REPORT

on economic policies of the euro area 2020
(2020/2078(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Joachim Schuster
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION</td>
<td>3</td>
</tr>
<tr>
<td>EXPLANATORY STATEMENT</td>
<td>15</td>
</tr>
<tr>
<td>INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE</td>
<td>16</td>
</tr>
<tr>
<td>FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE</td>
<td>17</td>
</tr>
</tbody>
</table>
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on economic policies of the euro area 2020 (2020/2078(INI))

The European Parliament,

– having regard to the Treaty on the Functioning of the European Union (TFEU), in particular its Article 122(2) facilitating financial assistance to Member States in difficulties or seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond their control, as well as its Article 136 and Protocols No 1 and 2 thereto,

– having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and its ‘escape clause’ contained in Articles 5(1), 6(3), 9(1) and 10(3) of Council Regulation (EC) 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies and Articles 3(5) and 5(2) of Council Regulation (EC) 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive debt procedure, facilitating the coordination of budgetary policies in times of severe economic downturn,


– having regard to the Council recommendation of 10 February 2020 on the economic policy of the euro area,


– having regard to its resolution of 10 July 2020 on a comprehensive Union policy on preventing money laundering and terrorist financing – the Commission’s Action Plan and other recent developments,

– having regard to its resolution of 16 February 2017 on improving the functioning of the European Union building on the potential of the Lisbon Treaty,


– having regard to the Commission communication of 6 December 2017 entitled ‘Further Steps Towards Completing Europe’s Economic and Monetary Union: A Roadmap’ (COM(2017)0821),

– having regard to the Commission Staff Working Document of 27 May 2020 ‘Identifying Europe’s recovery needs’,

– having regard to its resolution of 14 March 2019 on the proposal for a Council regulation on the establishment of the European Monetary Fund,

– having regard to its legislative resolution of 16 September 2020 on the draft Council decision on the system of own resources of the European Union,

– having regard to the Commission document of 7 July 2020 entitled ‘Summer Economic Forecast’,

– having regard to the European Council conclusions of 21 July 2020,

– having regard to its resolution of 18 December 2019 on fair taxation in a digitalised and globalised economy: BEPS 2.0,

– having regard to its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences,

– having regard to its resolution of 15 of May 2020 on the new multiannual financial framework, own resources and the recovery plan,

– having regard to its resolution of 15 January 2020 on the European Green Deal (2019/2956(RSP))

– having regard to the Commission communication of 13 March 2020 entitled ‘Coordinated economic response to the COVID-19 outbreak’ (COM(2020)0112),

investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative)\(^{15}\),

– having regard to the Commission communication of 20 March 2020 on the activation of the general escape clause of the Stability and Growth Pact (COM(2020)0123),

– having regard to Regulation (EU) 2020/461 of the European Parliament and of the Council of 30 March 2020 amending Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States and to countries negotiating their accession to the Union that are seriously affected by a major public health emergency\(^{16}\),

– having regard to the Commission’s Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe’s strategic assets, ahead of the application of Regulation (EU) 2019/452 (FDI Screening Regulation) of 25 March 2020 (C(2020)1981),

– having regard to the Commission communication of 19 March 2020 entitled ‘Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak’ (2020/C 91 I/01), and to the amendment thereto of 4 April 2020 (2020/C 112 I/01),

– having regard to the Commission’ communication to the Member States of 27 March 2020 on amending the Annex on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to cover short-term export-credit insurance (2020/C 101 I/01 - C(2020)2044),

– having regard to the Commission decision of 3 April 2020 on relief from import duties and VAT exemption on importation granted for goods needed to combat the effects of the COVID-19 outbreak during 2020 (C(2020)2146),


– having regard to the assessment of the fiscal framework with a focus on the six-pack and two-pack legislation of 19 September 2019, the annual report of the European Fiscal Board of 29 October 2019, the statement by the European Fiscal Board on COVID-19 of 24 March 2020, and the European Fiscal Board’s assessment of the fiscal stance appropriate for the euro area in 2021 of 1 July 2020,

– having regard to the Commission’s Annual Sustainable Growth Strategy 2020 of 17 December 2019 (COM(2019)0650),

– having regard to the Commission communication of 11 December 2019 on the

\(^{15}\) OJ L 99, 31.3.2020, p. 5.

European Green Deal (COM(2019)0640),

– having regard to the Commission’s Economic Forecast: Spring 2020 of 6 May 2020 (Institutional Paper 125),

– having regard to Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak\textsuperscript{17},

– having regard to the Commission communication of 20 May 2020 entitled ‘2020 European Semester: Country-specific recommendations’ (COM(2020)0500),

– having regard to the Commission communication of 27 May 2020 entitled ‘Europe’s moment: Repair and Prepare for the Next Generation’ (COM(2020)0456),

– having regard to the Commission communication of 27 May 2020 on the EU budget powering the recovery plan for Europe (COM(2020)0442),

– having regard to the Commission communication of 27 May 2020 on the Adjusted Commission Work Programme 2020 (COM(2020)0440),

– having regard to the Commission proposal of 28 May 2020 for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic (COM(2020)0441),

– having regard to the Commission’s amended proposal of 28 May 2020 for a Council decision on the system of own resources of the European Union (COM(2020)0445),

– having regard to the Four Presidents’ Report of 5 December 2012 entitled ‘Towards a Genuine Economic and Monetary Union’, the Five Presidents’ Report of 22 June 2015 on completing Europe’s Economic and Monetary Union, to the Commission white paper of 1 March 2017 on the future of Europe, and to the Commission reflection paper of 31 May 2017 on the deepening of the Economic and Monetary Union,

– having regard to the Eurogroup report to Leaders on EMU deepening of 4 December 2018,

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A9-0193/2020),

A. whereas the COVID-19 pandemic is causing an unprecedented and symmetric shock both for the EU and globally, and its duration and its health, social and economic impact are not yet foreseeable;

B. whereas the shock is symmetrical but the impact varies considerably among Member States, reflecting the severity of the pandemic and the stringency of their containment

\textsuperscript{17} OJ L 159, 20.5.2020, p. 1.
measures, but also their specific economic exposures and initial conditions, including the vulnerability of particular sectors and their available scope for discretionary fiscal policy responses;

C. whereas a determined, coordinated and solidarity-based European response is essential to mitigate the negative economic and social consequences of the crisis, the fragmentation of the internal market and the further deepening of macroeconomic divergence and structural polarisation between regions and countries; whereas due to strong interdependencies, an incomplete recovery in one country would spill over to all the other countries and dampen economic growth everywhere;

D. whereas most of the effects are likely to be temporary and if the national and European policies in place to support incomes, jobs, liquidity and investment are effective, economic activity will rebound once restrictions are gradually eased; whereas, nevertheless, lasting negative consequences can be expected, such as continued subdued demand, market and income uncertainties, investment shortfalls and drops in employment, reducing the productive potential of the economy and hindering a return to the former trajectory of production and growth;

E. whereas the Union must respond to the current crisis in a way that increases its resilience to future crises;

F. whereas the EU and its Member States have committed to the Treaty-based fundamental values, the implementation of the UN 2030 Agenda, the European Pillar of Social Rights and the Paris Climate Agreement;

G. whereas women are disproportionately hit as a result of the crisis and the proposed recovery response fails to address the challenges related to the COVID-19 crisis in the care sector and the specific challenges faced by women;

H. whereas the COVID-19 crisis is affecting vulnerable groups in particular, resulting in increased inequalities, poverty, unemployment and social divergences, as well as undermining social and employment standards in Europe;

I. whereas the COVID-19 pandemic has highlighted the importance of valuing the provision of care work, not just in the healthcare sector, but also in the context of childcare, care of persons with disabilities and care of older persons; stresses that euro area economic policies need to devote more investment to high-quality, affordable and accessible public and private care services;

J. whereas in 2019 only 5.7% of the Country Specific Recommendations (CSRs) had been fully implemented by Member States and there had been at least a degree of progress on 45.9%, but 48.4% had not been implemented or showed only limited progress;

K. whereas accountability of the Council, the Commission and the Eurogroup to the European Parliament throughout all stages of the European Semester process is required in the interests of democratic legitimacy and transparency;

I. Initial situation
1. Notes with great concern that, according to the Commission’s Summer 2020 economic forecast, the EU is expected to suffer the deepest recession in its history, contracting in 2020 by 8.3 %, a figure significantly higher than the 7.4 % initially projected in the Spring Forecast, meaning a recession far deeper than that during the financial crisis in 2009; also notes a surge in the aggregate budget deficit, from 0.6 % of GDP in 2019 to around 8.5 % of GDP in 2020, in both the euro area and the EU, a new peak of the euro area’s aggregate debt-to-GDP ratio of close to 102.7 % (95.1 % in the EU), reversing the declining trend since 2014; stresses that unemployment in the euro area is expected to increase from 7.5 % (6.7 % in the EU) in 2019 to 9.5 % (9 % in the EU) in 2020, and that a remarkable negative impact can be expected for SMEs, while the single market and its competitiveness are surrounded by extremely high uncertainty and substantial downside risks;

2. Is concerned at the negative impact of the COVID-19 crisis on the global economy, trade, inequalities (including income and gender inequalities) and poverty; notes the projected contraction of global GDP (excluding the EU) by about 3 % this year, which is a sharper downturn than during the global financial crisis in 2008-2009, with a fall in world import volumes of more than 10 % and a fall in euro area exports of about 13 % in 2020; is alarmed at the increase in poverty since many emerging and low-income countries have limited capacity to deal with a health crisis of this magnitude, as well as limited policy space to absorb the macroeconomic impact;

3. Points out that the Commission’s estimate of the investment needs of the EU27 in 2020 and 2021 will amount to EUR 1.5 trillion, in addition to the baseline assumed in the Spring forecast and for delivering the green transition and digital transformation amounting to at least EUR 595 billion per year, including additional investment needs of EUR 20 billion per year to make the strategic investments needed for EU autonomy to strengthen the resilience of industries and the EU’s strategic independence for most-needed goods and services (medical products and pharmaceuticals, strategic digital infrastructure, key enabling technologies, critical raw materials, defence and space);

4. Notes that the aggregate liquidity support measures provided in response to the pandemic amount to 22 % of EU GDP and were complemented by existing EU budget instruments offering support of up to about 4.5 % of EU GDP; is of the opinion that these measures will have to be continued in 2021; further notes that the Next Generation EU (NGEU) initiative may provide an additional fiscal stimulus to European economies of around 4 to 5 % of GDP over the next four years;

5. Stresses that both public and private sector investment were already clearly insufficient before the crisis, and that the projections reveal an additional sharp reduction in investment that is estimated at EUR 846 billion for 2020 and 2021 taken together;

II. Short-term requirements

---

20 Commission Staff Working Document: Identifying Europe’s recovery needs (see above).
Economic recovery

6. Recognises that the EU faces the unprecedented challenge of mitigating the social and economic consequences of the historic recession and setting the course for a rapid economic recovery linked to a sustainable and just transition and digital transformation, and linked to strengthening competitiveness; is convinced that, for this, a significant and lasting increase in public and private investment and socially, environmentally and economically sustainable reforms with long-term viability are indispensable, and that the increased level of investment must be stabilised for many years to come, while there is also a need for enhanced upward convergence in the EU and sustainable growth;

7. Welcomes the swift and strong response to the crisis in the area of monetary and fiscal policy, at both EU and Member State level, with the ECB’s Pandemic Emergency Purchase Programme (PEPP), the activation of the European Stability Mechanism (ESM) and the launch of the EIB’s pan-European Guarantee Fund ensuring liquidity and stabilisation of financial markets, and takes note of the activation of the general escape clause by the Commission, enabling maximum flexibility of the fiscal framework and the adopted temporary state aid rules so as to allow national governments to financially support healthcare systems and businesses, in addition to the imminent European Support Scheme Mitigating Unemployment Risks in Emergency (SURE), designed to keep people in employment during the crisis;

8. Welcomes the European Council conclusions proposing a European Recovery Plan, and the NGEU instrument21 involving EUR 750 billion, the issuance of bonds by the Commission, and new own resources; recalls, however, Parliament’s call for a much higher investment impulse to cope with the COVID-19 crisis, and acknowledges that additional measures are needed to prevent huge economic and social divergences and to achieve the EU’s long-term social and environmental targets;

9. Considers it essential that the proposed recovery package is fully aligned with the EU’s new sustainable growth strategy and is based on a sound financing strategy, i.e. in accordance with the principles of the European Green Deal (EGD), which puts sustainability at the centre of its action and aims, the European Pillar of Social Rights (EPSR) and the UN Sustainable Development Goals (SDGs), and with the aim to protect women’s rights and achieve gender equality; demands that funds and resources be directed to projects and beneficiaries that spend the resources concerned responsibly and effectively for sustainable projects that generate the highest possible impact, while enhancing ownership of the European Semester and complying with our Treaty-based fundamental values;

10. Underlines that the recovery must be based on upward social and economic convergence, social dialogue, and improved social rights and working conditions for workers, employees and the self-employed, and must provide additional support to the Sustainable Europe Investment Plan (SEIP), with particular attention needing to be paid to empowerment;

11. Demands that firms in receipt of state aid, EU funds or other public money in the framework of the COVID-19 crisis sustain their workers’ jobs and offer them

---

protection, pay their fair share of taxes, commit to sustainability objectives on the basis of adherence to international standards of responsible business, and refrain from paying out dividends or offering share buy-back schemes aimed at remunerating shareholders and inflating stock prices;

12. Notes the activation of the general escape clause of the Stability and Growth Pact due to the severe economic downturn, and expects that it will remain activated no longer than is necessary in order to support the efforts of the Member States to recover from the pandemic crisis, to provide stabilisation in the short run and strengthen Member States’ economic and social resilience, and to drive the economy towards a sustainable and inclusive transition fostering competitiveness and regional and social upward convergence;

13. Shares the concern of the European Fiscal Board (EFB) that guidance on the timing of and conditions for an exit from the general escape clause should be provided by spring 2021 at the latest, and asks the Commission to present a roadmap based on economic research and data that takes into account the views of the EFB;

14. Shares as well the view of the EFB that rapidly reversing the fiscal stance is not advisable for the recovery, and that larger and longer fiscal support and the extension of some discretionary fiscal measures, including some components of government spending, will be needed in 2021 in order to kick-start demand;

15. Recalls the specific need to foster upward convergence and sustainable growth within the EU and in particular the euro area;

**Reviewing and, according to the outcome, adapting the fiscal and economic policy framework**

16. Takes note of the conclusion of the EFB\(^22\) that the fiscal framework has to reviewed and, according to the outcome, adapted, due to its unnecessary complexity and procyclicality and the fact that it has not protected the quality of public finance or promoted sustainable public investment during the period of growth in the last seven years before the crisis, and is convinced that the deep economic crisis triggered by the pandemic further amplifies this need;

17. Believes that the review and, according to its outcome, adaptation of the fiscal framework following the COVID-19 crisis must find a new balance to foster the above requirements in terms of increasing growth-enhancing government expenditure relating to climate change and digitalisation, as well as social, economic and environmental resilience, and stabilising the new level of investment, including investment related to the recovery of companies, especially SMEs, and to the single market and its competitiveness, while ensuring sustainable budgetary management;

18. Points out that the economic governance framework should also look at current economic realities and be coherent with the EU’s policy priorities, while at the same time improving compliance with fiscal rules which are simplified, clear and practical

\(^{22}\) EFB Annual report 2019, p. 71.
and have been reviewed, and according to the outcome, adapted;

19. Advocates a counter-cyclical fiscal policy in the EU and its Member States and for reducing debt-to-GDP ratios, and to have national budgets in balance or with slight surpluses during the EU’s growth periods in economic upturns, in order to respond effectively to future challenges and ensure the stability of the euro area; urges the Commission and the Council, however, not to repeat mistakes of the past in response to the economic crisis;

20. Is concerned about the significant but uneven negative impact of the COVID-19 crisis on government deficit and private debt throughout the euro area and the EU, particularly in Member States which had high levels of public debt before the fallout from the pandemic, which is further aggravating the situation of Member States that are particularly affected by the pandemic and/or pre-existing high levels of government debt; calls for a solution that guarantees the sustainability of public debt; believes against this backdrop that the issuance of European Commission bonds is an important step in the current crisis;

21. Considers it essential that the revision of the EU’s fiscal and economic policy framework for the purpose of the CSRs provides tailor-made solutions to respond to the different needs of the Member States; calls for rules that enable fiscal policy to respond with discretion to shocks in the short term, and to reduce high public debt ratios in accordance with fiscal rules in a realistic and reasonable period of time, while allowing a sufficient level of public investment, sustainable tax policies and stable government revenues, together with the long-term modernisation and strengthening of public infrastructure;

22. Stresses that European, national and sub-national public investment, while respecting fiscal sustainability and sound budgetary rules, contributes substantially in strengthening the EU in its endeavours: 1) to recover from the COVID-19 crisis; 2) to promote a transition to a cleaner, socially inclusive, sustainable and digital society, as well as to foster growth and strengthen the single market and cohesion within the EU; and 3) to increase the EU’s competitiveness and strategic autonomy; calls on the Member States and the Commission to create a regulatory framework including investment rules that are predictable and supportive of public and private investments in line with the EU’s long-term objectives, while ensuring Member States’ ability to respond to future crises;

For a sustainable and democratic European Semester

23. Welcomes the European Green Deal as an important part our new sustainable growth strategy bringing together four dimensions: environment, productivity, stability and fairness, and where competitive sustainability is at the heart of Europe’s social market economy, enabled by digital and green technologies, an innovative industrial base and strategic autonomy, to make Europe a transformational frontrunner;

24. Welcomes the attention of the European Semester Spring Package to provide an immediate economic policy response to tackle and mitigate the health and socio-economic impact of COVID-19 and reboot economic activity; Notes that the country-specific recommendations (CSRs) of the Spring Package focused on the most urgent
challenges brought about by the pandemic and on relaunching sustainable growth and that recommendations are structured around two objectives: in the short-term, mitigating the coronavirus pandemic's severe negative socio-economic consequences; and in the short to medium-term, achieving sustainable and inclusive growth which facilitates the green transition and the digital transformation;

25. Supports the Commission’s announcement of a review and according to its outcome, adaption of the European Semester to convert it into a tool to coordinate the recovery measures. Notes that the European Semester process should ensure the functioning of the EU economic government process based on budgetary and economic policy coordination and take into account social and environmental policy objectives where appropriate; is convinced that this has to include a greater coordination of measures concerning state aid and tax policies as well as fiscal and social policy and policies regulating labour relations in order to avoid unfair competition between Member States;

26. Calls on the European Commission to develop a new climate indicator alongside and, without watering down the Semester process, to assess the discrepancy between the structure of Member States’ budgets and Paris-aligned scenario for each of their national budgets; stresses the need for this indicator to provide Member States with an indication on their temperature trajectory within the framework of the Paris Agreement;

27. Recognises the role that the Commission has allotted to the European Semester in the Recovery Plan and its importance for policy coordination at EU level, given the size and unprecedented nature of the policy measures adopted at Member State level; notes, however, that the effectiveness and success of the alignment of Member States’ investment and reform programmes will depend on the review of the Semester and, according to the outcome, its adaptation, the increased ownership by the Member States of the implementation of the CSRs will also depend on the above-mentioned review and according to pp the outcome adaptation of the Stability and Growth Pact; calls on the Commission, therefore, to communicate more proactively and better with Member States, to offer tailor-made solutions ahead of the customary adoption of the CSRs, and to increase interinstitutional debate;

28. Notes that the link of the Recovery and Resilience Facility to the Semester process and monitoring the progress of the implementation of investment and reforms could enhance Member States’ commitment; believes, however, that the interlinkage of both should be designed in a way that enhances the recovery, improves the Member States’ social, economic and environmental resilience, and promotes EU added value;

29. Is convinced that building a resilient economy calls for reinforcing the social dimension of European governance, aiming at providing adequate protection to all people without excluding the possibility of setting EU minimum standards when needed, in order to boost upward convergence of living and working conditions;

30. Highlights the importance of full debate and proper involvement of the European Parliament and national parliaments; reiterates its call for the strengthening of the European Parliament’s democratic role in the economic governance framework, and calls on the Council and Commission to take due account of the resolutions adopted by Parliament; invites the Commission to keep both Parliament and the Council, as co-
legislators, equally well informed on all aspects relating to the application of the EU economic governance framework, including on preparatory stages and in view of any proposals to reform or enhance;

31. Underlines the important role of the Committee on Economic and Monetary Affairs in taking action with a view to improving accountability to Parliament, as the experience gathered so far in applying the European Semester has shown that the current accountability set-up could be enhanced in order to improve its legitimacy and effectiveness;

32. Calls for a committed coordination with social partners and other relevant stakeholders at both national and European level, with a view to strengthening democratic accountability, transparency and the scrutiny role of civil society;

33. Underlines that public revenues are essential to finance the post-pandemic recovery restoring the EU’s sustainable competitiveness and to support the just transition to a sustainable economy; recalls that tax evasion and tax avoidance at EU level amount to up to EUR 160-190 billion each year, constituting missing revenues for the treasuries; recalls, therefore, the importance of fighting tax fraud, tax evasion, tax avoidance and money laundering at both national and EU levels; recalls, in this respect, the Commission’s contribution in its communication “Towards a more efficient and democratic decision making in EU tax policy” and welcomes the Commission’s Action Plan for a comprehensive Union policy on preventing money laundering and terrorism financing; calls for an ambitious legislative proposal with enforced European-level supervision, competences and resources, as detailed in Parliament’s resolution of 1 July 2020 on ‘A comprehensive Union policy on preventing money laundering and terrorist financing - the Commission’s action plan and other recent developments’;

34. Invites the Commission to explore new policies suggested by international institutions that support and contribute to financing a just transition which alleviates the socio-economic effects of the transition to a climate-neutral economy and promotes sustainable growth, as well as aiming to mitigate the enormous costs associated with the post-pandemic recovery and to restore Member States’ public finances; calls on EU leaders and the Commission to take bold decisions to urgently put in place a basket of new own resources, to include income stemming from EU policies favouring both the implementation of environmental protection and the development of a fair, sustainable and competitive single market, and to make it possible to repay the loans under the NGE, already during the next MFF; recalls that these own resources need to be put in place as quickly as possible, as of 2021 at the latest, and to be permanent; stresses in this regard Parliament’s position in its legislative resolution of 16 September 2020 on the draft Council decision on the system of own resources of the European Union introducing new categories of own resources;

III. Medium-term requirements

---

Deepening the Economic and Monetary Union

35. Underlines that strengthening the role of the euro requires the right structural conditions, among which are the deepening of the European Monetary Union, the completion of the Banking Union and the completion of the Capital Markets Union;

36. Notes that there was a proposal for a budgetary tool dedicated to the euro area in the framework of the budgetary instrument for convergence and competitiveness (BICC), which would have financed packages of structural reforms and public investments in order to strengthen the potential growth of euro area economies and the resilience of the single currency against economic shocks; takes note that in parallel with the BICC, there was also a possible instrument for the non-euro area Member States not participating in the BICC, the Convergence and Reform Instrument (CRI), aimed at supporting the convergence of non-euro area Member States towards the euro area, by providing financial support for structural reforms; notes that the Commission issued a new legislative proposal on the Recovery and Resilience Facility (RRF) and has withdrawn the mentioned legislative proposals; nonetheless calls on the Commission to consider drawing up proposals in the future so that the euro area and the non-euro area could have instruments to effectively manage the economic cycle;

37. Instructs its President to forward this resolution to the Council and the Commission.
EXPLANATORY STATEMENT

The Commission’s comprehensive ‘Recovery Plan for Europe’ upgrades the EU’s political and economic importance significantly. Within this framework, the European Semester will play a substantial and coordinating role in providing an immediate economic policy response to the crisis, paving the way for a sustainable and just green transition and digital transformation, while fostering convergence within the EU. The success of the measures taken will, however, depend on a comprehensive reform of the EU’s economic and financial governance, which is justified as follows.

The decision on the ongoing review of the EU’s fiscal rules is backed by numerous reasons: The level of public investment is clearly insufficient in view of the challenges coming with digitisation and the fight against climate change. The requirements of the coordination in terms of stability policy are perceived as an increasing burden by many Member States. The economic policy recommendations of the European Semester were only partially regarded as binding by Member States and implemented in a correspondingly selective manner. Also, the framework is missing a mandatory democratic participation of elected national and European parliamentarians. As a result, the policy coordination through the European semester does not fulfil the expectations when it comes to achievements in the area of fiscal policy objectives, but also more broadly in the prevention and reduction of economic imbalances.

COVID-19 has led to a historically unprecedented economic crisis, which further exacerbates the need for revision. Although the shock is symmetrical, the impact varies considerably among Member States, reflecting the severity of the pandemic and the stringency of their containment measures, but also their specific economic exposures, initial conditions and their available scope for discretionary fiscal policy responses. This will further exacerbate macroeconomic imbalances. The level of debt as a percentage of GDP will increase significantly in all Member States, with worrying dimensions in some of them. Even after the crisis, it will be very difficult for many countries to achieve the required debt-to-GDP ratio of 60%. Necessary substantial increase of public investment in view of the challenges of climate change and digitisation would appear unlikely for the near future. In the current state of economic and financial policy, the reinstatement of current regulations of the Stability and Growth Pact, after the retraction of the general escape clause, therefore, would neglect the changed conditions and future needs.

Thus, the current report on the European Semester proposes that the central challenges of European economic and financial policy - especially the implementation of a sustainable and just climate policy and digitalisation - should be firmly anchored in the current anti-crisis policy. At the same time, the foundations for a readjustment of the financial and economic policy framework for the post-crisis period must be set. A key issue will be to reconcile the stability orientation of European economic and financial policy with a sufficient increase in public investment in all EU Member States. Moreover, further steps must be taken towards democratisation and a reduction of economic and social imbalances.
INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<table>
<thead>
<tr>
<th>Date adopted</th>
<th>15.10.2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result of final vote</td>
<td>+: 29</td>
</tr>
<tr>
<td></td>
<td>-: 11</td>
</tr>
<tr>
<td></td>
<td>0: 11</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Henrike Hahn, Eugen Jurzyca, Mick Wallace</td>
</tr>
</tbody>
</table>
## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>29</strong></td>
<td><strong>+</strong></td>
<td></td>
</tr>
<tr>
<td>PPE</td>
<td>Markus Ferber, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Enikő Győri, Danuta Maria Hübner, Othmar Karas, Asta Maldiekiene, Siegfried Mureșan, Luděk Niedermayer, Lídia Pereira, Sirpa Pietikäinen, Inese Vaidere</td>
<td></td>
</tr>
<tr>
<td>Renew</td>
<td>Gilles Boyer, Engin Eroglu, Billy Kelleher, Ondřej Kovařík, Dragoș Pîslaru, Stéphanie Yon-Courtin</td>
<td></td>
</tr>
<tr>
<td>S&amp;D</td>
<td>Marek Belka, Jonás Fernández, Eero Heinäluoma, Pedro Marques, Costas Mavrides, Csaba Molnár, Alfred Sant, Joachim Schuster, Pedro Silva Pereira, Paul Tang, Irene Tinagli</td>
<td></td>
</tr>
<tr>
<td><strong>11</strong></td>
<td><strong>-</strong></td>
<td></td>
</tr>
<tr>
<td>ECR</td>
<td>Derk Jan Eppink, Eugen Jurzyca, Roberts Zile</td>
<td></td>
</tr>
<tr>
<td>ID</td>
<td>Gunnar Beck, Francesca Donato, Valentino Grant, Jörg Meuthen, Antonio Maria Rinaldi, Marco Zanni</td>
<td></td>
</tr>
<tr>
<td>NI</td>
<td>Lefteris Nikolaou-Alavanos</td>
<td></td>
</tr>
<tr>
<td>S&amp;D</td>
<td>Aurore Lalucq</td>
<td></td>
</tr>
<tr>
<td><strong>11</strong></td>
<td><strong>0</strong></td>
<td></td>
</tr>
<tr>
<td>ECR</td>
<td>Johan Van Overtveldt</td>
<td></td>
</tr>
<tr>
<td>GUE/NGL</td>
<td>José Gusmão, Martin Schirdewan, Mick Wallace</td>
<td></td>
</tr>
<tr>
<td>NI</td>
<td>Piernicola Pedicini</td>
<td></td>
</tr>
<tr>
<td>Renew</td>
<td>Caroline Nagtegaal</td>
<td></td>
</tr>
<tr>
<td>Verts/ALE</td>
<td>Sven Giegold, Claude Gruffat, Henrike Hahn, Stasys Jakeliūnas, Kira Marie Peter-Hansen</td>
<td></td>
</tr>
</tbody>
</table>

**Key to symbols:**
+ : in favour
- : against
0 : abstention