European Semester for economic policy coordination: Annual Sustainable Growth Survey 2022

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Irene TINAGLI (S&D, IT) on the European Semester for economic policy coordination: 2022 annual review of sustainable growth.

The European Semester plays an important role in coordinating the economic and budgetary policies of the Member States, thereby safeguarding and the macroeconomic stability of the Economic and Monetary Union.

Economic outlook for the European Union

Members noted that the European economy is recovering faster than expected from the devastating effects of the global COVID-19 pandemic and that all Member States are expected to reach their pre-pandemic output levels by the end of 2022. However, they are concerned that the speed of recovery varies between Member States and regions, with significant differences and disparity between Member States in 2021. However, the recovery is expected to be more evenly spread in 2022 and 2023.

The report underlines that a successful and transparent roll-out of the **Recovery and Resilience Facility** (RRF) will contribute to making EU economies and societies more prosperous, sustainable, inclusive and better prepared for the green and digital transitions and will help foster economic, social and territorial cohesion.

Responsible and sustainable budgetary policies

Members believe that the **EU's economic governance framework needs to be reviewed**, preferably before deactivating the general escape clause of the Stability and Growth Pact from 2023. They note the Commission's intention to provide, for the period before the general escape clause is deactivated, guidelines on budgetary policies reflecting the specific economic situation of each Member State.

Convinced that the coordination of national budgetary policies is crucial in underpinning the recovery, Members agreed with the Commission that Member States with low or medium levels of debt should adopt or maintain a supportive fiscal stance, and that Member States with high debt levels should use the Recovery and Resilience Facility (RRF) to finance additional investment to support the recovery, while adopting a prudent fiscal policy that does not hamper the public investment needed to fund sectors of strategic importance.

Growth-enhancing, balanced, inclusive and sustainable structural reforms and investments

Members considered it essential to coordinate **national reform and investment efforts** and the exchange of best practice in order to increase the convergence and resilience of economies, promote sustainable and inclusive growth and improve institutional frameworks to increase national ownership and accountability.

Stressing that the European Semester and the RRF interact, Members called on Member States to make the most of this opportunity and use it to transform their economies and make them sustainable, more

competitive and more resilient to future shocks. They recalled that the RRF and each of the national recovery and resilience plans must fully respect the **rule of law conditionality regulation** and that the measures set out in these plans should not go against EU values.

Members considered it essential to tackle structural problems and **increase private and public investment** to ensure a sustainable recovery and lasting growth.

Concerned about macroeconomic vulnerabilities related to excessive imbalances and that high levels of public debt, Member States are called on to take advantage of the unprecedented opportunity offered by the RRF to significantly reduce existing macroeconomic imbalances, including by incorporating ambitious reform measures into the national plans of all Member States. Members also stressed the importance of a regulatory framework and policy strategies that combine a reduction in the debt-to-GDP ratio with an adequate level of private and public investment to ensure sustained economic growth, a high degree of competitiveness and social cohesion.

The report stressed that the Commission plays an important role in holding governments accountable for emerging imbalances in the Member States.

A more democratic European Semester

Members stressed the importance of a thorough debate on the European Semester process and the need to involve national parliaments and the European Parliament. They called for the strengthening of Parliament's democratic role in the economic governance framework and urged the Council and the Commission to take due account of its resolutions. They also called on the Commission to keep Parliament and the Council duly and fairly informed on the application of the EU economic governance framework.