Basic information

2013/2157(INI) INI - Own-initiative procedure	Procedure completed
European semester for economic policy coordination: annual growth survey 2014 **Subject** 5.05 Economic growth 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	DE BACKER Philippe (ALDE)	02/07/2013
	Shadow rapporteur ZALBA BIDEGAIN Pablo (PPE) PODIMATA Anni (S&D) LAMBERTS Philippe (Verts /ALE)	

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets (Associated committee)	WERTHMANN Angelika (ALDE)	11/09/2013

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3274	2013-11-19
Economic and Financial Affairs ECOFIN	3281	2013-12-10
Economic and Financial Affairs ECOFIN	3294	2014-02-18
Competitiveness (Internal Market, Industry, Research and Space)	3276	2013-12-03

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	-- --
Secretariat-General	-- --

Key events

Date	Event	Reference	Summary
12/09/2013	Committee referral announced in Parliament		
10/10/2013	Referral to associated committees announced in Parliament		
19/11/2013	Debate in Council		
03/12/2013	Debate in Council		
10/12/2013	Debate in Council		
30/01/2014	Vote in committee		
06/02/2014	Committee report tabled for plenary	A7-0084/2014	Summary
18/02/2014	Resolution/conclusions adopted by Council		Summary
25/02/2014	Decision by Parliament	T7-0128/2014	Summary
25/02/2014	Results of vote in Parliament		
25/02/2014	Debate in Parliament		
25/02/2014	End of procedure in Parliament		

Technical information

Procedure reference	2013/2157(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Strategic initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/13128

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE524.640	28/11/2013	
Amendments tabled in committee		PE526.278	09/01/2014	
Committee opinion	BUDG	PE524.574	23/01/2014	
Committee report tabled for plenary, single reading		A7-0084/2014	06/02/2014	Summary
Text adopted by Parliament, single reading		T7-0128/2014	25/02/2014	Summary

European Commission

Document type	Reference	Date	Summary

Commission response to text adopted in plenary	SP(2014)447	22/07/2014	

European semester for economic policy coordination: annual growth survey 2014

2013/2157(INI) - 25/02/2014 - Text adopted by Parliament, single reading

The European Parliament adopted by 545 votes to 120, with 10 abstentions, a resolution on the European Semester for economic policy coordination: Annual Growth Survey 2014.

Parliament noted that the latest Autumn Commission forecast shows that real GDP growth in the euro area is slowly returning and is expected to be reach 1.1% in 2014, unemployment is expected to fall and inflation is expected to remain well below 2%. Growth in emerging markets is stagnating, while it remains robust in the US and positive in Japan.

The Commission acknowledged that **most of the Europe 2020 objectives will not be met** even in the most optimistic of scenarios. Economic recovery in the EU is under way but is still fragile and it needs to further boost its cost and non-cost competitiveness in the global economy.

Economic reforms and budgetary discipline: Parliament insisted on the need for growth-friendly fiscal consolidation and urged the Commission to turn this priority into concrete recommendations to the Member States and for the EU as a whole. It underlined the importance of **launching or continuing the process of coherent and sustainable structural reforms for stability** in the medium and long term and stressed that the EU cannot compete on general or labour costs alone, but needs to invest more in research, innovation and development, education and skills, and resource efficiency, at both national and European level.

Convergence guidelines: Members reiterated their demand for a **legal act** on 'convergence guidelines' to be adopted under the ordinary legislative procedure, laying down, for a set period, a very limited number of targets for the most urgent reform measures and its request that the Member States ensure that the national reform programmes should be established on the basis of the aforementioned convergence guidelines and verified by the Commission.

Member States are called upon to:

- commit themselves to fully implementing their national reform programmes;
- enter into a '**convergence partnership'** with the EU institutions, with the possibility of conditional funding for reform activities;
- simplify **tax systems**, reduce taxes and social security contributions, especially for low and medium incomes, and shift taxes away from labour to consumption and environmentally damaging activities in order to stimulate growth, private investment and job creation, to make consolidation efforts more efficient, and to enhance investments in education, R&D, and active labour market policies;
- continue implementing or implement growth-friendly and sustainable structural reforms while enhancing the efforts for the achievement of the Europe 2020 objectives.

The resolution underlined that further efforts need to be made to fight the long-term effects of unemployment and in particular of youth unemployment. It urged the Commission and the Member States to consider specific measures for the enhancement of a successful common labour market based on the free movement of workers, an effective level playing field and the principle of upwards social convergence.

SME access to finance: Parliament stressed that access to finance is one of the biggest obstacles to growth in the EU. More alternatives to bank financing are needed by improving the efficient allocation of capital through capital markets, stimulating long-term investment and making full use of the EU's new innovative financial instruments designed to support access to capital markets for SMEs. The administrative burden for SMEs should be lightened.

In addition, Members stated that the main problem in a number of Member States is that the fragmentation of financial markets results in a shortage of funding and increased funding costs, especially for SMEs. Parliament considered that the ECB should maintain its pro-active role in favour of defragmentation and considers that the EIB can further promote funding for SMEs, entrepreneurship, exports and innovation, which are vital for economic recovery.

Democratic accountability: the resolution stressed that the European Semester must in no way jeopardise the **prerogatives of the European Parliament** and those of the national parliaments. There should be a clear division between EU and national competences. The Commission should ensure Parliament's proper, formal involvement in all steps of the European semester process in order to increase the democratic legitimacy of the decisions taken.

The Commission was asked to finally put forward proposals for the **completion of the EMU** which should based on the community method.

EU Budget: Parliament noted that the AGS 2014 differs only marginally from the 2013 edition. It regretted, once again, the **absence of new proposals** from the Commission on the role which the EU budget can play in stimulating growth and job creation in order to achieve the Europe 2020 goals.

Members underlined the fact that the **low level of payment appropriations** and the tight ceiling on payments remain a crucial problem for the EU budget which has a particularly **negative effect on economic recovery**, as late payments are harmful primarily to the direct beneficiaries. This low level of payments in the 2014 EU budget is in total contradiction with the measures agreed by the co-legislators to increase temporarily EU co-financing rates for EU programmes under shared management in Member States experiencing or threatened with serious difficulties with respect to their financial

stability. They recalled the need to ensure, in the light of implementation, an orderly progression of payments so as to avoid any abnormal shift of outstanding commitments ('RAL') onto the 2015 budget and, in this connection, to make use, where appropriate, of the various flexibility mechanisms included in the MFF Regulation.

Members regretted that **Member States persist in considering their contribution to the EU budget as an adjustment variable to their consolidation efforts** , which in turn leads to artificial reductions in the volume of payments available in the EU budget. The Commission is called upon to take full account of this recurring and dangerous trend when assessing the budgetary plans of the Member States and to propose concrete actions to reverse it.

New system of own resources: Parliament considered that the fiscal situation of Member States can be eased through a **new system of own resources** to finance the Union budget that will reduce gross national income contributions, thus enabling Member States to meet their consolidation efforts without jeopardising EU funding to support investment in economic recovery and reform measures. It welcomed the new high-level group on own resources, which should lead to a true reform of EU financing.

Lastly, Parliament reiterated that stronger economic cooperation should go hand in hand with an **incentive based mechanism** and that any additional funding or instruments, such as a solidarity mechanism, must be an integral part of the EU budget, but outside the agreed MFF envelope.

European semester for economic policy coordination: annual growth survey 2014

2013/2157(INI) - 06/02/2014 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Philippe DE BACKER (ALDE, BE) on the European Semester for economic policy coordination: Annual Growth Survey 2014.

The Committee on Budgets, exercising its prerogatives as an associated committee under Parliament's Rule 50 of the Rules of Procedure, also gave an opinion on the report.

The report noted that the latest Autumn Commission forecast shows that real GDP growth in the euro area is slowly returning and is expected to be reach 1.1% in 2014, unemployment is expected to fall and inflation is expected to remain well below 2%.

Growth in emerging markets is stagnating, while it remains robust in the US and positive in Japan. The Commission acknowledged that **most of the Europe 2020 objectives will not be met** even in the most optimistic of scenarios. Members noted that economic recovery in the EU is under way but is still fragile and that the EU economy as a whole needs to further boost its cost and non-cost competitiveness in the global economy.

The report underlined the importance of **launching or continuing the process of coherent and sustainable structural reforms for stability** in the medium and long term and stressed that the EU cannot compete on general or labour costs alone, but needs to invest more in research, innovation and development, education and skills, and resource efficiency, at both national and European level.

Members reiterated their demand for a **legal act** on 'convergence guidelines' to be adopted under the ordinary legislative procedure, laying down, for a set period, a very limited number of targets for the most urgent reform measures and its request that the Member States ensure that the national reform programmes should be established on the basis of the aforementioned convergence guidelines and verified by the Commission.

Member States are called upon to:

- commit themselves to fully implementing their national reform programmes;
- enter into a 'convergence partnership' with the EU institutions, with the possibility of conditional funding for reform activities;
- simplify tax systems, reduce taxes and social security contributions, especially for low and medium incomes, and shift taxes away from labour to consumption and environmentally damaging activities in order to stimulate growth, private investment and job creation, to make consolidation efforts more efficient, and to enhance investments in education, R&D, and active labour market policies;
- continue implementing or implement growth-friendly and sustainable structural reforms while enhancing the efforts for the achievement of the Europe 2020 objectives.

The report acknowledged the achievements of new and revised EU financial regulations in overcoming the financial crisis and noted that the **completion of the three pillars of the Banking Union** and the implementation of the new rules on capital requirements for banks contribute to re-establishing confidence in the resilience of the European banking sector.

As regards **SMEs**, the report stressed that access to finance is one of the biggest obstacles to growth in the EU. More alternatives to bank financing are needed by improving the efficient allocation of capital through capital markets, stimulating long-term investment and making full use of the EU's new innovative financial instruments designed to support access to capital markets for SMEs. The administrative burden for SMEs should be lightened.

In addition, Members stated that the main problem in a number of Member States is that the fragmentation of financial markets results in a shortage of funding and increased funding costs, especially for SMEs; considers that the ECB should maintain its pro-active role in favour of defragmentation and considers that the EIB can further promote funding for SMEs, entrepreneurship, exports and innovation, which are vital for economic recovery.

The report stressed that the European Semester must in no way jeopardise the prerogatives of the European Parliament and those of the national parliaments. There should be a clear division between EU and national competences. The Commission should ensure Parliament's proper, formal involvement in all steps of the European semester process in order to increase the democratic legitimacy of the decisions taken.

EU Budget: the report noted that the AGS 2014 differs only marginally from the 2013 edition. Members regretted, once again, the **absence of new proposals** from the Commission on the role which the EU budget can play in stimulating growth and job creation in order to achieve the Europe 2020 goals. They also regretted that the Commission has failed to provide Parliament with an exhaustive report on the implementation of the growth and jobs pact agreed in June 2012.

Members underlined the fact that the **low level of payment appropriations** and the tight ceiling on payments remain a crucial problem for the EU budget which has a particularly **negative effect on economic recovery**, as late payments are harmful primarily to the direct beneficiaries. This low level of payments in the 2014 EU budget is in total contradiction with the measures agreed by the co-legislators to increase temporarily EU co-financing rates for EU programmes under shared management in Member States experiencing or threatened with serious difficulties with respect to their financial stability. They recalled the need to ensure, in the light of implementation, an orderly progression of payments so as to avoid any abnormal shift of outstanding commitments ('RAL') onto the 2015 budget and, in this connection, to make use, where appropriate, of the various flexibility mechanisms included in the MFF Regulation.

Members regretted that **Member States persist in considering their contribution to the EU budget as an adjustment variable to their consolidation efforts** , which in turn leads to artificial reductions in the volume of payments available in the EU budget. The Commission is called upon to take full account of this recurring and dangerous trend when assessing the budgetary plans of the Member States and to propose concrete actions to reverse it. They considered that the fiscal situation of Member States can be eased through a **new system of own resources** to finance the Union budget that will reduce gross national income contributions, thus enabling Member States to meet their consolidation efforts without jeopardising EU funding to support investment in economic recovery and reform measures. The welcomed the new high-level group on own resources, which should lead to a true reform of EU financing.

Lastly, they reiterated that stronger economic cooperation should go hand in hand with an **incentive based mechanism** and that any additional funding or instruments, such as a solidarity mechanism, must be an integral part of the EU budget, but outside the agreed MFF envelope.

European semester for economic policy coordination: annual growth survey 2014

2013/2157(INI) - 18/02/2014

The Council adopted **conclusions** on the Commission's annual growth survey, confirming the broad priorities outlined for 2014, which are the same as those identified last year. It noted that despite recent improvements, the **recovery remains fragile**. The legacy of the crisis, high unemployment and persisting fragmentation in the financial industry are likely to continue weighing on economic growth.

In this context, the Council underlined the need to **preserve the competitiveness of the EU economies vis-à-vis the rest of the world**. Efforts should be focused on the following objectives:

1) Pursuing differentiated growth-friendly fiscal consolidation and ensuring long-term sustainability of public finances: the Council emphasised that Member States should continue to implement their fiscal policies in line with the Stability and Growth Pact. It stressed that more attention should be paid to the quality and composition of fiscal adjustment as well as to the influence of fiscal policy on growth:

- by ensuring an appropriate mix of revenue and expenditure measures, including ensuring that tax systems support competitiveness, business, job creation and employability through tax shifts away from labour;
- better and more efficient public spending and modernisation of public administrations;
- and giving priority to public spending aimed at increasing the growth potential.

2) Restoring lending to the economy: the signs of improvement in financial conditions detected last year have become more solid and financial markets more robust, however, risks remain, lending conditions for businesses are not yet normalised, financial market fragmentation remains high, and SMEs in particular – continue to face financing constraints in some parts of the EU.

While significant progress has been achieved with banking restructuring as well as with improving bank regulation and supervision, further efforts are needed to complete the balance sheet repair of the banking sector, where necessary as soon as possible and to ensure that the banking sector, which plays a prominent role in financial intermediation in Europe, functions correctly in providing finance for productive activity and effectively sustains the economic recovery.

The Council stated that priority should be given to **developing alternatives to bank funding in Europe**. It noted that specific (legislative and structural funds) measures have been and are being taken at the EU level to **facilitate access to finance for SMEs** in addition to a great number of national measures.

3) Promoting sustainable growth, competitiveness, and tackling unemployment: the Council stressed the need:

- to give priority to the implementation of **structural reforms** that can encourage much needed sustainable investment and to the strengthening of the internal market, notably through competitiveness- and competition-enhancing reforms in product and services markets;
- to support and **simplify the overall business environment**, removing unwarranted regulatory and administrative burden on companies and improving the quality of legislation at all levels of government;
- to continue efforts to **modernise public administration** and to ensure interoperable, user-friendly provision of services, including through eGovernment tools and to reinforce the quality of the judicial system in playing an important role for investment decisions. Improving administrative capacity should also ensure a better use and speedier deployment of EU Structural funds;
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to **strength the digital single market**, focusing on conditions driving innovation, including entrepreneurship which raise performance in education and training systems and tapping the potential of a sustainable economy, so as to increase both overall resource efficiency and environmental protection;

- to monitor the role of social partners and **wage-setting frameworks** and where appropriate reformed to increase flexibility. Indexation mechanisms should be reconsidered and minimum wage levels, where
- applicable, should strike an appropriate balance between fostering employment creation and sufficient income;
- to foresee **well-targeted and cost-effective measures to promote the hiring of hard-hit groups** should be considered to reduce the risk of persistence of unemployment and dropping out from the labour force. Priority should also be given to early intervention to reduce **youth unemployment**, including through the full implementation of youth guarantee schemes.

Lastly, the Council underlined that, despite recent progress, current account deficit countries, and countries with high external debt, should continue their efforts to improve competitiveness and reduce current account deficits in a durable manner. It reiterated that addressing market failures and structural reform needs in surplus countries would contribute to rebalancing within the euro area and support aggregate demand.