deploring the poor implementation of country-specific recommendations, Members stated that there is a need to **better identify clearly articulated priorities at European level** as well as to increase **genuine public debate**, political willingness and commitment at national level, leading to greater relevance and national ownership.

The report underlined that the spring European Council should remain the central moment where policy priorities are defined. It welcomed the discussion with the Commission in plenary on the Annual Growth Survey priorities before and after its adoption. Members called on the Council to adopt the euro area recommendations and conclusions on the Annual Growth Survey package **after Parliament has been able to express its views on them**. The committee affirmed its resolve to consider these documents swiftly and to take a position well before the Spring European Council.

The report also highlighted the importance of **national parliaments** debating country reports and country specific recommendations and voting on national reform programmes, as well as national convergence or stability programmes. Member States shall aim to involve the social partners, local and regional authorities and other relevant stakeholders in a structured manner, taking advantage of the early publication of country reports.

Budgetary policies: Members deplored the fact that there is no satisfactory lever available, given the modest scale of the EU budget and regretted that it is also impossible to modify the own-resources system. They called on the Commission to carry out the review of the multiannual financial framework (MFF) which has become inadequate following the financial and humanitarian crises that hit the EU between 2009 and 2014.

Lastly, the report stressed that greater integration within the euro area is indispensable in order **to complete economic and monetary union (EMU)**, and that budgetary union is a cornerstone of the proper operation of the euro.