European Semester for economic policy coordination: Annual Sustainable Growth Strategy 2021

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The European Parliament adopted by 400 votes to 103, with 186 abstentions, a resolution on the European Semester for Economic Policy Coordination: Annual Sustainable Growth Strategy 2021.

COVID-19 crisis, recovery and resilience facility, temporary adjustment of the European Semester

Noting the close link between the European Semester and the Recovery and Resilience Facility (RRF), Parliament called on the Commission to examine the recovery and resilience plans in depth to ensure that the recovery generates European added value, improves Member States' long-term competitiveness and sustainable growth prospects, and enables European economies to meet the challenges of the ecological and digital transitions, the European Pillar of Social Rights (EPSR) and the UN Sustainable Development Goals (SDGs).

Members called for the implementation of the RRF to be accelerated so that funding can be disbursed quickly, while recalling the role that the European Parliament will play in the dialogue for recovery and resilience established by the RRF regulation.

Parliament welcomed the setting up of Next Generation EU by Member States and EU institutions to address the unprecedented crisis caused by COVID-19 and to contribute to the recovery. It believes that the RRF creates a unique opportunity for delivering the reforms and investments needed for the EU to get ready to cope with the present challenges.

The four dimensions of social and environmental sustainability, productivity, fairness and stability identified in the Annual 2020 Strategy for Sustainable Growth should be considered in the preparation of the Member States’ recovery and resilience plans.

Economic outlook for the European Union

Parliament noted with concern that the EU economies are in an extremely difficult situation and that the unprecedented economic recession in 2020 and the measures taken in response to the pandemic are set to push the EU debt-to-GDP ratio up to a new peak of around 93.9 % (101.7 % in the euro area) in 2020.

Members called for the preservation of a level playing field in the single market, while taking into account the characteristics faced by insular, peripheral and sparsely populated regions of the EU and the situation of the EU's least developed regions.

The resolution called for a balanced strategy to promote sustainable growth and an investment-friendly environment, while improving fiscal sustainability. The focus should be on forward-looking policies and investments, especially in those Member States that have fiscal room for manoeuvre to invest in order to promote sustainable and inclusive growth.

Responsible and sustainable fiscal policies

Parliament considered that the means to overcome the current crisis are likely to require expansionary fiscal policy for as long as necessary. It reiterated that replenishing fiscal buffers over time, in a socially responsible manner, will be important for preparation for future crises. However, it believes that rapidly reversing the fiscal stance is not advisable for recovery.

Members expected the general opt-out clause in the Stability and Growth Pact to be applied for as long as justified in order to support Member States' efforts to overcome the pandemic crisis and strengthen their competitiveness. They called on the Commission to assess the deactivation or continued application of the general escape clause in its European Semester package on the basis of its spring 2021 economic forecasts.

Growth-enhancing, balanced and sustainable structural reforms

Aware that the COVID-19 will not be solved by current fiscal stance alone, Parliament stressed that only structural improvements can enhance the long-term growth potential of Member States' economies.

In particular, Members stressed the need to develop digital skills and enable key digital technologies, as well as reforms in education, skills and lifelong learning to support labour market transition.

The Commission is invited to create a climate indicator to assess the gap between the structure of the Member States' budget and a Paris-aligned scenario for each of their national budgets. This indicator should serve as a reference for the different EU policies and as a guide for the European Semester.

Parliament also stressed the need for investment-friendly policies, reducing the administrative burden and ensuring a level playing field, especially for SMEs.

A more democratic European Semester

Parliament reiterated its call for a stronger democratic role for Parliament in economic governance. It called on the Council and the Commission to take due account of resolutions adopted by parliaments and asked to be informed, as co-legislator, of all aspects relating to the application of the EU’s economic governance framework. It also called for committed coordination with the social partners and other interested parties at EU and Member State level.