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# REPORT

with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area (2010/2099(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Diogo Feio

(Initiative – Rule 42 of the Rules of Procedure)

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## CONTENTS

	<b>Page</b>
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	4
ANNEX TO THE MOTION FOR A RESOLUTION: DETAILED RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED.....	13
EXPLANATORY STATEMENT .....	24
OPINION OF THE COMMITTEE ON BUDGETS .....	26
OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS .....	29
OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION.....	34
OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS.....	39
RESULT OF FINAL VOTE IN COMMITTEE.....	43

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area (2010/2099(INI))**

*The European Parliament,*

- having regard to Article 225 of the Treaty on the Functioning of the European Union,
- having regard to Article 3 of the Treaty on European Union,
- having regard to Articles 121, 126, 136, 138 and 352 of the Treaty on the Functioning of the European Union and the Protocols (No 12) on the Excessive Deficit Procedure and (No 14) on the Euro Group, annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union,
- having regard to the Commission Communications of 12 May 2010 on Reinforcing economic policy coordination (COM(2010)0250), and 30 June on Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance (COM(2010)0367),
- having regard to the Commission recommendation of 27 April 2010 for a Council recommendation on broad guidelines for the economic policies of the Member States and of the Union: Part I of the Europe 2020 Integrated Guidelines (SEC(2010)0488),
- having regard to the Commission proposal of 27 April 2010 for a Council decision on guidelines for the employment policies of the Member States: Part II of the Europe 2020 Integrated Guidelines (COM(2010)0193), and its resolution of 8 September 2010<sup>1</sup> in respect thereof,
- having regard to the Commission Communication of 3 March 2010 on Europe 2020: A strategy for smart, sustainable and inclusive growth (COM(2010)2020),
- having regard to the Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism<sup>2</sup>,
- having regard to the Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term fiscal assistance for Member States' balances of payments<sup>3</sup>,
- having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of

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<sup>1</sup> Texts adopted, P7\_TA(2010)0309.

<sup>2</sup> OJ L 118, 12.5.2010, p. 1.

<sup>3</sup> OJ L 53, 23.2.2002, p. 1.

economic policies<sup>1</sup>,

- having regard to Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure<sup>2</sup>,
- having regard to Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community<sup>3</sup>,
- having regard to the conclusions of the Council meeting on 7 September 2010 approving a stronger monitoring of economic and budgetary policies (the European Semester),
- having regard to the conclusions of the European Council of 17 June 2010,
- having regard to the conclusions of the Council meeting on 9 and 10 May 2010,
- having regard to the Statement of the Heads of State or Government of the Euro Area of 7 May 2010,
- having regard to the Statement by the Heads of State and Government of the Euro Area of 25 March 2010,
- having regard to the conclusions of the European Council of 25 and 26 March 2010,
- having regard to the Statement on the support to Greece by Euro area Members States of 11 April 2010,
- having regard to the conclusions of the Council meeting on 16 March 2010,
- having regard to the conclusions of the Euro Group on Surveillance of Intra-Euro-Area Competitiveness and Macroeconomic Imbalances of 15 March 2010,
- having regard to the Euro Group's Terms of reference on exit strategies and near-term policy priorities in the Europe 2020 strategy: implications for the euro area of 15 March 2010,
- having regard to the Presidency conclusions of the Brussels European Council of 22 and 23 March 2005,
- having regard to the Presidency conclusions Lisbon European Council of 23 and 24 March 2000,
- having regard to the resolution of the European Council on Economic Policy Co-ordination in Stage 3 of EMU and on Treaty Articles 109 and 109b [of the EC Treaty] of 13 December 1997,

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<sup>1</sup> OJ L 209, 2.8.1997, p. 1.

<sup>2</sup> OJ L 209, 2.8.1997, p.6.

<sup>3</sup> OJ L 332, 31.12.1993, p. 7.

- having regard to the Resolution of the European Council on the Stability and Growth Pact of 17 June 1997<sup>1</sup>,
- having regard to the Resolution of the European Council on growth and employment of 16 June 1997<sup>2</sup>,
- having regard the European Central Bank's note on Reinforcing Economic Governance in the Euro Area of 10 June 2010,
- having regard to its resolution of 17 June 2010 on the quality of statistical data in the Union and enhanced auditing powers by the Commission (Eurostat)<sup>3</sup>,
- having regard to its resolution on economic governance of 16 June 2010<sup>4</sup>,
- having regard to its resolution of 25 March 2010 on the Report on 2009 Annual Statement on the Euro Area and Public Finances<sup>5</sup>,
- having regard to its resolution of 10 March 2010 on EU 2020<sup>6</sup>,
- having regard to its resolution of 18 November 2008 on EMU@10: The first 10 years of Economic and Monetary Union and future challenges<sup>7</sup>,
- having regard to Rules 42 and 48 of its Rules of Procedure,
- having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on Employment and Social Affairs, the Committee on the Internal Market and Consumer Protection and the Committee on Constitutional Affairs (A7-0282/2010),

- A. whereas recent economic developments have shown clearly that economic policy coordination within the Union, and in particular in the euro area, has not worked sufficiently well and that, despite their obligations under the Treaty on the Functioning of the European Union (TFEU), Member States have failed to regard their economic policies as a matter of common concern and to coordinate them within the Council in accordance with the relevant Treaty provisions, while respecting the key role of the Commission in the surveillance procedure,
- B. whereas both the current framework for economic governance and surveillance and the regulatory framework for financial services have not provided enough stability and growth,

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<sup>1</sup> OJ C 236, 2.8.1997, p. 1.

<sup>2</sup> OJ C 236, 2.8.1997, p. 3.

<sup>3</sup> Texts adopted, P7\_TA(2010)0230.

<sup>4</sup> Texts adopted, P7\_TA(2010)0224.

<sup>5</sup> Texts adopted, P7\_TA(2010)0072.

<sup>6</sup> Texts adopted, P7\_TA(2010)0053.

<sup>7</sup> OJ C 16E, 22.1.2010, p.8.

- C. whereas it is crucial to go beyond the temporary measures aiming at stabilizing the euro area,
- D. whereas economic coordination and surveillance need to be strengthened at Union level, while respecting the principle of subsidiarity and taking into account the particular requirements of the euro area and the lessons that need to be drawn from the recent economic crisis, without hampering the integrity of the European Union and with the need to ensure the equal treatment of Member States,
- E. whereas economic coordination should be strengthened throughout the Union, given that the Union's economic stability may depend on the economic situation of one of its members, that there is very great economic interdependence between all Member States in the context of the single market, and that we must prepare for enlargement of the euro area,
- F. whereas the Treaty of Lisbon transforms the former 'Community method', adapting and strengthening it, into a 'Union method' in which, in essence:
- the European Council defines the general political directions and priorities,
  - the Commission promotes the general interest of the Union and takes appropriate initiatives to that end,
  - the European Parliament and the Council jointly exercise legislative and budgetary functions on the basis of the Commission's proposals,
- G. whereas the new enhanced economic governance should fully integrate and reinforce the EU principle of solidarity, as a prerequisite of the euro area's capacity to respond to asymmetric shocks and speculative attacks,
- H. whereas the current economic crisis in the Union is a solvency crisis that initially manifested itself as a liquidity crisis which cannot be resolved in the long term by simply pouring new debt into highly indebted countries in combination with accelerated plans for fiscal consolidation,
- I. whereas employment policies have a central role to play in stimulating growth and competitiveness in the European social market economy by preventing macroeconomic imbalances and ensuring social inclusion and income redistribution,
- J. whereas the role of the Commission and the European Central Bank (ECB) under the TFEU has to be respected,
- K. whereas a fully independent ECB is a necessary requirement for a stable euro, low inflation and favourable financing conditions for growth and jobs,
- L. whereas more attention must be given to implicit liabilities and off-balance sheet operations which may increase public debt in the medium- and long-term and reduce transparency,
- M. whereas policy makers have to identify and tackle the common economic and social

challenges the EU economies are facing in a coordinated manner,

- N. whereas a stronger involvement of the social partners at national and European level will contribute to better ownership of the implementation of economic governance and the overall Europe 2020 Strategy,
- O. whereas a permanent crises resolution mechanism, including procedures for debt restructuring or orderly default, should be established in order to safeguard financial stability in the event of a sovereign- and private-debt crisis, while protecting the ECB's independence,
- P. whereas the current rules of the Stability and Growth Pact (SGP), combined with poor enforcement, have not been enough to ensure sound fiscal and more-broadly macroeconomic policies; whereas there is a need to strengthen the EU fiscal and macroeconomic framework through a more rigorous rules-based application of preventive measures, sanctions and incentives,
- Q. whereas the objective of restoring a balance in public finances is a necessity for over-indebted states, but it will not solve alone the problem of economic imbalances between countries of the euro area and more broadly of the Union,
- R. whereas the European social model is an asset for world competition, which has been weakened by the economic competitiveness divergences between Member States,
- S. whereas knowledge, capital and innovations, and to a lesser extent labour have a tendency to migrate to certain regions, EU financial solidarity mechanisms need to be further developed in line with the objectives of the Europe 2020 strategy, in particular, on research and development, on training, on existing cooperative initiatives in the field of education; and on a green and low-carbon economy aiming at fostering innovation, territorial and social cohesion, and economic growth,
- T. whereas the Union is facing fierce competition from emerging economies, stable public finances are essential in order to foster opportunities, new innovations, economic growth and thus the creation of a European knowledge society,
- U. whereas budget consolidation is likely to be to the detriment of public services and social protection,
- V. whereas economic growth and sustainable public finances are a precondition for economic and social stability, long-term fiscal consolidation and well-being,
- W. whereas the fiscal policy of many Member States has often been pro-cyclical and country-specific, the medium-term budgetary objectives of the SGP have seldom been strictly enforced or implemented,
- X. whereas employment policies play a key role in ensuring labour intensive growth and the competitiveness of the European economy, especially in the context of an ageing population,



- Y. whereas it is essential for proper European economic governance that the internal market be completed as envisaged in the Monti Report<sup>1</sup>,
- Z. whereas the unsustainable finances as well as the excessive aggregated (public and private) debt of an individual Member State have the potential to impact on the whole Union; whereas an appropriate balance between investments in sustainable- and job-creating growth and the prevention of excessive imbalances over the course of the economic cycle, in line with Union-level commitments and guidelines, needs to be pursued, whilst taking into account social cohesion and the interests of future generations, so as to restore confidence in European public finances,
- AA. whereas the process of reducing long-term deficits must be combined with other efforts stimulating the economy, such as improved preconditions for investments and an improved and developed internal market, providing greater opportunities and increased competitiveness,
- AB. whereas the significance of the policies financed from the EU budget, including cohesion policy, for economic growth and increased competitiveness of the Union should be recognised, AC. whereas the recent economic crisis has made clear that excessive macroeconomic and competitiveness divergences and fiscal and current-account imbalances within the euro area and more broadly in the Union, have increased steadily during the pre-crisis years due inter alia to absence of enhanced economic coordination and surveillance and need to be fully addressed,
- AD. whereas the European Parliament has for years urged improvements in economic governance both inside the Union and as regards the EU's external representation in international economic and monetary forums,
- AE. whereas the strengthening of economic governance must go hand in hand with reinforcing the democratic legitimacy of European governance, which must be achieved through a stronger and more timely involvement of the European Parliament and of national parliaments throughout the process, further coordination, in a spirit of mutual respect, between the European Parliament and national parliaments is needed,
- AF. whereas the decisions taken during Spring 2010 to safeguard the stability of the euro are only temporary solutions and will need to be supported by policy measures at national level and a stronger economic governance framework at the EU level, particularly among the euro area Member States,
- AG. whereas any improvement in economic surveillance and governance must rely upon accurate and comparable statistics in respect of the relevant economic policies and positions of the Member States concerned,
- AH. whereas, to make Europe a leading global actor and the most competitive knowledge society, long-term growth-oriented measures must be established as soon as possible,
- AI. whereas the TFEU gives the Union enhanced power to strengthen economic governance

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<sup>1</sup> 'A new strategy for the single market – at the service of Europe's economy and society': Report to the President of the European Commission by Professor Mario Monti, 9 May 2010.

within the Union, and its provisions should be fully used, while in the longer term changes to the provisions of the TFEU, whilst likely to be sensitive, should not be excluded,

AJ. whereas any eventual penalties associated with the breach of SGP targets must result from either insufficient will to comply or fraud and never from incapacity to comply due to reasons beyond the Member State's capacity,

AK. whereas the institutions must prepare for a possible need to revise the Treaties,

AL. whereas Article 48 of the Treaty on European Union grants the European Parliament the right to submit proposals for the amendment of the Treaties,

AM. whereas comprehensive secondary legislation needs to be established and implemented in order to attain the Union objectives in this area; whereas enhanced economic governance for the Union based on the provisions of the TFEU is essential, the Union method should be used to its full extent and the key role of the European Parliament and the Commission should be respected in order to promote mutually reinforcing policies,

AN. whereas any legislative proposal should support strong incentives for sustainable "growth-enhancing" economic policies, avoid moral hazard, be in line with other EU instruments and rules, maximise the benefits of the euro as a common currency for the euro area and restore confidence in European economies and the euro,

AO. whereas coherence between short-, medium- and long-term public investments needs to be strengthened and whereas those investments, in particular those regarding infrastructure, need to be used efficiently and allocated, taking into account the objectives of the Europe 2020 Strategy, in particular regarding research and development, innovation and education in order to increase resource efficiency and competitiveness, enhance productivity, create employment and reinforce the internal market,

AP. whereas, to foster economic growth, businesses and entrepreneurs must be given a real possibility to scale up and make use of the Union's 500 million consumers; whereas consequently the internal market for services needs to be fully developed,

AQ. whereas different competitiveness models in the Union should respect country-specific priorities and needs, while taking into account the obligations under the TFEU,

AR. whereas the Union needs to be represented with a common position in the international monetary system, international financial institutions and fora; whereas, in the spirit of the TFEU, the Council needs to consult the European Parliament before adopting a decision under Article 138 of the Treaty on the Functioning of the European Union and needs Parliament's consent before establishing common positions which cover fields to which, internally, the ordinary legislative procedure applies,

AS. whereas the SGP's targets must be compatible not only with the Europe 2020 strategy, but also with other compromises concerning expenditure on development aid,

R&D, the environment, education and poverty eradication,

- AT. whereas, in order to avoid further expanding the existing competitiveness divergences in EU and undermining the success of the new strengthened European economic governance as well as the EU 2020 targets on job creation and sustainable growth, the European fiscal consolidation strategy should fully take into account each Member State's particularities and avoid a simplistic "one-size-fits-all" approach,
- AU. whereas any new proposed measures should not have a disproportionate impact on the most vulnerable Member States, hampering their economic growth and cohesion efforts,
- AV. whereas the economic crisis which led to the urgent adoption of the European Stabilisation Financial Mechanism in May 2010 via Council Regulation (EU) No 407/2010 with Article 122(2) TFEU as its legal basis was not consulted with Parliament,
- AW. whereas the Council's position on Draft amending budget No 7/2010 covers the necessary modifications concerning the creation of a new budget item 01 04 01 03 in Heading 1 A for the guarantee, for loans up to EUR 60 billion provided by the European Union in accordance with the provisions of Article 122(2) TFEU and, correspondingly, a new Article 8 0 2 on the revenue side,
- AX. whereas some Member States may have to use the rescue package, while at the same time they will be obliged to take into account its different measures which will be specifically made for each beneficiary country,
- AY. whereas the Commission adopted, on 29 September 2010, legislative proposals on economic governance which partly meet the need for measures on improving economic governance as set out in this resolution; whereas Parliament will deal with those legislative proposals under the appropriate provisions of the TFEU; whereas this resolution does not limit any future positions to be taken by Parliament in this respect,
1. Requests the Commission to submit to Parliament as soon as possible after the consultation of all interested parties, and on the basis of the appropriate provisions of the TFEU, legislative proposals in order to improve the economic governance framework of the Union, in particular within the euro area, and following the detailed recommendations set out in the Annex, to the extent that those recommendations are not yet addressed by the Commission's legislative proposals of 29 September 2010 on economic governance;
  2. Confirms that the recommendations set out in the Annex respect the principle of subsidiarity and the fundamental rights of citizens of the European Union;
  3. Calls on the Commission, in addition to the measures which can and must be taken swiftly under the existing Treaties, to start thinking about the institutional developments which may prove necessary in order to implement coherent, effective economic governance;

4. Considers that the financial implications of the requested proposal should be covered by appropriate budgetary allocations taking into account the current deficit positions and austerity measures in Member States;
5. Instructs its President to forward this resolution and the detailed recommendations set out in the Annex to the Commission, the European Council, the Council, the European Central Bank, the President of the Euro Group and the parliaments and governments of the Member States.

**ANNEX TO THE MOTION FOR A RESOLUTION:  
DETAILED RECOMMENDATIONS AS TO THE CONTENT  
OF THE PROPOSAL REQUESTED**

**Recommendation 1 : Establishing a coherent and transparent framework for multilateral surveillance of macro-economic developments in the Union and in the Member States and strengthening fiscal surveillance**

*The legislative act should take the form of regulation(s) on multilateral surveillance of economic policies and developments based on Article 121(6) TFEU amending Regulation (EC) No 1466/97 on the preventive arm of the Stability and Growth Pact (SGP) and complementing it with a new regulation aiming at establishing a rule-based and transparent surveillance framework for excessive macroeconomic imbalances, spill-over effects and competitiveness developments:*

- Ensure an annual debate between the European Parliament, the Commission, the Council and representatives from national parliaments on the Stability and Convergence Programmes (SCPs) and the National Reform Programmes (NRPs) and on assessing national economic developments as part of the European Semester,
- Define the scope of the multilateral surveillance based on TFEU instruments and assessments by the Commission (Article 121, in particular paragraphs 5 and 6, and Article 148) in order to include growth and its economic impact on employment under the same legal framework as that of the existing instruments aiming at preventing excessive macro-economic imbalances, unsustainable fiscal and other policies and addressing financial stability (i.e. avoiding financial bubbles resulting from excessive credit inflows), long-term investment and sustainable growth concerns, in view of attaining the objectives of the Europe 2020 strategy and of other relevant developments; regular systemic risk assessments by the European Systemic Risk Board should form an integral part of the annual surveillance procedure,
- Establish an enhanced analytical surveillance framework (including a scoreboard with specific trigger values for early warning) with appropriate methodological tools and transparency for an effective multilateral surveillance based on harmonised economic indicators (real and nominal), which may affect competitiveness positions and/or excessive imbalances; these key indicators may be: effective real exchange rates, current account, productivity (including resource productivity and total-factor productivity), unit labour costs, credit growth and asset price developments (including financial assets and property markets), the growth and investment rate, the unemployment rate, net foreign asset positions, the evolution of the tax basis, poverty and social cohesion and indicators of environmental externalities;

alert thresholds should be defined for indicators included in the scoreboard and all developments in these indicators shall be complemented by a qualitative assessment by the Commission,

- Implement in-depth country specific surveillance, if revealed to be necessary by the scoreboard and by the related qualitative assessment referred to above;

further to this in-depth country specific surveillance, Member States have the responsibility to decide on national policies which aim to tackle (prevent and correct) macroeconomic imbalances, alongside the need to take into account the Commission specific recommendations and Union dimension of those national policies, particularly for those States in the euro area. Adjustment must be directed to both excessive-deficit and excessive-surplus States, taking account of each country's specific circumstances, such as demographics, the level of private debt, trends in wages compared to labour productivity, employment – especially youth employment – and current-account balances,

- Mandate the Commission to develop adequate analytical tools and expertise to investigate the underlying reasons for the persistent divergent trends within the euro area, including the impact of common policies on the differentiated economic systems within it,
- Establish common rules for a more effective use of the Broad Economic Policy Guidelines in conjunction with the employment guidelines as a key tool for economic guidance, surveillance and Member State-specific recommendations, having regard to the Europe 2020 strategy, while taking into consideration the convergences and divergences between Member States and their national competitive advantages including the demographic situation, with the aim of strengthening the resilience of the economy to external shocks and the impact that Member States' decisions may have on other Member States, particularly in the euro area,
- Establish a mechanism at national level to assess the implementation of the Europe 2020 priorities and the achievement of the relevant national targets included in the National Reform Programme in order to support the yearly evaluation by the EU institutions,
- Establish procedures in order to allow the Commission to issue early warnings and give policy advice at an early stage directly to Member States;

in cases where there is a persistent and aggravated macroeconomic imbalance, a transparent and objective procedure should make it possible for a Member State to be placed in an “excessive imbalance position”, triggering stricter surveillance,

- Establish a "European semester" for a comparison and assessment of draft budgets of Member States (main elements and assumptions), following discussion by the national parliaments, in order to better evaluate the implementation and future execution of the SCPs and the NRPs. EU and national budgetary rules and procedures should be respected. Member States shall submit their SCPs and NRPs to the Commission in April, after due involvement by national parliaments and taking into account EU-level rules and conclusions; the European Parliament may, for its part, establish a systematic way to support a public debate and increase the awareness, visibility and accountability of these procedures and how the EU institutions have implemented the agreed rules,

- Establish a "European Semester" for dealing with potential spill-over effects of national fiscal policies as well as the early identification of excessive budgetary deficits and guarantee the coherence between EU- and national-level actions under the Integrated Guidelines, as well as the fulfilment of the quantitative and qualitative targets, such as growth and employment, which would enable a real and timely contribution by all parties concerned, including national parliaments and the European Parliament, as well as the consultation of social partners,
- Ensure that the main assumptions and indicators used in the underlying forecasts for preparing national SCPs and NRPs are derived in a robust and consistent manner, especially within the euro area; adopt a three-tier approach encompassing a negative, a baseline and a favourable macroeconomic scenario taking into account an uncertain international economic landscape. Methodologies for the calculation of the main budget aggregate should be further harmonised in order to facilitate comparison between Member States,
- Introduce a stronger commitment in the SCPs and NRPs to adhere to the Medium Term Fiscal Objective (MTFO), which takes into account current levels of debt and implicit liabilities of the Member States, in particular regarding an ageing population,
- Introduce a stronger link between the SCPs and the NRPs and the national annual and multiannual national budgetary frameworks, while respecting national rules and procedures,
- Introduce a stronger assessment of the SCPs, from the point of view of their interconnections with other Member States' targets and those of the Union before adoption of the policies envisaged in the SCPs at national level,
- Introduce a strong involvement of national parliaments and a consultation of social partners before formal presentation of the SCPs and NRPs at EU level in an agreed time-frame, for instance through an annual debate to take place among national parliaments and the European Parliament on the integrated guidelines and on their respective budgetary orientations,
- Establish a more systematic ex-post comparison between the planned fiscal, growth and job stances, as given by the Member States in their SCPs and NRPs and the real effective outcome, questioning and following up on substantial divergences between planned and realised figures,
- Ensure that annual policy recommendations and warnings from the Commission regarding compliance of the Member States with Europe 2020 objectives are followed up and that "carrots and sticks" are developed in order to assure that Member States comply with these objectives,
- Ensure more accountability and transparency towards Parliament of the EU-level assessment of SCPs and NRPs in order to increase public awareness and peer pressure,
- Establish, under the aegis of the Commission, an independent, systematic and robust evaluation process in respect of the SCPs and NRPs in order to have a more transparent

approach and increase independent assessment,

- Establish specific procedures and a requirement for Member States, particularly those in the euro area, to inform each other and the Commission before taking economic policy decisions with expected significant spill-over effects, which may jeopardise the smooth functioning of the internal market and of the Economic and Monetary Union (EMU),
- Establish a requirement for Member States to provide additional information to the Commission, if a substantial concern arises that the policies conducted may jeopardise growth throughout the Union or the proper functioning of the internal market or the EMU or endanger the targets set at the Union level, namely in the Europe 2020 strategy,
- Take into account the assessment of the European Systemic Risk Board in the multilateral surveillance framework, in particular as regards financial stability, stress tests, potential outward and inward spill-over effects and the accumulation of excessive private debt,
- Establish a sound and transparent surveillance framework composed of two pillars - economic policies and employment policies - based on Articles 121 and 148 TFEU. Under the employment pillar, as part of the revised and reinforced European Employment Strategy, such a framework should enable the assessment of the appropriateness of employment policies in the light of the Guidelines for the Employment Policies so as to allow the formulation of genuine guidance, taking into account the European dimension and spill-over effects, and their subsequent translation into domestic policymaking. In addition, timely recommendations of a preventive nature should be established in order to address the main weaknesses and challenges faced by Member States' employment policies and labour markets,
- Strengthen the role of the Employment Committee, as provided for in Article 150 TFEU – in particular in addressing cross-border employment issues – and the role of the Social Protection Committee as provided for in Article 160 thereof,
- Ensure, in all budgetary assessments, that structural reforms undertaken by Member States, are explicitly taken into account, in particular pension, health care and social protection reforms aimed at addressing demographic developments, as well as those concerning assistance, education and research, equal weight being given to sustainability and adequacy. An assessment should also be made of the employment and social impact of those reforms, especially on vulnerable social groups, so that no rules are laid down without a prior assessment of their impact on employment and social protection in Member States,
- Activate the horizontal social clause of the Treaty of Lisbon, taking into account social rights and social objectives when defining new EU policies,
- Make provision for the European Parliament to be appropriately involved in the surveillance cycle of economic and employment policies and the assessment of the social impact of those policies. In this context, the timing and process of adoption of Integrated Guidelines, in particular the Guidelines for the Employment Policies should be framed in such a way as to allow the European Parliament the necessary time to fulfil its consultative role under Article 148(2) TFEU,



- Introduce a sound and transparent monitoring and evaluation framework for the Guidelines for the Employment Policies based on EU headline targets, to be followed up with appropriate sub-targets, indicators and scoreboards, taking account of the specific features arising for each Member State in line with the different starting points for each country,
- Call on the EPSCO and ECOFIN formations of the Council and their respective working parties to strengthen their cooperation, also by holding joint bi-annual meetings to ensure that their policies are genuinely integrated.

## **Recommendation 2: Strengthening the rules of the Stability and Growth Pact (SGP)**

*The legislative act to be adopted (on the basis of, inter alia, Article 126 TFEU) should aim in particular to strengthen the preventive arm of the SGP and include economically and politically more sensible sanctions and incentives, while taking due account of the structure of the national deficit and debt (including implicit liabilities), the "economic cycle", in order to avoid pro-cyclical budgetary policy, as well as the nature of the public revenues and expenditures needed for growth-enhancing structural reforms; all Member States should aim to make progress but those with larger gaps should generally contribute more towards meeting targets in respect of debt stock and deficits. Demographic evolution should also be taken into account when assessing current account imbalances:*

- Integrate better the "debt" criteria (the "sustainability aspect") in each step of the Excessive Deficit Procedure (EDP) and set up an Excessive Debt Surveillance Procedure (EDSP) on the basis of gross debt levels. The EDSP would require detailed regular reports on the debt and deficit dynamics, their interconnection and development, while taking into account country-specific conditions and allowing different timetables for each Member State to recover to the target values set out in the SGP;

the Commission should consult the European and relevant national social partners, as part of the EDSP,

- Take the debt level, debt profile (including maturity) and debt dynamics (an assessment of the sustainability of public finances) more strongly into account in the pace of convergence towards Member State-specific MTFO to be included in the SCPs,
- As part of the EDSP establish a clear harmonised framework to measure and monitor debt dynamics including implicit and contingent liabilities, such as public pension exposures and public guarantees (whether, inter alia, of principal, interest or income-flows) in public-private partnership investments, and the costs of such investments to the national budget throughout the years,
- Establish a country-specific differentiated time frame for the process of fiscal consolidation that will occur no later than 2015, in view of realigning all public deficit levels with the requirements set out in the SGP,
- Establish a monitoring mechanism including possible public warnings and incremental sanctions and incentives for Member States that have not reached their country specific

MTFO or are not approaching it at the agreed pace, as well as possible economic stimulus for countries that have reached their MTFO faster than expected,

- Establish minimum rules and guidelines for national budgetary procedures (i.e. annual and multiannual financial frameworks) in order to fulfil the obligation in Article 3 of the Protocol (No 12) on the Excessive Deficit Procedure. Those national frameworks should include sufficient information on both the expenditure and revenue sides of the planned budgetary actions in order to enable sensible discussion and scrutiny of the budgetary plans at both national and EU level; in addition, further work on the comparability of national budgets as regards their spending categories and revenues and the political priorities that they reflect is needed,
- Encourage the establishment of early warning budgetary control mechanisms at national level,
- Establish pre-specified and pre-emptive measures within the euro area to be decided under the clear competences of the Commission, both for the preventive and the corrective arm of the SGP, in order to facilitate early warning steps and apply them in a progressive way,
- Enforce and implement such sanctions and incentives for euro-area Member States, taking into consideration the very close interconnections with non-euro-area economies, especially those that are expected to join the euro area, as part of the new multilateral surveillance framework and the enhanced instruments of the SGP, in particular a stronger focus of the MTFO,
- Make the necessary changes to the Commission's internal decision-making procedure, with due respect to the current principles enshrined in the TFEU, in order to guarantee an efficient and rapid implementation of sanctioning mechanisms under its clear competences, in particular, for Member States of the euro area,
- Ensure that the decision on compliance of Member States with the SGP is taken more independently from the Council by the Commission, in order to respect fully the SGP principles,
- Ensure that annual policy recommendations are discussed in the European Parliament before the European Council discussions.

### **Recommendation 3: Enhancing economic governance in the euro area by the Euro Group as well as the European Union as a whole**

*Recognising how important it is that all Member States of the European Union take part in achieving economic convergence, but also recognising that euro area countries are in a different situation from other Member States, as they do not have the exchange rate mechanism at their disposal if they need to adjust relative prices and that they share responsibility for the functioning of the European Monetary Union as a whole, the new rules, based on the other recommendations in this resolution and Article 136 TFEU and Protocol (No 14) thereto on the Euro Group, aim to:*

- Establish a euro-area-specific framework for reinforced monitoring, focusing on excessive

macro-economic divergences, economic growth, unemployment levels, price competitiveness, real exchange rates, credit growth and the current account developments of the Member States concerned,

- Establish a regular framework to increase coordination among all EU Member States in order to monitor and foster economic convergence and discuss potential macro-economic imbalances within the Union,
  - Increase the importance of the annual euro-area surveillance reports based on quarterly, thematic, multi-country reports, focusing, on the one hand, on potential spill-over effects from global economic developments and from policies and circumstances having a particular impact on certain Member States in the euro area and, on the other hand, on the effects that economic decisions taken by the Euro Group may have on the countries and regions outside the euro area; special attention should be given to identifying policies that generate positive spill-over effects, in particular during economic downturns, and thereby support sustainable growth in the whole euro area,
- Strengthen the secretariat of the President of the Euro Group,
- Proposes that the Commissioner in charge of Economic and Monetary Affairs would also be a vice-president of the Commission and would be tasked with ensuring that EU economic activity is consistent, with overseeing how the Commission exercises its economic, fiscal and financial-market-related responsibilities and with coordinating other aspects of the Union's economic activity,
- Increase the transparency and accountability of the decision-making of the Euro Group by establishing a regular dialogue with the President of the Euro Group within the competent Committee in Parliament and by publishing speedily the decisions taken by the Euro Group on their webpage; ensure that at least those non-eurozone Members States-with an obligation to adopt the common currency have access to the debate within the Euro Group.

**Recommendation 4: Establish a robust and credible excessive debt prevention and resolution mechanism for the euro area**

*An impact assessment and feasibility study, which should not take more than one year, should be undertaken before any legislative act (based Articles 122, 125, 329 (enhanced cooperation) and 352 TFEU or any other appropriate legal basis) aiming to:*

- Establish a permanent mechanism or body (a European Monetary Fund), after due examination, which should not take more than 1 year, of its pros and cons, to be an overseer of sovereign debt developments and to complement the SGP as a mechanism of last resort for cases in which market financing is no longer available for a government and/or Member State exposed to balance of payments problems; it shall be based on existing mechanisms (the European Financial Stability Facility, the European Financial Stabilisation Mechanism and the European balance of payments assistance instrument)

and shall include clear rules inter alia on the following aspects:

- on membership criteria, such as fulfilling the minimum requirements for national budgetary rules/institutions,
- on decision-making procedures and funding and
- on conditionality for exceptional loans,
- on monitoring,
- on resources and powers.

Such a mechanism should not limit the powers of the Budgetary Authorities to establish the EU budget at an appropriate level, should avoid moral hazard and be consistent with State Aid principles and consequences. It should also be carefully assessed whether non-euro Member States could possibly join the European stabilisation mechanism on a case-by-case basis and after fulfilling predefined criteria,

- Examine the possibility of non-euro Member States joining the European stabilisation mechanism on a case-by-case basis and after fulfilling certain conditions,
- Inform the European Parliament of the estimated effect on the EU's credit rating: a) by the creation of the financial stabilisation mechanism b) by the utilisation of the full line,
- Provide sufficient information on the rules for implementing the financial stabilisation mechanism with regards to the limits of the Multiannual Financial Framework (MFF); given its possible far-reaching budgetary consequences, give further thought to the European Financial Stabilisation Mechanism ahead of the adoption of the MFF regulation,
- Accept that both arms of the budgetary authority be involved in decisions concerning the impact that this mechanism could have on the EU budget,
- Agree that any possible budgetary needs linked to this mechanism should be financed through an ad-hoc revision of the MFF to ensure that sufficient involvement of the budgetary authority is guaranteed on time.

#### **Recommendation 5: Review the EU budgetary, financial and fiscal instruments**

*The legislative act/feasibility study is to be adopted within twelve months aiming to:*

- Produce a feasibility assessment within one year (dealing with its nature, risks and advantages) in order to establish in the long run a system under which Member States may participate in the issuance of common European bonds. The assessment should spell out different the legal alternatives and objectives, such as financing long-term European infrastructure and strategic projects by project bonds. The strengths and weaknesses of all options need to be analysed,, taking into account possible moral hazard implications for participating members,
- Reinforce and update, bearing in mind the Europe 2020 targets, the Union cohesion policy, working in close cooperation with the European Investment Bank (EIB), in order to reduce structural weaknesses, even out welfare disparities, strengthen the purchasing power and increase the competitiveness of weaker economic regions, inter alia by

facilitating the financing needs of SMEs and their successful participation in the internal market,

- Points out that the independence of the European Central Bank is essential for the stability of the financial and free-market economy of the European Union,
- Urges the maintenance of a clear separation between fiscal and monetary policies in order not to jeopardize the independence of the European Central Bank,
- Develop common budgetary principles as regards the quality of public spending (both for national and EU budgets) and a set of common policies and instruments to support the Europe 2020 strategy, while balancing budgetary discipline targets and enabling long-term financing of sustainable employment and investment,
- Establish a clear framework for a renewed joint effort, with EU budgetary funds and EIB financial resources, to further leverage, in the next Multiannual Financial Framework, budgetary funds and benefit from the EIB's expertise in financial engineering, its commitment to EU policies and its pivotal role among public and private sector financial institutions and to enhance the role of EIB and cohesion funds, in particular during economic downturns,
- Establish a high-level tax policy group, chaired by the Commission, with a mandate to produce, within one year, a roadmap for a strategic and pragmatic approach to tax policy issues, paying particular attention to combating tax fraud and tax havens, reinvigorating the code of conduct on business taxation while making more extensive procedures against unfair tax competition, enlarge automatic exchange of information, facilitating the adoption of growth-enhancing tax reforms and exploring new instruments. The EU external agenda, in particular in the context of the G20, in tax matters should be analysed by this high-level tax policy group,
- Establish a high-level policy group chaired by the Commission with a mandate to study potential institutional changes within the ongoing economic governance reforms, including the possibility of creating of a European Common Treasury (ECT), with the objective of endowing the European Union with its own financing resources in accordance with the Treaty of Lisbon in order to reduce its dependence on the national transfers.
- Reinforce the Single Market by promoting e-commerce and transnational trade, simplify online payment procedures and harmonise fiscal instruments as a way of reinforcing consumers' confidence in the European economy.

**Recommendation 6: Financial market regulation and supervision with a clear macro-economic dimension:**

*The legislative act to be adopted should aim to:*

- Ensure that any legislative initiatives regarding financial services are in line with the macro-economic policies in order to guarantee the necessary transparency and market stability, and consequently to boost confidence in the markets and economic development,

- Promote ways of achieving consistent implementation of Pillar II capital requirements in response to specific asset price bubbles or money supply issues,
- Regulate the interlinkage between financial markets and macro economic policies so as to ensure stability, transparency and accountability and to curb incentives for excessive risk taking,
- Assess on a regular basis asset price developments and credit growth in Member States and their impact on financial stability and current account developments as well as the real effective exchange rates of Member States,
- Confer on the European Supervisory Authorities exclusive supervisory powers over large cross-border financial institutions.

### **Recommendation 7: Improve the reliability of EU statistics**

*The legislative act to be adopted should aim to:*

- Ensure a strict implementation of agreed political commitments in the statistical domain,
- Enhance the investigative powers by the Commission (Eurostat), including on-site inspections without prior warning and access to all accounting and budgetary information, including meetings with individuals or agencies familiar with such information, such as independent economists, business organisations and trade unions, for assessing the quality of public finances,. If appropriate, these measures should be accompanied by an increase of its budget and human resources,
- Require Member States to provide the Commission (Eurostat) with data that are compliant with the statistical principles set out in Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics<sup>1</sup>,
- Require Member States to indicate which data provided to the Commission (Eurostat) are supported by an independent auditor's report,
- Establish financial and non-financial sanctions for providing statistics that do not comply with the statistical principles set out in Regulation (EC) No 223/09,
- Review the need for more harmonised data, relevant to the economic governance framework proposed in this Annex. In particular, ensure an appropriate quality framework for the European statistics needed in order to enhance the analytical surveillance framework, including a "scoreboard" for an effective multilateral surveillance under Recommendation 1,
- Harmonise public finance data based on a standardised and internationally accepted methods of accounting,
- Ensure the consistent and open disclosure of certain off-balance-sheet liabilities, in particular in respect of future payments required for public sector pensions and for long-

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<sup>1</sup> OJ L 87, 31.3.2009, p. 164.

term contracts with the private sector for the leasing or provision of public facilities.

**Recommendation 8: Improve the external representation of the Union in the area of Economic and Monetary Affairs**

*The legislative act (based on Article 138 TFEU) to be adopted should aim to:*

- Seek to agree on a euro area/EU representation in the IMF and other relevant financial institutions, where appropriate,
- Review arrangements for the representation of the euro area/ EU in other international bodies in the area of economic, monetary and financial stability,
- In the spirit of the provisions of the TFEU, include a procedure to fully inform and involve the European Parliament before adopting a decision under Article 138 thereof,
- Establish a clear and targeted Euro Area/EU international agenda that will guarantee an international level playing field in the EU fiscal, anti-fraud and financial regulation and supervision agenda,
- Alongside the measures which can and must be taken as swiftly as possible under the existing institutional framework, initiate a process of reflection, with the aim of identifying the limits of this framework and developing ideas for a reform of the Treaties which will enable the mechanisms and structures which are indispensable for coherent, effective economic governance to be put in place and for real macroeconomic convergence between the Member States both inside and outside the euro area.

## EXPLANATORY STATEMENT

The current economic, financial and social crisis has shown that the existing economic governance model in the Union has not worked as effectively as it was ideally envisaged. During the past years enough convergence between Member States has not occurred. In stead macro-economic and fiscal imbalances have remained and even become larger during last 11 years. The surveillance framework was too weak and the rules of the Stability and Growth Pact were not sufficiently respected, in particular as regards the preventive arm. As a result the macro-economic imbalances have remained and the public finances have become even more unsustainable. A final step was the sovereign debt crisis in the euro area during spring 2010. Now we need to learn from the past mistakes and we have a window of opportunity to improve the economic framework and put into place clear and more targeted surveillance instruments.

This report, complementing the previous and current works of the European Parliament, has the main objective of presenting some ideas for the structural reforms and procedure that can lead the EU Institutions and the Member States to strengthen their respective role with the common destiny. It aims a better coordinating with and between Member-States, in particular euro area Member States, in order to prevent the repetition of situations as the recently observed. These measures should focus on short-medium term envisaged by secondary legislation, and on long-term which may imply some Treaty changes.

It is crucial that in the future Members States fully comply with the rules and decision agreed at the EU level, such as the rules and instruments of the Stability and Growth Pact. The non-compliance situations observed in the last years should not be repeated. Further controls over public deficit along with deeper monitoring of the evolution of public debt are needed, as well as regarding public revenues.

We need also a strong focus in the EU's productivity and competitiveness with respect for the EU2020 objectives with particular emphasis on education, innovation, research and development, and allowing for market flexibility. We need to proceed with structural reforms regarding the social policy and integration of labour markets, fiscal incentives to SMEs - key engine for growth - and enhancing internal market where Member States should not compete amongst themselves and respect their different speeds and ways of growth and development.

The main ideas on this report are developed under eight recommendations which aim at establishing the broad ideas of what shall be economic governance and stability in the European Union:

- Recommendation 1: Establishing a coherent and transparent framework for multilateral surveillance of macro-economic developments in the Union and in the Member States
- Recommendation 2: Strengthening the rules of the Stability and Growth Pact (SGP)



- Recommendation 3: Enhancing economic governance in the euro area by the Euro Group
- Recommendation 4: Establish a robust and credible excessive debt prevention and resolution mechanism for the euro area
- Recommendation 5: Review the EU budgetary, financial and fiscal instruments
- Recommendation 6: Financial market regulation and supervision with a clear macro economic dimension
- Recommendation 7: Improve the reliability of EU statistics
- Recommendation 8: Improve the external representation of the Union in the area of Economic and Monetary Affairs.

29.9.2010

## **OPINION OF THE COMMITTEE ON BUDGETS**

for the Committee on Economic and Monetary Affairs

with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area  
(2010/2099(INI))

Draftsperson: Marta Andreasen

(Initiative - Rule 42 of the Rules of Procedure)

### **SUGGESTIONS**

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. Whereas the current financial crisis is a result of many factors such as lack of proper economic policy coordination,
- B. Whereas the economic crisis which lead to the urgent adoption of the European Stabilisation Financial Mechanism in May 2010 via a Council Regulation on the basis of Article 122(2) of the Treaty on the Functioning of the European Union (TFEU) was not consulted with the EP,
- C. Whereas the Council's position on Draft amending budget No 7/2010 covers the necessary modifications concerning the creation of a new budget item 01 04 01 03 in Heading 1 A for the guarantee, for loans up to EUR 60 billion provided by the European Union in accordance with the provisions of Article 122(2) of the Treaty on the Functioning of the European Union and, correspondingly, a new Article 802 on the revenue side,
- D. Whereas some Member States may have to use the rescue package, while at the same time they will be obliged to take into account its different measures which will be specifically made for each beneficiary country,

1. Welcomes an agreement reached between the Council and the European Parliament on key elements of a reform of the EU framework for supervision of the financial system. Believes that establishment of new basis for supervision in Europe will eliminate deficiencies that were exposed during the financial crisis; nevertheless calls the Council to monitor the government deficit of the individual countries as the excessive debt would have a negative impact on the budgetary situation of the European Union;
2. Asks the Commission to inform the European Parliament of the estimated effect on the EU's credit rating: a) by the creation of the financial stabilisation mechanism b) by the utilisation of the full line;
3. Asks the Council to provide sufficient information on the rules for implementing the financial stabilisation mechanism with regards to the limits of multiannual financial framework; given its possible far-reaching budgetary consequences, give further thought to the European Financial Stabilisation Mechanism ahead of the adoption of the MFF regulation; accept that both arms of the budgetary authority be involved in decisions concerning the impact this mechanism could have on the EU budget; agree that any possible budgetary needs linked to this mechanism should be financed through an ad-hoc revision of the MFF to ensure that sufficient involvement of the budgetary authority is guaranteed on time;
4. Underlines that National Parliaments and the European Parliament should work together to enhance budgetary coordination between European and Member State level;
5. Calls for transparency and visibility of budgetary coordination between both levels being enhanced by aligning the categories of expenditure at national and EU level.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	29.9.2010
<b>Result of final vote</b>	+:           38 -:           2 0:           0
<b>Members present for the final vote</b>	Damien Abad, Alexander Alvaro, Marta Andreasen, Francesca Balzani, Reimer Böge, Lajos Bokros, Giovanni Collino, Andrea Cozzolino, Jean-Luc Dehaene, James Elles, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ivars Godmanis, Ingeborg Gräßle, Estelle Grelier, Carl Haglund, Lucas Hartong, Jutta Haug, Jiří Havel, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Ivailo Kalfin, Sergej Kozlík, Jan Kozłowski, Alain Lamassoure, Giovanni La Via, Barbara Matera, Claudio Morganti, Nadezhda Neynsky, Dominique Riquet, László Surján, Helga Trüpel, Derek Vaughan, Angelika Werthmann
<b>Substitute(s) present for the final vote</b>	François Alfonsi, Jan Olbrycht, Georgios Stavrakakis
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Olle Ludvigsson

30.9.2010

## **OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS**

for the Committee on Economic and Monetary Affairs

with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area  
(2010/2099(INI))

Rapporteur: David Casa

(Initiative – Rule 42 of the Rules of Procedure)

### **SUGGESTIONS**

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible:

I. to incorporate the following suggestions in its motion for a resolution:

- having regard to Article 148 of the Treaty on the Functioning of the European Union,
  - having regard to the Commission proposal of 27 April 2010 for a Council Decision on guidelines for the employment policies of the Member States: Part II of the EU 2020 Integrated Guidelines (COM(2010)0193), and its resolution of 8 September 2010<sup>1</sup> in respect thereof,
- A. whereas strengthening economic policy coordination and governance has become a crucial necessity in order to foster sustainable and job-creating growth in the Union and to ensure social cohesion,
- B. whereas employment policies have a central role to play in stimulating growth and competitiveness in the European social market economy by preventing macroeconomic imbalances and ensuring social inclusion and income redistribution,

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<sup>1</sup> Texts adopted, P7\_TA(2010)0309.

- C. whereas the European social model is an asset for world competition, which has been weakened by the economic competitiveness divergences between Member States,
- D. whereas budget consolidation is likely to be to the detriment of public services and social protection,

II. to incorporate the following recommendations in the annex to its motion for a resolution:

On establishing a framework for multilateral surveillance

1. Establish a sound and transparent surveillance framework composed of two pillars - economic policies and employment policies - based on Articles 121 and 148 TFEU. Under the employment pillar, as part of the revised and reinforced European Employment Strategy, such a framework should enable the assessment of the appropriateness of employment policies in the light of the Guidelines for the Employment Policies so as to allow the formulation of genuine guidance, taking into account the European dimension and spill-over effects, and their subsequent translation into domestic policymaking. In addition, timely recommendations of a preventive nature should be established in order to address the main weaknesses and challenges faced by Member States' employment policies and labour markets.
2. Include employment targets, in particular concerning the youth employment rate and poverty reduction, on the scoreboard, given that these targets will not be met only by taking into account the employment situation; monitor the way in which these targets are pursued.
3. Ensure better coordination between the national convergence programmes, the EU 2020 strategy and the Guidelines for the Employment Policies of Member States as well as the national reform programmes.
4. Strengthen the role of the Employment Committee, as provided for in Article 150 TFEU – in particular in addressing cross-border employment issues – and the role of the Social Protection Committee as provided for in Article 160 TFEU.
5. Define at the same time, in an integrated manner, the purposes of the programmes of the EU 2020 strategy and the Stability and Growth Pact and state how they are to be implemented, so that the employment, social inclusion, growth and competitiveness objectives are achieved, as a matter of priority, with the financial resources provided for in the medium-term objective (MTO), with a view to financial consolidation over the medium and long term.
6. In all budgetary assessments, structural reforms undertaken by Member States should explicitly be taken into account, in particular pension, health care and social protection reforms aimed at addressing demographic developments, as well as those concerning assistance, education and research, equal weight being given to sustainability and adequacy. An assessment should also be made of the employment and social impact of those reforms, especially on vulnerable social groups, so that no rules are laid down without a prior assessment of their impact on employment and social protection in the Member States.

7. Activate the horizontal social clause of the Lisbon Treaty, taking into account social rights and social objectives when defining new EU policies.
8. Ensure that the European Semester enables a genuine and timely contribution to a structured social dialogue by all relevant stakeholders, such as the national parliaments and the local or regional authorities, the European Parliament, the social partners and the representatives of civil society.
9. Establish a macroeconomic social dialogue system in connection with the European Semester, in particular within the euro zone, involving the representatives of the trade unions, businesses, the European Central Bank, the European Parliament, the Commission and the Council.
10. Make provision for the European Parliament to be appropriately involved in the surveillance cycle of economic and employment policies and the assessment of the social impact of those policies. In this context, the timing and process of adoption of Integrated Guidelines, in particular the Guidelines for the Employment Policies should be framed in such a way as to allow the European Parliament the necessary time to fulfil its consultative role under Article 148(2) TFEU.
11. Introduce a sound and transparent monitoring and evaluation framework for the Guidelines for the Employment Policies based on EU headline targets, to be followed up with appropriate sub-targets, indicators and scoreboards, taking account of the specific features arising for each Member State in line with the different starting points for each country.
12. Introduce a sound and transparent monitoring and evaluation framework for Member States' development policies, in terms of boosting competitiveness and the creation of new, permanent, high-quality jobs.
13. National employment policies and the anti-poverty target should be included on the scoreboard and be assessed by the specialist bodies of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO), in particular the Employment and Social Protection Committees.
14. Call on the EPSCO and ECOFIN formations of the Council and their respective working parties to strengthen their cooperation, also by holding joint biannual meetings to ensure that their policies are genuinely integrated.
15. Supplement the scoreboard with alternative indicators to describe growth and to assess whether it meets the targets set by the EU 2020 strategy.
16. Establish a high-level group, chaired by the Commission, that is responsible for developing a strategic, pragmatic approach with a view to harmonising the rules on combating social fraud, i.e. all voluntary behaviour that seeks to obtain undue advantages with the intention of eluding law enforcement.

On strengthening the rules of the Stability and Growth Pact (SGP)

17. Implement a system of incentives as well as of sanctions which does not undermine the democratic participation of all Member States in decision-making, whilst strongly considering the social consequences of that system. Using the EU budget as complementary leverage to ensure compliance with the key macroeconomic conditions, such a system should, however, exclude any budget lines aimed at improving the qualifications and the employment and social conditions of workers, in particular the European Social Fund (ESF) and the Globalisation Adjustment Fund (EGF), as well as education and exchange programmes such as Erasmus and Leonardo. In addition, the system should clearly distinguish between funds which are attributed to national budgets and those targeted at individual workers and citizens.

#### On financial market regulation

18. Encourage measures supporting long-term investment policies and sound remuneration policies that focus on long-term sustainable growth, creating high-quality employment, rather than on short-term gains and prevent the practices in the financial sector, especially in the banks and in some listed companies, which have resulted in disproportionately high remuneration and which are based on securing short-term profits, through the creation of high risk business models to the detriment of workers and savers, as well as to the financial stability of European markets. Such initiatives should be applied throughout the financial sector.
19. Strengthen legal instruments that enable social dialogue to be developed in undertakings, in particular with workers' representatives, so that workers receive full information, especially on financial matters, and that the decisions taken are concerted.

#### On improving the reliability of EU statistics

20. Ensure the availability at Union level and increase the timeliness of employment and social situation statistics and data relevant to the proposed governance framework.



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	30.9.2010
<b>Result of final vote</b>	+: 35 -: 6 0: 1
<b>Members present for the final vote</b>	Pervenche Berès, Milan Cabrnoch, David Casa, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Sergio Gaetano Cofferati, Tadeusz Cymański, Frédéric Daerden, Proinsias De Rossa, Frank Engel, Sari Essayah, Ilda Figueiredo, Pascale Gruny, Marian Harkin, Roger Helmer, Nadja Hirsch, Vincenzo Iovine, Danuta Jazłowiecka, Ádám Kósa, Jean Lambert, Olle Ludvigsson, Elizabeth Lynne, Thomas Mann, Elisabeth Morin-Chartier, Csaba Óry, Siiri Oviir, Rovana Plumb, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Joanna Katarzyna Skrzydlewska, Traian Ungureanu
<b>Substitute(s) present for the final vote</b>	Georges Bach, Edite Estrela, Kinga Göncz, Richard Howitt, Gesine Meissner, Csaba Sógor, Emilie Turunen, Gabriele Zimmer

29.9.2010

## **OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION**

for the Committee on Economic and Monetary Affairs

with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area (2010/2099(INI))

Rapporteur: António Fernando Correia De Campos

(Initiative – Rule 42 of the Rules of Procedure)

### **SUGGESTIONS**

The Committee on the Internal Market and Consumer Protection calls on the Committee on Economic and Monetary Affairs, as the committee responsible:

– to incorporate the following suggestions in its motion for a resolution:

1. whereas it is essential to proper European economic governance that the internal market be completed as envisaged in the Monti Report<sup>1</sup> (New recital);
2. whereas sustainable economic growth is a precondition for economic and social stability (Recital E);
3. whereas any improvement in economic surveillance and governance must rely upon accurate, reliable and comparable statistics relating to the relevant economic policies and positions of the Member States concerned (Recital I);
4. whereas coherence between short, medium and long-term public investments needs to be strengthened and whereas those investments, in particular regarding infrastructure, need to be used efficiently and allocated to the objectives of the EU 2020 Strategy, in particular

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<sup>1</sup> ‘A new strategy for the single market – at the service of Europe’s economy and society’, report to the President of the European Commission, by Professor Mario Monti, 9 May 2010.

regarding research and development, innovation and education in order to increase competitiveness, enhance productivity, create employment and reinforce the Single Market (Recital M);

- to incorporate the following recommendations in the annex to its motion for a resolution:
5. Establish an enhanced analytical surveillance framework (including a scoreboard with specific trigger values for early warning) with appropriate methodological tools and transparency for an effective multilateral surveillance based on key economic indicators (real and nominal), which may affect competitiveness positions, including, but not limited to, growth rate, composition of the national gross domestic product (GDP), employment rate, real exchange rate developments, labour cost developments, current account/balance of payments developments, credit growth, capital formation and inflows, productivity developments, asset markets (including private debt and property markets) developments and investment in research and development (R&D) as a percentage of GDP. Alert thresholds should be defined for indicators included in the scoreboard, (Recommendation 1, Indent 2);
  6. Development by the Commission of the adequate analytical tools and expertise to investigate in-depth the reasons behind the persistent divergent trends within the euro area, including the impact of common policies on the differentiated economic systems within it (Recommendation 1 – indent 3a (new));
  7. Establish common rules for a more active use of the Broad Economic Policy Guidelines as a key tool for economic guidance, surveillance and Member State-specific recommendations in line with the EU 2020 strategy, focusing on growth, structural reforms, productivity and competitiveness, while taking into consideration the convergences and divergences between Member States, strengthening the relative competitive advantages of Member States (Recommendation 1, Indent 4; deletion of last part);
  8. Establish a Union Semester for dealing with the Integrated Guidelines at national and Union level, providing room for an enlarged debate on financial issues and on the economic situation of the Union including consultation with the Union-level social partners, strengthening the macroeconomic social dialogue, which would enable a real and timely contribution by all parties concerned, (Recommendation 1, Indent 7);
  9. Start the Union Semester early in the year with a horizontal review under which the European Council, based on analytical input from the Commission, would identify the main economic challenges facing the Union and the euro area and give strategic guidance on policies; Member States would take the conclusions of this horizontal review into account when preparing their Stability and Convergence Programmes (SCPs) and National Reform Programmes (NRPs) (Recommendation 1, Indent 9a (new));
  10. Issue SCPs and NRPs at the same time, allowing the growth and fiscal impact of reforms to be reflected in the national annual and multiannual national budgetary strategy and targets, while respecting national rules and procedures (Recommendation 1, Indent 10);
  11. Introduce a stronger assessment of the SCPs, from the point of view of their

interconnections with the targets of other Member States and those of the Union, before adoption of the policies envisaged in the SCPs at national level (Recommendation 1 – Indent 11);

12. Establish a requirement for Member States to provide additional information, if a substantial concern arises that the policies conducted may jeopardise the proper functioning of the internal market, the Economic and Monetary Union (EMU) or endanger the targets set by the Union, namely in the EU 2020 strategy (Recommendation 1 – Indent 17);
13. Establish pre-specified and pre-emptive incentives to be decided by the Commission, in order to facilitate early warning steps and apply them in a progressive way (Recommendation 2, Indent 7; partly deleted);
14. Make the necessary changes to the Commission’s internal decision-making procedure in order to guarantee an efficient and rapid implementation of those preventive penalties (Recommendation 2, Indent 9; partly deleted);
15. Establish a euro area-specific framework for reinforced monitoring focusing on excessive macro-economic divergences, price competitiveness, real exchange rates, credit growth and current account developments of the Member States concerned and investment in R&D as a percentage of GDP (Recommendation 3, Indent 1);
16. Not to make the following recommendation: ‘strengthen the secretariat and cabinet of the President of the Euro Group’ (deletion of Recommendation 3, Indent 3);
17. Establish a programme to limit damage and ensure financial recovery in extreme circumstances of expected high risk (Recommendation 4, Title);
18. Produce a feasibility assessment on the nature, risks and advantages of establishing a system in the long run under which Member States may participate in the issuance of common government bonds, as long as they fulfil predefined specific criteria (Recommendation 5, Indent 1);
19. Reinforce and update, bearing in mind the EU 2020 targets, the Union cohesion policy in close cooperation with the European Investment Bank (EIB) in order to reduce structural weaknesses and increase the competitiveness of weaker economic and outermost regions, in particular by facilitating the financing needs of small and medium-sized enterprises (SMEs) and their successful participation in the internal market (Recommendation 5, Indent 2);
20. Reinforce the Single Market by promoting e-commerce and transnational trade, simplify online payment procedures and harmonise fiscal instruments as a way of reinforcing consumers’ confidence in the European economy (Recommendation 5, new indent);
21. Continue efforts regarding Union tax coordination. (Recommendation 5, new indent);
22. As well as aligning national budget timetables, and in the context of the ‘Union Semester’, ensure better working coordination between the European Parliament, with its enhanced

budgetary powers, and the national parliaments. The Council and the Commission should consult Parliament on the broad economic policy guidelines, on the employment guidelines and on the indicators used as a basis for NRPs;

23. The legislative act to be adopted should aim to strengthen the Commission's (Eurostat's) mandate to audit national statistics relevant to the reporting on public finances (Recommendation 7, Introduction).

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	29.9.2010
<b>Result of final vote</b>	+: 18 -: 14 0: 5
<b>Members present for the final vote</b>	Pablo Arias Echeverría, Lara Comi, Anna Maria Corazza Bildt, António Fernando Correia De Campos, Jürgen Creutzmann, Christian Engström, Małgorzata Handzlik, Malcolm Harbour, Iliana Ivanova, Philippe Juvin, Alan Kelly, Eija-Riitta Korhola, Edvard Kožušník, Kurt Lechner, Toine Manders, Hans-Peter Mayer, Gianni Pittella, Mitro Repo, Robert Rochefort, Zuzana Roithová, Heide Rühle, Christel Schaldemose, Andreas Schwab, Laurence J.A.J. Stassen, Catherine Stihler, Róza Gräfin von Thun und Hohenstein, Kyriacos Triantaphyllides, Emilie Turunen
<b>Substitute(s) present for the final vote</b>	Ashley Fox, Anna Hedh, Constance Le Grip, Morten Løkkegaard, Sylvana Rapti, Oreste Rossi, Olga Sehnalová, Wim van de Camp
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Karin Kadenbach

7.9.2010

## OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS

for the Committee on Economic and Monetary Affairs

with recommendations to the Commission on improving the stability and economic governance framework of the Union, in particular in the euro area (2010/2099(INI))

Rapporteur: Ramón Jáuregui Atondo

(Initiative – Rule 42 of the Rules of Procedure)

### SUGGESTIONS

The Committee on Constitutional Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible:

– to incorporate the following suggestions in its motion for a resolution:

1. **Recital J a (new)**

whereas the institutions must prepare for a possible need to revise the Treaties,

2. **Recital J b (new)**

whereas Article 48 TEU grants the European Parliament the right to submit proposals for the amendment of the Treaties,

3. **Paragraph 2 a (new)**

Calls on the Commission, in addition to the measures which can and must swiftly be taken under the existing Treaties, to start thinking about the institutional developments which may prove necessary in order to implement coherent, effective economic governance;

4. **Paragraph 3 a (new)**

Calls on its committee responsible to report on the constitutional aspects involved in implementing economic governance, which is indispensable for the smooth running and the viability of monetary union, taking full account of the decisions to be taken as a result of the work done by the European Council's Task Force on economic governance;

- to incorporate the following recommendations in the annex to its motion for a resolution:

**Recommendation 8 a (new): Consider the institutional developments needed for coherent, effective economic governance**

Alongside the measures which can and must be taken as swiftly as possible under the existing institutional framework, initiate a process of reflection with the aim of identifying the limits of this framework and developing ideas for a reform of the Treaties which will enable the mechanisms and structures which are indispensable for coherent, effective economic governance to be put in place and for real macroeconomic convergence between the Member States both in and outside the euro area.

**Recommendation 8 b (new): Consider a new interparliamentary practice for coherent, effective economic governance**

There should be better coordination between the work of the European Parliament, with its increased budgetary powers, and of national parliaments.



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	6.9.2010
<b>Result of final vote</b>	+: 20 -: 1 0: 0
<b>Members present for the final vote</b>	Carlo Casini, Andrew Duff, Matthias Groote, Roberto Gualtieri, Zita Gurmai, Gerald Häfner, Stanimir Ilchev, Ramón Jáuregui Atondo, Constance Le Grip, David Martin, Paulo Rangel, Algirdas Saudargas, György Schöpflin, József Szájer, Søren Bo Søndergaard, Indrek Tarand, Rafał Trzaskowski, Guy Verhofstadt
<b>Substitute(s) present for the final vote</b>	Enrique Guerrero Salom, Íñigo Méndez de Vigo, Vital Moreira, Helmut Scholz



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	5.10.2010
<b>Result of final vote</b>	+:           32 -:           6 0:           3
<b>Members present for the final vote</b>	Slavi Binev, Sharon Bowles, Udo Bullmann, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Liem Hoang Ngoc, Gunnar Hökmark, Othmar Karas, Wolf Klinz, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Astrid Lulling, Hans-Peter Martin, Arlene McCarthy, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Theodor Dumitru Stolojan, Ivo Strejček, Marianne Thyssen, Ramon Tremosa i Balcells, Corien Wortmann-Kool
<b>Substitute(s) present for the final vote</b>	Pervenche Berès, David Casa, Sari Essayah, Thomas Händel, Danuta Maria Hübner, Arturs Krišjānis Kariņš, Thomas Mann, Pablo Zalba Bidegain