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REPORT

on the European Semester for economic policy coordination: Annual Growth
Survey 2014
(2013/2157(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Philippe De Backer

Rapporteur for the opinion (*):
Angelika Werthmann

(*)Associated committees – Rule 50 of the Rules of Procedure

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(*) Associated committee – Rule 50 of the Rules of Procedure

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the European Semester for economic policy coordination: Annual Growth Survey 2014

(2013/2157(INI))

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union, and in particular Article 136 in combination with Article 121(2) thereof,
- having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies¹,
- having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States²,
- having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area³,
- having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure⁴,
- having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances⁵,
- having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area⁶,
- having regard to its resolution of 5 February 2013 on improving access to finance for SMEs⁷,
- having regard to the Commission Communication of 6 December 2012 entitled ‘An Action Plan to strengthen the fight against tax fraud and tax evasion’ (COM(2012)0722),

¹ OJ L 306, 23.11.2011, p. 12.

² OJ L 306, 23.11.2011, p. 41.

³ OJ L 306, 23.11.2011, p. 8.

⁴ OJ L 306, 23.11.2011, p. 33.

⁵ OJ L 306, 23.11.2011, p. 25.

⁶ OJ L 306, 23.11.2011, p. 1.

⁷ Texts adopted, P7_TA(2013)0036.

- having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area¹,
 - having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability²,
 - having regard to its resolution of 23 October 2013 on the European Semester for economic policy coordination: implementation of 2013 priorities³,
 - having regard to the Commission Communication of 16 November 2013 on the Annual Growth Survey 2014 (COM(2013)0800),
 - having regard to its resolution of 21 May 2013 on fight against tax fraud, tax evasion and tax havens⁴,
 - having regard to its resolution of 12 December 2013 on the call for a measurable and binding commitment against tax evasion and tax avoidance in the EU⁵,
 - having regard to its resolution of 12 December 2013 on preparations for the European Council meeting (19-20 December 2013)⁶,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Budgets (A7-0084/2014),
- A. whereas the latest Autumn Commission forecast shows that real GDP growth in the euro area is slowly returning and is expected to reach 1.1 % in 2014, unemployment is expected to fall and inflation is expected to remain well below 2 %;
- B. whereas growth in emerging markets is stagnating, while it remains robust in the US and positive in Japan;
- C. whereas on 20-22 January 2014, Parliament held a high-level meeting with national parliamentarians (in the context of the European Parliamentary Week) to discuss the Annual Growth Survey 2014, as well as general economic policy objectives for growth and jobs, with a view to taking greater account of the effectiveness of policies and of potential spill-over effects in the EU;

¹ OJ L 140, 27.5.2013, p. 11.

² OJ L 140, 27.5.2013, p. 1.

³ Texts adopted, P7_TA(2013)0447.

⁴ Texts adopted, P7_TA(2013)0205.

⁵ Texts adopted, P7_TA(2013)0593.

⁶ Texts adopted, P7_TA(2013)0597.

- D. whereas the Commission acknowledges that most of the Europe 2020 objectives will not be met even in the most optimistic of scenarios;
- E. whereas Parliament has welcomed the introduction of the Convergence and Competitiveness Instrument as part of the efforts to strengthen the governance framework;
1. Notes that economic recovery in the EU is under way but is still fragile; underlines that growth-friendly fiscal consolidation is required and efforts need to be sustained in order to ensure compliance with the current economic governance framework on the one hand and to deliver more sustainable growth and jobs in the medium and long term on the other;
 2. Welcomes the recognition of the need for growth-friendly fiscal consolidation; urges the Commission to turn this priority into concrete recommendations to the Member States and for the EU as a whole, including those under economic adjustment programmes, so that they not only address fiscal consolidation but also structural reforms that lead to real, sustainable and socially balanced growth, employment, strengthened competitiveness and increasing convergence;
 3. Notes that widening sovereign interest rate spreads have significantly reduced the room for manoeuvre as regards fiscal policy in a number of Member States; notes, also, that the monetary policy approach taken by the European Central Bank (ECB) has helped to reduce sovereign interest rate spreads; notes that the ECB, through forward guidance, will maintain this policy in the short and medium term, and will thereby contribute to stronger growth;
 4. Notes that the Commission monitors the Europe 2020 objectives at national and European level in the country-specific recommendations and thus keeps a closer eye on targets set for employment, R&D, education, poverty, renewable energy and emissions reduction;
 5. Believes that the EU economy as a whole needs to further boost its cost and non-cost competitiveness in the global economy, particularly by increasing competition in the product and services markets to enhance productivity, resource efficiency and to lower prices, and by keeping labour costs in line with productivity and ensuring that internal macroeconomic imbalances are reduced;
 6. Acknowledges the ambitious structural reforms implemented by those Member States that have experienced serious difficulties; encourages Member States to continue in their efforts; points out that the efforts for structural reforms need to be maintained with determination and monitored in order to ensure the effectiveness of reform and to build on the progress made; encourages the adoption and implementation of structural reform programmes that promote convergence and competitiveness at national and European level, and increase sustainable growth and foster employment; underlines the importance of the swift and effective implementation of programmes and schemes to fight unemployment, especially among young people;
 7. Underlines the importance of launching or continuing the process of coherent and sustainable structural reforms for stability in the medium and long term; stresses 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;

8. Reiterates its 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; calls on the Member States to commit themselves to fully implementing their national reform programmes; suggests that, on this basis, the Member States could enter into a ‘convergence partnership’ with the EU institutions, with the possibility of conditional funding for reform activities; reiterates that such stronger economic cooperation should go hand in hand with an incentive-based financial mechanism; considers that any additional funding or instruments, such as a solidarity mechanism, must be an integral part of the EU budget, but outside the agreed multiannual financial framework (MFF) envelope;
9. Expresses concern with the overall public and private indebtedness of Member States in the euro area; points out that the EU needs to go beyond a growth model based on excessive debt accumulation and resource consumption;
10. Calls on the Member States, therefore, to pay particular attention, when devising economic policies and reforms, to the impact on the young generation of Europeans and on future generations, so as not to deprive young people of opportunities from the start; underlines that further efforts need to be made to fight the long-term effects of unemployment and in particular of youth unemployment;
11. Acknowledges those Member State authorities that have successfully implemented macroeconomic adjustment programmes or financial sector programmes;
12. Points out that a necessary condition for the success of financial assistance programmes is a combination of solidarity and conditionality, strong ownership and commitment to reform; urges the Commission and the Member States, however, to incorporate financial assistance and the ad hoc system of the Troika into an improved legal structure compliant with the EU economic governance framework and community law, thereby guaranteeing democratic accountability;
13. Underlines the fact that the Economic and Monetary Union (EMU) is far from complete, and reminds the Commission of its obligations and commitments to enhance growth and economic convergence, and to strengthen competitiveness in the EU; believes that this could best be achieved if the Commission was to finally put forward proposals for the completion of the EMU in accordance with all the guidelines in its blueprint on a deep and genuine EMU; notes that the completion of the EMU should be based on the community method;
14. Acknowledges the achievements of new and revised EU financial regulations in overcoming the financial crisis; notes 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;

15. Welcomes the Commission statement to the effect that the top priority of the Annual Growth Survey (AGS) 2014 is to build sustainable, smart and inclusive growth and competitiveness leading to additional job creation;
16. Agrees with the Commission that the Member States need to continue to pursue growth-friendly fiscal consolidation; calls on Member States to 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;
17. Encourages Member States under an adjustment programme to continue implementing or implement growth-friendly and sustainable structural reforms while enhancing the efforts for the achievement of the Europe 2020 objectives; expresses concern at the lack of ownership on specific reforms in those Member States experiencing excessive budget or current account deficits; considers that the principle of frontloading plus immediate distribution should be applied to all funds for the 2014-2020 period designed to boost economic growth, employment and strategic investment, in particular as regards the Youth Employment Initiative;
18. Emphasises the importance of the monitoring and the implementation of the country-specific recommendations, multilateral surveillance, the exchange of experiences and best practices and peer reviews as a means of stimulating debate and peer pressure, thereby providing direction that helps to create the necessary momentum for and acceptance of reforms;
19. Points out once more that a lack of ambitious reforms to enhance the competitiveness of the European economies, as well as to safeguard the sustainability of the social security systems and health care systems will put an excessive burden on future generations; points also to the importance of rectifying excessive deficit situations and current account imbalances;
20. Points out once again that sovereign and financial institutions show persistent vulnerabilities in a low-growth environment;
21. Stresses that structural reforms need to be complemented by longer-term investment in education, research, innovation and sustainable energy; believes that public-private partnerships can also be considered as tools to promote investment and to deliver smart and sustainable growth which complement public investment programmes;
22. Calls for stronger and more consistent action to be taken on the basis of the Commission's comprehensive Action Plan to strengthen the fight against tax evasion; urges the Commission to incorporate tangible and measurable targets into the Europe 2020 Strategy;
23. Stresses that access to finance, particularly for SMEs, is one of the biggest obstacles to growth in the EU; believes that 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; believes that the completion of the Banking Union should enhance access to finance and create a level playing field for SMEs to gain access to finance; underlines the need to further limit the administrative burden for SMEs and to continuously take account of the principle of proportionality in the development of regulatory regimes; believes that the European Investment Bank (EIB) can play an even more active role in providing access to finance for the real economy; considers that the proposals on EIB financing made at the most recent Councils, in particular those relating to financing for SMEs, can and should be more ambitious;

24. Reiterates the importance of the completion of the Single Market for growth in the EU; believes that the Member States and the Commission are not delivering on their commitment to complete the Single Market;
25. Underlines the fact that the absence of a well-functioning internal labour market and a sustainable approach to immigration hampers growth in the EU; stresses the macroeconomic advantages for Member States to modernise their labour markets and encourages 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, as well as a modern, adequate and inclusive immigration policy at both national and European level;
26. Calls on the Commission to explain to Parliament the specific measures it intends to take in order to facilitate and deliver on its objectives of higher sustainable growth and strengthened competitiveness;
27. Believes that overall the AGS is not detailed enough and does not provide the means to achieve its objectives;
28. Takes note of the Alert Mechanism Report; notes the gradual reduction of internal imbalances in the EU economy; draws attention also to the external imbalances, including the excessive external surpluses and the reduction of export market shares in the majority of the Member States;
29. Points out that the objective of the macroeconomic imbalance procedure is to prevent the negative spill-over effects of ill-designed national policies to other euro area Member States; is concerned that the Commission, in its reading of the scoreboard, does not take sufficient account of the fact that the euro area and the Member States included therein are interdependent and open economies;
30. Takes notes of the Commission's assessment that a number of important macroeconomic imbalances are being corrected; points out that, in order to further strengthen the overall competitiveness of the EU, the Commission needs to look at the current account surplus of a Member State relative to the rest of the euro area;
31. Is concerned that most Member States are still losing market shares globally and have a large negative net international investment position; regrets that other important features which have a strong influence on competitiveness, such as unit capital costs, are not yet integrated in the scoreboard for macroeconomic imbalances despite repeated requests by

Parliament;

32. Is still concerned at the lack of progress in reducing excessive private debt levels; points out that this is not only a concern for financial stability, but also limits the EU's growth potential;
33. Points out that the ongoing situation of extraordinarily low interest rates across the yield curve is a matter of concern regarding private savings and retirement provisions for European citizens;
34. Notes the first Commission assessment of Member States' draft budgetary plans; underlines that the examination of draft budgetary plans improves the multilateral surveillance and monitoring of the budgetary situation of the Member States;
35. Is concerned that only two Member States have attained their medium-term objective; calls on Member States to continue and if necessary strengthen their efforts, given that growth-friendly consolidation in the non-compliant Member States is necessary;
36. Stresses that the European Semester must in no way jeopardise the prerogatives of the European Parliament and those of the national parliaments; underlines the fact that there should be a clear division between EU and national competences and that Parliament is the seat of accountability at Union level; urges the Commission to 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;
37. Stresses the need to strengthen the democratic accountability of the European Parliament and that of the national parliaments as regards essential elements of the euro area's operation, such as the European Stability Mechanism, Eurogroup decisions and the monitoring and evaluation of financial assistance programmes; asks the Commission to conduct and publish internal ex-post evaluations of its recommendations and its participation in the Troika;
38. Points out 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;

EU Budget

39. Notes that the AGS 2014 differs only marginally from the 2013 edition; regrets, therefore, 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;
40. Regrets 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;
41. Calls on the Commission to provide a regularly updated scoreboard on the implementation

of the new programmes, allowing for comparisons to be made between Member States permitting more informed decisions regarding spending priorities in light of observable trends by the budgetary authority;

42. Underlines 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; underlines, moreover, that 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; recalls 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; intends to continue its in-depth monitoring of the overall situation on payments, especially in relation to the very high level of payments still needed for the completion of the programmes of the previous MFF;
43. Regrets once again 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; calls on the Commission 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;
44. Recalls its view 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; underlines, therefore, the importance it attaches to the new high-level group on own resources, which should lead to a true reform of EU financing;
45. Reiterates that stronger economic cooperation should go hand in hand with an incentive-based mechanism; considers 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;
46. Instructs its President to forward this resolution to the European Council, the Council, the Commission, the governments and parliaments of the Member States and the European Central Bank.

23.1.2014

OPINION OF THE COMMITTEE ON BUDGETS (*)

for the Committee on Economic and Monetary Affairs

on the European Semester for economic policy coordination: Annual Growth Survey 2014 (2013/2157(INI))

Rapporteur(*): Angelika Werthmann

(*) Associated committee – Rule 50 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 into its motion for a resolution:

1. Notes that the Annual Growth Survey 2014 differs only marginally from the 2013 edition; regrets therefore 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;
2. Stresses that the Annual Growth Survey 2014 launches the 2014 European Semester, which is a surveillance mechanism established to ensure that Member States keep their budgetary and economic policies in line with their EU commitments laid down in the Stability and Growth Pact, country-specific recommendations (CSRs) and the Europe 2020 Strategy;
3. Regrets 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;
4. Recalls the start of the new Multiannual Financial Framework in 2014 and underlines the need for swift and effective implementation of the new programmes at both EU and Member State level, in order to allow these programmes to contribute to the economic recovery process; calls for a particularly speedy implementation of programmes such as Horizon 2020, COSME and Erasmus +; stresses that these frontloaded programmes have a leverage effect and a synergetic and catalytic role in relation to national investment policies;

5. Recalls the need to pay particular attention to the speedy, effective and proper implementation of the frontloaded programmes in order to ensure growth and job creation, especially with regard to tackling youth unemployment;
6. Calls on the Commission to provide a regularly updated scoreboard on the implementation of the new programmes, allowing for comparisons to be made between Member States permitting more informed decisions regarding spending priorities in light of observable trends by the budgetary authority;
7. Calls on Member States to make full use of the additional financing opportunities provided for by the European Investment Bank, the new small and medium-sized enterprises (SME) initiative –to be launched in January 2014 – and new innovative financial instruments such as project bonds;
8. Underlines 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; underlines moreover that 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; recalls 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; intends to continue its in-depth monitoring of the overall situation on payments, especially in relation to the very high amount of payments still needed for the completion of the programmes of the previous MFF;
9. Regrets once again 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; calls on the Commission 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;
10. Recalls its view 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 GNI contributions, thus enabling Member States to meet their consolidation efforts without jeopardising EU funding to support investment in economic recovery and reform measures; underlines, therefore, the importance it attaches to the new high-level group on own resources, which should lead to a true reform of EU financing;
11. Deplores the fact that no real progress had been achieved over the past year on the debate on a 'genuine Economic and Monetary Union' and reiterates its belief that the European Semester can only be truly successful if embedded in the community method with the proper involvement of national parliaments;
12. Reiterates that stronger economic cooperation should go hand in hand with an incentive-based mechanism; considers that any additional funding or instruments, such as a

solidarity mechanism, must be an integral part of the EU budget, but over and above the agreed MFF ceilings;

13. Believes that the democratisation of the European Semester and of economic governance in general has been improved through the strong involvement of the European Parliament and national parliaments; considers, nevertheless, that further improvements are needed as regards parliamentary scrutiny in order to give decisions taken in the Semester framework, which have a direct effect on the lives of European citizens, the necessary democratic legitimacy and accountability.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	22.1.2014
Result of final vote	+ : 25 - : 1 0 : 2
Members present for the final vote	Richard Ashworth, Zuzana Brzobohatá, Jean-Luc Dehaene, Isabelle Durant, José Manuel Fernandes, Věra Flasarová, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Ivars Godmanis, Lucas Hartong, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Ivailo Kalfin, Jan Kozłowski, Alain Lamassoure, George Lyon, Jan Mulder, Juan Andrés Naranjo Escobar, Andrej Plenković, Dominique Riquet, László Surján, Helga Trüpel, Oleg Valjalo, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	Maria Da Graça Carvalho, Peter Šťastný, Georgios Stavrakakis

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	30.1.2014
Result of final vote	+: 36 -: 0 0: 5
Members present for the final vote	Marino Baldini, Jean-Paul Basset, Sharon Bowles, Udo Bullmann, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Syed Kamall, Wolf Klinz, Werner Langen, Astrid Lulling, Ivana Maletić, Hans-Peter Martin, Arlene McCarthy, Marlene Mizzi, Sławomir Nitrás, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Sampo Terho, Marianne Thyssen, Pablo Zalba Bidegain
Substitute(s) present for the final vote	Thijs Berman, Fabrizio Bertot, Zdravka Bušić, Philippe De Backer, Herbert Dorfmann, Thomas Mann, Andreas Schwab, Catherine Stihler