

Towards a genuine Economic and Monetary Union

European Parliament resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup "Towards a genuine Economic and Monetary Union" (2012/2151(INI))

The European Parliament,

- having regard to Article 225 of the Treaty on the Functioning of the European Union,
 - having regard to the conclusions of the European Council of 28 and 29 June 2012,
 - having regard to the Statement of the Heads of State or Government of the Euro Area of 29 June 2012,
 - having regard to the report of 26 June 2012 of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union',
 - 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 Constitutional Affairs, the Committee on Budgets and the Committee on Employment and Social Affairs(A7-0339/2012),
- A. whereas since the signing of the Treaty of Rome, the European Union has made significant step towards political, economic, fiscal and monetary integration;
- B. whereas economic and monetary union (EMU) is not an end in itself but, rather, an instrument to achieve the objectives of the Union and the Member States, in particular a balanced and sustainable growth and a high level of employment; whereas social inclusion and solidarity are the cornerstones of the European social model and of European integration as a whole and cannot be left out of any future reform of the Union;
- C. whereas in a globalised information society the need for closer European integration built on the basis of democratic legitimacy, accountability, transparency and citizen's endorsement is becoming ever more clear;
- D. whereas closer European integration should provide for a greater parliamentary involvement at national and Union level;
- E. whereas the Union is at a crossroads and a clear direction needs to be chosen either to combine forces within the Union to build a future for a strong, value-driven and solidarity-based Union in a globalised world, or for the Union to fold back in on itself and be forced to adapt passively to globalisation;
- F. whereas the economic, financial and banking crisis and the current economic downturn have led to high public and private debt at national level and public financing problems in

several Member States, and, together with excessive macroeconomic imbalances, have affected the socio-economic development of the euro area and of the Union as a whole in a fast, direct and negative way;

- G. whereas between the beginning of the crisis in 2008 and mid-2012, the EU-27 unemployment rate has climbed from around 7 % to 10,4 %, or 25 million unemployed and more than one out of five young people is unemployed (22 %), with youth unemployment exceeding 50 % in some Member States;
- H. whereas job creation, quality employment and decent work are crucial in overcoming the current crisis;
- I. whereas several Member States are currently in a very demanding economic and financial situation, aggravated by continuous strains on the sovereign bond markets reflected in unsustainable interest borrowing rates for some Member States, low or negative interest rates for others, and considerable financial and economic instability;
- J. whereas the combination of competitiveness evolving in divergent directions and a low growth potential, high unemployment with high deficits and high public and private debt not only causes harm in some Member States, but also makes the euro area vulnerable as a whole;
- K. whereas recent events have made clear that the euro area is still not properly equipped to solve the crisis or to react adequately to regional and global economic shocks;
- L. whereas the important role played by the euro, both within the euro area and at the global level, as the second most important international reserve currency, requires a strong European response and coordinated European action to bring back growth and stability to the economy;
- M. whereas over the last decade the euro has brought Union citizens many benefits, such as stabilising prices, abolishing currency conversion costs within the euro area, making nominal competitive devaluations impossible, lowering interest rates, encouraging integration of financial markets and facilitating cross-border capital movement;
- N. whereas the Union's single currency should not become a symbol of division which threatens the whole European project, but should remain the currency of the Union as a whole that is decisive and capable of taking far-reaching decisions for a common and prosperous future;
- O. whereas progress towards a genuine EMU should respect the wishes of the Member States that have an opt-out from having to introduce the euro to retain their respective national currencies;
- P. whereas euro area membership implies a high degree of economic and financial interdependence between the Member States concerned and therefore requires much closer coordination of financial, fiscal, social and economic policies with Member States shifting competences to the Union level, linked to stricter supervisory instruments and effective enforcement; whereas, however, this greater integration by the Member States whose currency is the euro, possibly supplemented by a group of other willing Member States, needs to be developed within the framework of "two-speeds, one Europe", with

the view of avoiding policy steps that would ultimately lead to creation of two different Europes;

- Q. whereas the latest Eurobarometer research indicates that because of the persisting crisis there has been a sharp decline in trust in political institutions both at national and at Union level, as well as a sharp decline of public perception of the Union conjuring up a positive image; whereas, nevertheless, the Union remains the actor that Union citizens feel is the most effective in tackling the economic crisis;
- R. whereas Union and national policy makers should continuously explain to their citizens the benefits of European integration and the implications and challenges of a single currency, including the costs and risks linked to a break up of the euro area;
- S. whereas 17 Member States have already adopted the Union's single currency and most others will join the euro when they are ready;
- T. whereas any doubt about the future of the EMU in general, including the irreversibility of membership of the euro area, and the Union's single currency in particular is unfounded as a strong Union is the interest of all citizens;
- U. whereas restoring confidence is the main task in order to convince European citizens and enterprises to start investing again in the economy and to create conditions for financial institutions to provide the real economy, once again, with credit on a broad but sound basis;
- V. whereas the answer to the euro crisis is complex and demands sustained, multifaceted efforts at all institutional and policy levels;
- W. whereas the Union institutions and the Heads of State or Government of the Member States in general and of the euro area Member States in particular, play an important role in creating a fiscal union in a way that all mechanisms of euro area crisis management, such as the European Stability Mechanism (ESM), are embedded in an institutional setting where Parliament is fully involved as co-legislator; whereas the current intergovernmental structure represents a severe lack of democratic legitimacy; whereas the single currency can only be stabilised if Member States are willing to shift competences in fiscal policies towards the Union level;
- X. whereas restoring confidence also requires those Heads of State or Government and their Ministers to defend and explain in their Member States the policy decisions that have been agreed upon at Union level; whereas by unfairly imputing unpopular decisions to the Union in some instances, a particularly dangerous game of perception is being played which risks eroding the Union from below, undermining solidarity and ultimately damaging the credibility of the national leaders themselves and potentially the European project as a whole;
- Y. whereas socially the Union is fragile at the moment; whereas several Member States are subject to extremely demanding structural reform requirements and consolidation programmes; whereas ultimately political union is the key to overcoming such times, encouraging solidarity and carrying on with the European project;
- Z. whereas the European Council and the euro area summit of 28 and 29 June 2012

confirmed their determination to take the measures required to ensure a financially stable, competitive and prosperous Europe and thus to enhance the welfare of citizens;

- AA. whereas the growing divide between core and peripheral countries in the Union should not become chronic in nature; whereas a permanent framework must be created in which Member States in difficulty should be able to rely on solidarity-based support from other Member States; whereas those Member States which desire solidarity should be obliged to shoulder their responsibility for implementing all their commitments in the budgetary field as well as their country-specific recommendations and their commitments under the European Semester, in particular those related to the Stability and Growth Pact (SGP), the Euro Plus Pact, the Europe 2020 Strategy and the macro-economic imbalances procedure, taking into account country-specific circumstances; whereas ensuring the financial stability of every Member State is a matter of mutual interest of the Member States; whereas Article 121 of the Treaty on the Functioning of the European Union (TFEU) provides that Member States are to regard their economic policies as a matter of common concern and to coordinate them within the Council;
- AB. whereas it is paramount for a return to growth that the internal market is being completed; whereas the Commission, as the guardian of the Treaties, needs to step up its efforts to enforce implementation of and compliance with existing internal market legislation; whereas for the proper functioning of the internal market it is necessary that market integration rules will be based more on regulations rather than on directives;
- AC. whereas it is beyond doubt that European integration is an irreversible and progressive process;

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- AD. whereas from a democratic point of view and in the light of all the provisions of the Lisbon Treaty it is unacceptable that the President of the European Parliament, which is composed of elected Members representing more than 502 million European citizens, has not been involved in the drafting of the abovementioned report entitled ‘Towards a Genuine Economic and Monetary Union’;
- AE. whereas the time has come for the political leaders of and within the Union to demonstrate their determination, creativity, courage, resilience and leadership to remove the remaining deficiencies that continue to hamper the proper functioning of the EMU; whereas the intergovernmental method has reached its limits and is not well suited for democratic and efficient decision-making in 21st century; whereas a leap should be made towards a truly federal Europe;
- AF. whereas the abovementioned report entitled ‘Towards a Genuine Economic and Monetary Union’ unambiguously chooses the way forward and seeks to break the cycle of distrust by means of structural measures; whereas the report should also pay attention to the social dimension;
- AG. whereas the European Council of 28 and 29 June 2012 requested its President to develop a specific and time-bound roadmap for the achievement of a genuine EMU; whereas developing a global long-term vision via a road map is an important signal that could contribute to restoring confidence which could grow as the road map is carried out step by step;

- AH. whereas steady progress in the implementation of the long-term road map does not provide any immediate solution to the crisis and should not delay the needed short-term measures;
- AI. whereas it cannot be excluded that new Treaty changes might be needed for increasing the democratic legitimacy of a fully operational EMU; whereas the Commission should list current legislative initiatives that must not be delayed by the long-term institutional developments;
- AJ. whereas the completion of a genuine EMU within the Union will require in the medium term a Treaty change to be completed;
- AK. whereas making full use of the procedures and the flexibility of the existing Treaties to swiftly improve the governance of the EMU in the context of the framing of a true European political space is a condition for building the democratic consensus for a future comprehensive and successful Treaty change;
- AL. whereas Parliament has the right to submit to the Council proposals for the amendment of the Treaties which subsequently need to be examined by a Convention, in order to complete the framing of a genuine EMU by enhancing the Union's competencies, in particular in the field of economic policy, and by strengthening the Union's own resources and budgetary capacity, the role and democratic accountability of the Commission and Parliament's prerogatives;
- AM. whereas it is realistic and appropriate to think that such a Convention should not take place before the next election of the European Parliament; whereas preparations for such a Convention should start before that election;
- AN. whereas both the measures proposed under the existing Treaties and the future Treaty changes should not exclude opt-ins for Member States and should guarantee the integrity of the Union;
- AO. whereas future Treaty changes should not be an obstacle to the swift implementation of what can already be achieved under the existing Treaties; whereas the existing Treaties allow a broad margin for substantial progress toward an EMU based on an enhanced and more integrated financial, budgetary and economic policy framework and on a stronger democratic legitimacy and accountability;
- AP. whereas the full potential of the Lisbon Treaty regarding employment and social policies has up to now been untapped, first and foremost regarding:
- Article 9 TFEU, in accordance with which the promotion of high employment and the guarantee of adequate social protection must be taken into account in defining and implementing the policies and activities of the Union,
 - Article 151 TFEU, which provides that 'The Union and the Member States (...) shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion',

- Article 153(1) TFEU in general, and point (h) thereof in particular, which provides for 'the integration of persons excluded from the labour market';

AQ. whereas Article 48(7) of the Treaty on European Union (TEU) provides for a specific procedure for adopting an act for which the TFEU requires a special legislative procedure in accordance with the ordinary legislative procedure; whereas Article 333 TFEU also contains provisions that allow for making use of the ordinary legislative procedure in the context of enhanced cooperation;

AR. whereas the ambition should be that all Member States jointly take steps towards greater European integration; whereas decisions that only apply to the euro area might be needed where required or justified on the basis of the specificity of the euro area, including reasonable and fair opt-ins for other Member States with balanced rights and obligations;

AS. whereas a common European Youth Strategy is essential to fight youth unemployment and the danger of losing a whole generation in Europe;

Banking union

AT. whereas the measures to stabilise the financial system to date have been insufficient to fully restore confidence; whereas the European Central Bank (ECB), with a series of exceptional temporary assistance measures for both Member States and banks, has played a pivotal role in these rescue operations without losing sight of its core objective, namely that of guaranteeing price stability;

AU. whereas the Treaty-based operational independence of the ECB in the field of monetary policy remains a cornerstone for the credibility of the EMU and the single currency;

AV. whereas the precarious situation of the banking sector in several Member States and the Union as a whole threatens the real economy and the public finances and the cost of management of the banking crisis falls heavily on taxpayers and the development of the real economy thus hampering growth; whereas the existing mechanisms and structures are insufficient to prevent negative spill-over effects;

AW. whereas Member States suffer from an apparent mismatch between banks carrying out operations on a European market basis, and contingent liabilities shouldered by their sovereigns; whereas during the current crisis it has become self-evident that the bank-sovereign link is stronger and more damaging within a monetary union, where the internal exchange rate is fixed and there exists no mechanism at Union level to alleviate the costs of bank restructuring;

AX. whereas breaking up the negative feedback loops between sovereigns, banks and the real economy is crucial for a smooth functioning of the EMU;

AY. whereas the crisis has created a dispersion of lending rates and has also de facto fragmented the single market for financial services;

AZ. whereas Parliament has repeatedly and consistently asserted that there is an urgent need for additional and far-reaching measures to solve the crisis in the banking sector; whereas a distinction should be made between short-term measures to stabilise an acute bank crisis situation and medium and long-term measures, including the G-20 commitment to the

timely, full and consistent implementation of internationally agreed rules on bank capital, liquidity and leverage, aimed at the realisation of a fully operational European banking union;

- BA. whereas all measures taken in the context of such a banking union should not hamper the continued proper functioning of the internal market for financial services and the free movement of capital;
- BB. whereas financial institutions and their representatives should act responsibly and according to high moral standards, serving the real economy;
- BC. whereas the Union needs the establishment of a single European supervisory mechanism for banking institutions; whereas in order to ensure the necessary confidence in the financial market and stability in a common internal market for financial services European framework for sound and efficient deposit guarantee and banking resolution are essential;
- BD. whereas all measures to achieve a banking union should be accompanied by an improvement of transparency and accountability of the institutions implementing it;
- BE. whereas the question whether it is necessary to require legal separation of certain particularly risky financial activities from deposit-taking banks within the banking group, in line with the Liikanen report, should be examined;
- BF. whereas supervisory authorities in general should detect and correct problems at an early stage to prevent crises from occurring and maintaining financial stability and resilience;
- BG. whereas most of the banking supervisory powers in the Union today remain in the hands of national supervisors with the European Supervisory Authority (European Banking Authority) (EBA), established by Regulation (EU) No 1093/2010¹ in a coordinating role; whereas the current system of national supervision has proven to be too fragmented to face current challenges;
- BH. whereas a high-quality and effective European supervisory mechanism is indispensable to ensure that problems are detected and tackled vigorously, to guarantee a level playing field between all banking institutions to restore cross-border confidence and to avoid fragmentation of the internal market;
- BI. whereas a clear division of operational responsibilities should be agreed between a European supervisory mechanism and the national supervisory authorities, depending on the size and business models of banks and the supervisory tasks, in application of the principles of proportionality and subsidiarity;
- BJ. whereas European supervision of banking institutions within the EMU, as well as the strengthening of the role of EBA in preserving the internal market are absolute priorities to tackle the crisis; whereas it should, however, be ensured that, for the purpose of internal financial market stability, Member States whose currency is not the euro, which decide to participate in the single supervision mechanism via close cooperation, should be granted a participation formula which guarantees symmetric relations between accepted

¹ OJ L 331, 15.12.2010, p. 12.

obligations and impact on decision-making;

- BK. whereas the single supervisory mechanism should from the very start cover the financial institutions requiring direct support from the Union as well as systemically important financial institutions;
- BL. whereas the independence of the European single supervisory mechanism from political and industry influence does not exempt it from explaining, justifying and being accountable to Parliament, on a regular basis and whenever the situation requires, for the actions and decisions taken in the field of European supervision, given the impact that supervisory measures may have on public finances, banks, employees and customers; whereas an effective democratic accountability require inter alia Parliamentary approval of the chairman or chairwoman of the supervisory board of the single supervisory mechanism selected after an open selection procedure, the obligation of the chair to report to and be heard in Parliament, the right of Parliament to ask written or oral questions and the right of inquiry of Parliament in accordance with the TFEU;
- BM. whereas in the future the ESM will, under certain conditions, be able to fund banks in difficulties directly; whereas for this reason making the single supervisory mechanism operational is the first and most urgent task in the realisation of the banking union;
- BN. whereas the single set of rules (single rule book) being developed by EBA, should ensure fully harmonised rules and their uniform application across the Union; whereas the completion of the single rule book on banking supervision and more broadly harmonised and enhanced prudential requirements are necessary for the effective functioning of the single supervisory mechanism, since the European supervisor cannot work with divergent national prudential rules;
- BO. whereas, following the creation of the single supervisory mechanism, voting rules within EBA should be carefully adapted so that constructive cooperation between euro area and non-euro area Member States is facilitated and so that the interests of all Member States are fully taken into account;
- BP. whereas the pending legislative procedures relating to the single supervisory mechanism should be completed without delay;
- BQ. whereas in order to implement the new financial architecture it is essential urgently to unblock the negotiations on the directives on deposit guarantee schemes and on investor compensation scheme, on which negotiations between Parliament and the Council are suspended, despite their crucial importance in providing common mechanisms to resolve banks and guarantee customer deposits;
- BR. whereas a single European deposit guarantee framework necessitates uniform, common, stringent requirements applicable to all deposit guarantee schemes in the Union in order to achieve the same protection and the same stability of deposit guarantee schemes and guarantee a level playing field; whereas only in this way can the preconditions for the requisite flexibility be created so as to take sufficient account of specific national circumstances in the financial sector;
- BS. whereas a single European deposit guarantee fund with functioning deposit guarantee schemes backed by appropriate levels of funding, which therefore enhance credibility and

investor confidence could be the long-term goal, once an effective resolution framework and an effective single supervisory mechanism are working;

- BT. whereas *ex-ante* planning, speed, early intervention, due diligence, access to quality information and credibility are essential in managing bank crises;
- BU. whereas a single European recovery and resolution regime should be established, ideally in parallel with the entry into force of the single supervisory mechanism, for restoring the viability of banks in difficulties and resolving non-viable financial institutions;
- BV. whereas, in the short term, the adoption of the current crisis management framework proposal of the Commission for banks in crisis has absolute priority;
- BW. whereas the overall purpose of an effective resolution scheme and recovery framework is to minimise the potential use of taxpayers' resources needed for the recovery and resolution of banking institutions;
- BX. whereas it is necessary for the protection of private savings to keep a functional separation while ensuring an effective articulation of European funds for deposit guarantee and recovery and resolution;
- BY. whereas resolution and deposit guarantee mechanisms should have a strong financial structure, in the first place *ex-ante*, built on contributions from the industry, whereby the contribution of a given financial institution should mirror the riskiness of that institution, with European public money only serving as an ultimate backstop, reduced to its minimum possible extent;

Fiscal union

- BZ. whereas in this regard, the abovementioned report entitled 'Towards a Genuine Economic and Monetary Union' marks an important step forward, as it acknowledges that "the smooth functioning of the EMU requires not only the swift and vigorous implementation of the measures already agreed under the reinforced economic governance framework (notably the Stability and Growth Pact and the Treaty on Stability, Coordination and Governance), but also a qualitative move towards a fiscal union";
- CA. whereas sound public finances, balanced budgets over-the-cycle and sustainable growth prospects over the medium term as well as adequate levels of public investment are a basic requirement for long-term economic and financial stability, for the welfare state and for the payment of the costs of the expected demographic development;
- CB. whereas the smooth functioning of the EMU requires a full and swift implementation of the measures already agreed upon under the reinforced economic governance framework such as the reinforced SGP and the European Semester complemented with growth-enhancing policies; whereas within no more than five years of the date of entry into force of the Treaty on Stability, Coordination and Governance (TSCG), on the basis of an assessment of the experience with its implementation, the necessary steps should be taken, in accordance with the TEU and the TFEU, with the aim of incorporating the substance of the TSCG into the legal framework of the Union;
- CC. whereas the Growth and Jobs Compact requires the pursuit of growth-friendly fiscal

consolidation and calls for particular focus on investments into future-oriented areas; whereas the Commission should make proposals to identify investments to be prioritised within the boundaries of the Union and national fiscal frameworks;

- CD. whereas the crisis has shown the need for a qualitative step towards a more robust and democratic fiscal union with an increase of the own resources of the Union, more effective mechanisms to correct unsustainable fiscal trajectories and debt levels, and a fixing of the upper limits of budget balance of Member States;
- CE. whereas a "genuine EMU" needs to be supported and accepted by the citizens of the Union; whereas the necessity to involve policy makers, social partners and civil society organisations at all political levels must therefore be stressed;
- CF. whereas supplementary mechanisms to ensure that all Member States respect their engagements in their individual budgetary procedures should strengthen, and not weaken, the current economic governance framework; whereas the independent role of the European Commissioner for Economic and Monetary Affairs needs to be reinforced, accompanied by strong accountability mechanisms to both Parliament and the Council; whereas a European Treasury should be set up headed by a European finance minister, individually accountable to Parliament;
- CG. whereas the flexibility clause (Article 352 TFEU) can be used for the purpose of setting up a European Treasury Office headed by a European finance minister, which is a key feature of a genuine EMU;
- CH. whereas Article 136 TFEU allows for the adoption, in accordance with the relevant legislative procedure from those referred to in Articles 121 and 126 TFEU, of specific measures to strengthen the coordination and surveillance of the budgetary discipline of the Member States whose currency is the euro; whereas such legislation may provide delegation of powers to the Commission to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act; whereas the TFEU provides for the possibility to confer on Parliament or the Council the right to revoke the delegation to the Commission;
- CI. whereas, in compliance with the general rule of the Union's legal order, the Court of Justice of the European Union is empowered to ensure that, in the interpretation and application of the Treaties, Union law is observed unless it is explicitly excluded;
- CJ. whereas the trilogue negotiations on the so-called 'two-pack' regulations are likely soon to lead to concrete political results;
- CK. whereas the SGP is, by design, a cyclical stabilisation instrument which, by allowing Member States to run up a deficit of up to 3 %, enables to counter and absorb economic shocks in the Member State concerned; whereas this anti-cyclical policy can only work if the Member States achieve budgetary surpluses during good times; whereas financial assistance mechanisms such as the ESM are measures of last resort;
- CL. whereas Member State parties to the TSCG in the EMU need to report their public debt issuance plans to the Commission and to the Council, allowing an early coordination of debt issuance at Union level;

- CM. whereas under the existing Treaties the Member States whose currency is the euro can finance an increased Union budget in the framework of the own resources procedure by introducing specific taxes or fees in accordance with an enhanced cooperation procedure; whereas it should be done with a specific preference given to its liaison with the already existing Union budgetary framework and without undermining the Union budget's traditional functions to finance common policies; whereas such an increased budgetary capacity should support growth and social cohesion addressing imbalances, structural divergences and financial emergencies which are directly connected to the monetary union;
- CN. whereas the common issuance of debt could, in the longer run, and after fulfilment of strict conditions, be a possible way to supplement the EMU; whereas common issuance of debt in the euro area, with joint and several liability, may require changes to the Treaties;
- CO. whereas as a necessary precondition for common issuance of debt a sustainable fiscal framework is being established, aimed at both enhanced economic governance, fiscal discipline and SGP compliance, as well as control instruments to prevent moral hazard;
- CP. whereas a stronger and more integrated fiscal union should include a gradual roll-over into a redemption fund;
- CQ. whereas the introduction in a not credible way of instruments for common issuance of debt may lead to uncontrollable consequences and the loss of long-term trust in the euro area's capacity to act decisively;
- CR. whereas the debt crisis has prompted the Union, and especially the euro area, to set up new financial solidarity instruments in Europe: the European Financial Stability Facility (EFSF), the ESM and other projects related to the roadmap towards a genuine EMU; whereas the financial impact of those instruments is much greater, in terms of the amounts involved, than the Union budget and whereas the innovative idea of a central budget for the euro area funded by members of the euro area is now being proposed as the ultimate guarantee for this new financial solidarity;
- CS. whereas the multiplication of these solidarity instruments makes it difficult to evaluate the actual contribution made by each Member State to European solidarity, which far exceeds the Member States' respective financial contributions to the Union budget; whereas, moreover, the diversity of existing instruments, in terms of legal bases, intervention mode and the Member States concerned, is likely to make the whole set-up hard to steer by European leaders, difficult to understand for the European citizens at large and not amenable to any parliamentary control;
- CT. whereas the ESM could be integrated into the Union's legal framework through the flexibility clause (Article 352 TFEU), in conjunction with the revised Article 136 TFEU;
- CU. whereas under the existing Treaties the definitions for the application of the “no-bailout clause” can be specified by the Council on a proposal of the Commission and after consulting Parliament (Article 125(2) TFEU);
- CV. whereas high standards of democratic accountability at Union level should apply to the Troika;

- CW. whereas the Commission activities in the contexts of fiscal and economic union should be based on proper social dialogue and should fully respect the autonomy of social partners;
- CX. whereas the independence of the European Statistical System (ESS) must be safeguarded at both national and Union level in order to maintain the credibility of European statistics in their core supporting role to a fully-fledged fiscal union (by means of high-quality standards and systemic approach to develop, produce and verify the accuracy of public sector finance statistics);
- CY. whereas public accounting standards should apply in all Member States in a standardised manner and should be subject to internal and external audit mechanisms, as an essential complement to the Commission's greater powers and to greater coordination role by the European Court of Auditors and by national courts of auditors in verifying the quality of national sources used to establish debt and deficit figures;

Economic union

- CZ. whereas much emphasis has been put so far on the monetary side of the EMU while there is an urgent need for building a true economic union, where the Europe 2020 Strategy should give the binding framework for designing and implementing of economic policies;
- DA. whereas the Euro Plus Pact, the Europe 2020 Strategy and the Growth and Job compacts should be integrated into Union law and pave the way for the introduction of a convergence code for Member States' economies;
- DB. whereas the European Semester, as outlined in the preventive arm of the SGP, offers an appropriate framework to coordinate economic policies and budgetary choices implemented at national level in line with the country-specific recommendations adopted by the Council;
- DC. whereas Article 9 TFEU calls for the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health;
- DD. whereas fiscal consolidation, reduction of excessive macro-economic imbalances, structural reforms and investments are needed to get out of the crisis and to ensure qualitative and sustainable growth and employment in a in a knowledge-driven society, reflecting the reality of membership of the EMU within a social market economy; whereas structural reforms yield only in the long term;
- DE. whereas the Pact for Growth and Jobs, which was approved at the European Summit of 28 and 29 June 2012, can bring an important contribution to growth, employment and improved European competition capacities; whereas the Union and the Member States must take on their responsibility and act quickly to complete the internal market and unlock its potential; whereas the shift in focus by adopting a Growth Pact is welcomed even though the mobilisation of funds for growth-enhancing measures from structural funds only concern a reallocation of existing funds, thus not providing additional financial resources;
- DF. whereas the Member States need to deliver without delay on the agreed reforms in their national reform programmes, and up to national parliaments to deliver timely and

informed scrutiny of the actions of their governments in this regard;

- DG. whereas the full functioning of the internal market is hindered by the barriers still present in certain Member States; whereas to benefit of the full growth potential of the Union economy is necessary to complete the internal market specially in areas such as services, energy, telecommunications, standardisation, simplification of public procurement rules, network industries, e-commerce, and copyright regime;
- DH. whereas deeper economic and budgetary integration will be undermined without closer coordination in the field of taxation; whereas the unanimity rule in the field of taxation hampers developments in this area, the instrument of enhanced cooperation should be used more frequently; whereas reference can be made to Parliament's position on the common consolidated corporate tax base (CCCTB) and the financial transactions tax (FTT); whereas in the field of taxation, convergence between the structures of tax systems and tax base in Member States is clearly needed; whereas harmful tax competition between Member States is clearly against the logic of the internal market and needs addressing;
- DI. whereas it is important that the recovery of the economy goes along with a labour market policy that stimulates job search and entrepreneurial spirit and reduces structural unemployment, especially for youth, older persons and women, while safeguarding the European social model and fully respecting the role of the social partners and the right to negotiate, conclude or enforce collective agreements or take collective action in accordance with national law and practices; whereas in that sense the integration of labour markets of the Member States should be fostered to enhance cross-border labour mobility;
- DJ. whereas binding coordination at Union level should be used for certain key economic policy issues particularly relevant for growth and employment;
- DK. whereas sustainable lasting public finance is not only a matter of an economic use of the scarce government resources, but also of a fair taxation, of progressive tax, of a well-organised collection of taxes, of a better fight against all forms of tax fraud and tax evasion, of tax cooperation and coordination aimed at limiting harmful tax competition and of a well-designed tax system that promotes business development and jobs creation;
- DL. whereas the Member States should be accountable for the implementation of the Europe 2020 Strategy;
- DM. whereas the Europe 2020 Strategy should undergo a mid-term review, in which it would be wrong to shrink from naming and shaming and which should examine whether the objectives need to be refined or adjusted and how the pressure on Member States to attain the objectives can be increased;
- DN. whereas the availability of high-quality European statistics play an essential role at the heart of the new economic governance and in particular, they are a prerequisite to support the correct functioning of its main surveillance and enforcement processes, such as the European Semester, the macroeconomic imbalances procedure and Europe 2020 Strategy;
- DO. whereas efforts must be pursued to modernise production methods of European statistics in order to warrant their high-quality standards, cost-effectiveness and adequacy of resources and to facilitate due dissemination and access to public authorities, economic

actors and citizens;

From democratic legitimacy and accountability to political union

- DP. whereas the Union owes its legitimacy to its democratic values, the objectives it pursues and its competences, instruments and institutions;
- DQ. whereas that legitimacy is derived from a dual citizenry, that of the people represented by Parliament and that of the Member States represented by the Council;
- DR. whereas due to the ongoing crisis and the way some counter-crisis measures have been taken, the debate has grown on need to increase the democratic nature of the decision-making within the EMU;
- DS. whereas political leaders and representatives of the institutions, the agencies and other Union bodies should be politically accountable before Parliament; whereas regular reporting and annual presentations of their work and forecasts should be made before the competent committee of Parliament;
- DT. whereas over the past years the European Council has sought to find a way out of the crisis and has formulated numerous proposals for which in the Treaties not always a clear competence to the Union has been assigned;
- DU. whereas the European Council's decision to take the intergovernmental route, failing to include Parliament as an important actor to find a way out of the crisis, though inevitable in some instances, is deplorable;
- DV. whereas for proposals falling within the competence of the Union decisions should be taken in accordance with the ordinary legislative procedure, fully involving Parliament;
- DW. whereas the executive powers of the Commission in the rules-based approach to the economic governance framework, as established in particular in the reinforced SGP and the macroeconomic surveillance mechanism, should be subject to *ex-post* democratic control by, and accountability to, Parliament;
- DX. whereas the intergovernmental instruments that have been created since the start of the crisis in December 2009 should be communitarised;
- DY. whereas more democratic scrutiny, participation and codecision in relation to economic, monetary and social policy, taxation, the Multiannual Financial Framework and own resources is required; whereas currently existing *passerelle* clauses should be activated with that purpose;
- DZ. whereas it is not acceptable that the President of the European Parliament cannot be present for the whole duration of the meetings of the European Council and the euro area summit; whereas a solution for this lack of democratic legitimacy should be found urgently through a political agreement between the two institutions;
- EA. whereas addressing the current democratic deficit of the EMU and strictly linking any further step toward a banking union, a fiscal union and an economic union with increased democratic legitimacy and accountability at Union level is urgent;

- EB. whereas where new competences are transferred to or created at Union level or new Union institutions are established, corresponding legitimacy, democratic control by, and accountability to, Parliament should be ensured;
- EC. whereas no intergovernmental agreements between Member States should create parallel structures to those of the Union; whereas all agreements establishing inter- or supranational regimes should be subjected to Parliament's full democratic scrutiny;
- ED. whereas ensuring the production, verification and dissemination of high-quality European statistics by a genuine ESS is a crucial contribution to enhancing full transparency and effective public accountability in the design, management, implementation and enforcement of the Union policies at Union and national level.
- EE. whereas cooperation between Parliament and national parliaments on the basis of Protocol No 1 to the TEU and to the TFEU on the role of national parliaments in the European Union (Protocol No 1) should be reinforced in order to improve exchange of views and the quality of the parliamentary activity in the field of the EMU governance both at Union and national level; whereas such a cooperation should not be seen as the creation of a new mixed parliamentary body which would be both ineffective and illegitimate on a democratic and constitutional point of view;
1. Considers it necessary to place the governance of the EMU within the institutional framework of the Union, which is a precondition for its effectiveness and for filling the current political gap between national politics and European policies;
 2. Calls on all institutions to proceed swiftly by maximising the possibilities given by the existing Treaties and their elements of flexibility and at the same time to prepare for the necessary Treaty changes in order to guarantee legal certainty and democratic legitimacy; reiterates that the option of a new intergovernmental agreement should be excluded;
 3. Stresses that both the measures proposed under the existing Treaties and the future Treaty changes should not exclude opt-ins and should guarantee the integrity of the Union;
 4. Calls on the Council – which issued the mandate to the authors of the abovementioned report entitled ‘Towards a genuine economic and monetary union’ – immediately to co-opt the President of the European Parliament as a co-drafter of this proposal with equal rights in order to increase its democratic legitimacy;
 5. Welcomes the fact that, although involvement has been only informal so far, the Parliament's Conference of Presidents has requested the competent committee of the Parliament to examine the substantive proposals jointly with the three representatives (sherpas) who are negotiating with the permanent President of the European Council on behalf of Parliament;
 6. Confirms that it shall make full use of its prerogative to submit to the Council proposals for the amendment of the Treaties which subsequently need to be examined by a Convention, in order to complete the framing of a genuine EMU by enhancing the Union's competencies, in particular in the field of economic policy, and by strengthening the Union's own resources and budgetary capacity, the role and democratic accountability of the Commission and Parliament's prerogatives;

7. Calls on national parliaments to engage in the process of preparing their governments' fiscal and reform plans before their submission to the Union; intends to propose at the Convention to add this explicit responsibility to the functions enjoyed by national parliaments under the provisions of Article 12 TEU;
8. Calls on the President of the Council, without delay, to bring to a conclusion in agreement with Parliament the legislative procedures under the ordinary legislative procedure pursuant to the Lisbon Treaty which are being blocked by the Council and adopt them, particularly those concerning CRD IV (capital requirements) and national deposit guarantee schemes;
9. Considers a substantial improvement of the democratic legitimacy and accountability at Union level of the EMU governance by an increased role of Parliament as an absolute necessity and a precondition for any further step toward a banking union, a fiscal union and an economic union;
10. Considers that under the existing Treaties the coordination and surveillance of the budgetary discipline of the Member States whose currency is the euro could be made binding and subject to the control of the Court of Justice of the European Union on the simple basis of Article 136 TFEU in conjunction with Article 121(6), but that, from a constitutional point of view, this step should be taken into consideration only if it would substantially strengthen Parliament's role as far as the detailed implementation of Article 121(3) and (4) TFEU is concerned and in order to complete and implement the multilateral surveillance procedure with delegated acts on the basis of Article 290 TFEU; reminds that according to the Treaties the promotion of high employment and the guarantee of adequate social protection has to be taken into account in defining and implementing the policies and activities of the Union, namely by introducing, building upon existing strategies, a new set of guidelines for Member States, including social and economic benchmarks with minimum standards to be applied to the main pillars of their economies;
11. Is of the opinion that a "genuine EMU" cannot be limited to a system of rules but requires an increased budgetary capacity based on specific own-resources (including an FTT) which should, in the framework of the Union budget, support growth and social cohesion addressing imbalances, structural divergences and financial emergencies which are directly connected to the monetary union, without undermining its traditional functions to finance common policies.
12. Is of the opinion that under the existing Treaties Article 136 TFEU allows the Council, on a recommendation from the Commission and with the vote of only the Member States whose currency is the euro, to adopt binding economic policy guidelines for the euro area countries in the framework of the European Semester; stresses that an incentive mechanism would reinforce the binding nature of the economic policy coordination; calls for an Interinstitutional Agreement to involve Parliament in the drafting and approval of the Annual Growth Survey and the Economic Policy and Employment Guidelines;
13. While reaffirming its intention to intensify the cooperation with national parliaments on the basis of Protocol No 1, stresses that such a cooperation should not be seen as the creation of a new mixed parliamentary body which would be both ineffective and illegitimate on a democratic and constitutional point of view; stresses the full legitimacy of Parliament, as parliamentary body at the Union level for a reinforced and democratic

EMU governance;

14. Requests the Commission to submit to Parliament as soon as possible after consultation of all interested parties, with Parliament being a co-legislator, proposals for acts on following the detailed recommendations set out in the Annex hereto;
15. Confirms that the recommendations respect the principle of subsidiarity and the fundamental rights of citizens of the Union;
16. Calls on the Commission, in addition to the measures which can and must be taken swiftly under the existing Treaties, to list the institutional developments which may prove necessary in order to establish a stronger EMU architecture, based on the need for an integrated financial framework, an integrated budgetary framework and an integrated economic-policy framework built on enhancing the role of Parliament;
17. Considers that the financial implications of the requested proposal should be covered by appropriate budgetary allocations;
18. 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.

DETAILED RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED

1. An integrated financial framework

Recommendation 1.1 relating to a single supervisory mechanism

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The current Commission proposals on the single European supervisory mechanism should be adopted as soon as possible to ensure the effective application of prudential rules, risk control and crisis prevention concerning credit institutions throughout the Union.

The legal basis, form and content of the proposal should provide for the possibility of full participation of all Member States in the European single supervisory mechanism, in a form which ensures the full involvement in the decision-making process of the participating Member States whose currency is not the euro, guaranteeing a symmetric relation between accepted obligations and the impact on decision-making.

Participation of euro area Member States in the European supervisor should be mandatory.

The proposal should be subject to extensive democratic scrutiny by the European Parliament, within the boundaries of the Treaties.

The legal basis should involve the European Parliament as a co-legislator if the European Parliament's co-decision role cannot be achieved by way of a 'supervisory package' concept. In accordance with Article 263 TFEU the Court of Justice of the European Union shall review the legality of acts of the ECB, other than recommendations and opinions, intended to produce legal effects vis-à-vis third parties.

The proposal should ensure that all tasks of EBA, as provided for in Regulation (EU) No 1093/2010, continue to be exercised at Union level and that the proposals are consistent with the sound functioning of the European Supervisory Authorities as envisaged in Regulation (EU) No 1093/2010.

The single supervisory mechanism needs to be accountable to the European Parliament and the Council for the actions and decisions taken in the field of European supervision and should report to the competent committee of the European Parliament. Democratic accountability requires, inter alia, Parliamentary approval of the chairman or chairwoman of the supervisory board of the single supervisory mechanism selected after an open selection procedure, the obligation of the chair to report to and be heard in the European Parliament, the right of the European Parliament to ask written or oral questions and the right of inquiry of the European Parliament in accordance with the TFEU.

The European single supervisory mechanism should be independent from national political interest and should ensure that the interests of the Union prevail over national interests through a Union mandate and adequate governance.

The decision-making processes within the single supervisory mechanism should be specified in the relevant legislative proposal under ordinary legislative procedure.

The European supervisor should have the competence and responsibility to:

- supervise credit institutions within the countries included in the system but with a clear division of operational responsibilities between the European and national supervisors depending on the size and business models of banks and the nature of the supervisory tasks;
- act in a way that is consistent with the need to maintain the unity and integrity and international competitiveness of the internal market, for example, to ensure that no barriers to competition exist between Member States;
- take due account of the impact of its activities on competition and innovation within the internal market, the integrity of the Union as a whole, the Union's global competitiveness, financial inclusion, consumer protection and the Union's strategy for jobs and growth;
- protect the stability and resilience of all parts of the financial system of participating Member States, the transparency of markets and financial products and the protection of depositors and investors and taxpayers, taking into account the diversity of markets and institutional forms;
- prevent regulatory arbitrage and guarantee a level playing field;
- strengthen international supervisory coordination and, where appropriate, represent the Union in international financial institutions;
- in the event of inaction by relevant national authorities, take the necessary measures to restructure, rescue and wind down financial institutions that are failing or whose failure would create concerns as regards the general public interest.

Bodies responsible for supervision at supra-national level should be allocated sufficient resources, including staffing, to ensure that they have the necessary operational capacities to carry out their mission.

Recommendation 1.2 relating to deposit guarantees

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The European Parliament calls on the Commission to do everything possible to ensure that the legislative procedure relating to the recast directive on Deposit Guarantee Schemes can be completed as soon as possible on the basis of the European Parliament's position of 16 February 2012.

Given the long-term goal of the single European deposit framework uniform, stringent requirements should apply to all deposit guarantee schemes in the Union in order to achieve the same comprehensive protection and the same stability of deposit guarantee schemes and guarantee a level playing field. Only in this way can the preconditions for the requisite flexibility be created so as take sufficient account of specific national circumstances in the financial sector.

Options for a single European deposit guarantee fund with functioning deposit guarantee schemes backed by appropriate levels of funding, which therefore enhance credibility and investor confidence, should be explored, once an effective resolution scheme and an effective single supervisory mechanism are working.

For the protection of private savings it is necessary to keep a functional separation while ensuring an effective articulation of funds for deposit guarantee and recovery and resolution.

Deposit guarantee mechanisms, as well as recovery and resolution schemes, should have a strong financial structure, in the first place *ex-ante*, built on contributions from the industry, whereby the contribution of a given financial institution should mirror the riskiness of that institution, with public money only serving as an ultimate backstop reduced to its minimum possible extent.

Recommendation 1.3 relating to recovery and resolution

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The current proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms should be adopted as soon as possible in order to create a European scheme for the application of resolution measures and open up in the medium-term the creation of a single European recovery and resolution regime. The fact that certain banking sectors already have mechanisms of full protection and tools of recovery and resolution that should be recognised, supported and articulated within the legislative act, should be taken into account.

The overall purpose of an effective resolution scheme and recovery scheme needs to be to minimise the potential use of taxpayer resources needed for the recovery and resolution of banking institutions.

For the protection of private savings it is necessary to keep a functional separation while ensuring an effective articulation of funds for deposit guarantee and recovery and resolution.

Recovery and resolution schemes, as well as deposit guarantee schemes, should have a strong financial, in the first place *ex-ante*, structure built on contributions from the industry, whereby the contribution of a given financial institution should mirror the riskiness of that institution, with public money only serving as an ultimate backstop reduced to its minimum extent possible.

The proposal should also accord with other aspects of the European Parliament's resolution of 7 July 2010 with recommendations to the Commission on Cross-Border Crisis Management in the Banking Sector, such as harmonisation of insolvency laws and common risk assessments, a single tool box and a 'ladder of intervention'.

Recommendation 1.4 relating to additional elements of a banking union

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

- the requirement, where necessary, for legal separation of certain particularly risky financial

activities from deposit-taking banks within the banking group, in line with the Liikanen report;

- a "same risk, same rule" regulatory framework that ensures that non-banks performing bank-like activities and interacting with banks are not beyond the reach of regulators;
- credible and regular stress-testing of banks' financial health that promotes the early detection of problems and effective dimensioning of intervention;
- a uniform single rule book for the prudential supervision of all banks and a single macro-prudential framework to forestall further financial fragmentation.

2. An integrated fiscal framework

Recommendation 2.1 on the two-pack

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

In the following domains the Commission should be required to implement effectively the compromises that will be reached in the context of the two-pack trilogue negotiations between the European Parliament and the Council:

- creating a common budgetary timeline;
- reforming national budgetary frameworks;
- assessing the budgetary plans including a qualitative assessment of public investments and expenditures related to 'Europe 2020' objectives;
- establishing economic partnership programmes;
- closer monitoring for Member States whose currency is the euro and that are in excessive deficit procedure;
- closer monitoring for Member States whose currency is the euro and that are at risk of non-compliance with their obligation under their excessive deficit procedure;
- reporting on debt issuance;
- an initiative specifying a set of programmes required for mobilising additional long-term investment of around 1 % of GDP for enhancing sustainable growth and complementing the required structural reforms;

Recommendation 2.2 on the communitarisation of the Fiscal Compact

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

On the basis of an assessment of the experience with its implementation and in accordance with the TEU and the TFEU, the Fiscal Compact should be transposed into secondary Union legislation as soon as possible.

Recommendation 2.3: Taxation

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

Within an ever closer economic, fiscal and budgetary Union more must be done to coordinate systems of taxation, and to address harmful tax competition between Member States which is clearly against the logic of an internal market. In the first instance, when all avenues of discussion and compromise have failed, enhanced cooperation should be used more frequently in the field of taxation (such as for establishment of a CCCTB or a financial transaction tax) since harmonised frameworks for taxation will enhance budgetary policy integration.

Recommendation 2.4: A central European budget funded by own resources

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

When formulating policy options, the Commission and the Council should be required to take into account the positions of the European Parliament on the multi-annual financial framework and own resources. The European Parliament has repeatedly expressed the urgent need for a reform of the own resource system and a return to the spirit and letter of the TFEU, stating that the Union budget shall be funded solely by own resources.

The situation whereby the financing needs of the Union budget conflict with the necessary budget consolidation in Member States should be addressed urgently. The time has come, therefore, to engage in a progressive return to a situation in which the Union budget is financed by genuine own resources, which would relieve national budgets accordingly. It is furthermore reminded that in its resolutions of 29 March 2007, 8 June 2011, 13 June 2012 and of 23 October of 2012, the European Parliament explained its views on what a genuine own resources system means and how to make this system compatible with the needed fiscal consolidation at national level in short term.

Further budgetary coordination within the Union requires consolidated data on the public accounts of the Union, Member States and local and regional authorities, reflecting the Union's objectives. The Commission should therefore include the establishment of such consolidated data in upcoming legislative proposals.

Recommendation 2.5: gradual roll-over in redemption fund

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

There should be a gradual roll-over of excessive debt into a redemption fund based on the proposal of the German Economic Council of Experts, which foresees the temporary creation of a fund that would be fed with all the debt over 60 % of Member states which fulfil certain criteria; the debt being redeemed over a period of about 25 years; thus creating a fund which, together with the enforcement of all existing mechanisms, will help keeping the total debt of Member States below 60 % in the future.

Recommendation 2.6 for fighting tax evasion

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The free movement of capital cannot be used as a way to evade tax, in particular for Member States whose currency is the euro and who are experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. Therefore the Commission should, in line with its important initiative of the 27 June 2012 to reinforce the fight against tax fraud and evasion and aggressive tax planning, finalise international agreement rounds and table proposals to improve cooperation and coordination between tax authorities.

A financial transaction tax under enhanced cooperation in accordance with Articles 326 to 333 TFEU should be established.

Recommendation 2.7 on ensuring democratic oversight of the ESM

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The ESM should evolve towards Community-method management and be made accountable to the European Parliament. Key decisions, such as the granting of financial assistance to a Member State and the conclusion of memorandums, should be subject to proper scrutiny by the European Parliament.

The Troika appointed to ensure the implementation of the memorandums should be heard in the European Parliament before taking up duties and should be subject to regular reporting to and democratic scrutiny by the European Parliament.

Recommendation 2.8 on ensuring democratic accountability and legitimacy of fiscal coordination

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

All newly created mechanisms for fiscal policy coordination should be matched with sufficient provisions to ensure democratic accountability and legitimacy.

3. An integrated economic policy framework

Recommendation 3.1 on the better *ex-ante* coordination of economic policy and improving the European Semester

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The Commission should make sure that the compromises that will be reached in the context of the two-pack trilogue negotiations between the European Parliament and the Council are implemented comprehensively.

Union instruments for European social protection and minimum social standards should be diligently explored, including for tackling Youth unemployment, such as a European youth guarantee.

The Commission should put forward proposals immediately in accordance with the ordinary legislative procedure to translate into secondary legislation the commitments of the Heads of State or Government on 28 June 2012 for a "Growth and Job compact"; in particular, the economic coordination framework should take due account of the commitment of the Member State to "pursuing differentiated growth-friendly fiscal consolidation, respecting the SGP and taking into account country-specific circumstances" and to promote "investment into future-oriented areas directly related to the economy's growth potential".

The Commission should put forward a clarification concerning the status of the annual growth survey. The European Semester should involve the European Parliament and national parliaments.

Further budgetary coordination within the Union requires consolidated data on the public accounts of the Union, Member States and local and regional authorities, reflecting the Union's objectives. The Commission should therefore include the establishment of such consolidated data in upcoming legislative proposals.

Based on a consideration of the various steps of the European Semester as established in the reinforced SGP and the macroeconomic surveillance mechanism, the need for additional legislation should be assessed, taking into account:

- The development and strengthening of the internal market and fostering international trade links are central to stimulating sustainable economic growth, increasing competitiveness and addressing macroeconomic imbalances. Therefore, the Commission should be required to take into account in its Annual Growth Survey what steps remain to be taken by Member States have taken to complete the internal market.
- National reform programmes (NRPs) and national stability programmes (NSPs) should be closely linked. Adequate monitoring should ensure the coherence of NRPs and NSPs.
- The European Semester should allow the development of greater synergy between Union and Member State budgets in view of achieving the targets of the Europe 2020 strategy; with this, the European Semester should also be developed to include resource-efficiency indicators.
- The involvement of regional and local authorities as well as partners in the planning and implementation of relevant programmes should be increased, in order to increase the feeling of responsibility for the goals of the strategy at all levels and ensure greater awareness on the ground of its objectives and results.
- The Commission should adopt the Annual Growth Survey and the alert mechanism by 1 December each year with a specific chapter for the euro area. The Commission should fully disclose its underlying macroeconomic methodologies and assumptions.
- The Commission should clearly assess, in the Annual Growth Survey, the main economic and fiscal problems of the Union and individual Member States, propose priority measures to overcome those problems, and identify the initiatives taken by the Union and the Member States to support enhanced competitiveness and long-term investment, to remove obstacles to sustainable growth, to achieve the targets laid down in the Treaties and the current Europe 2020 strategy, to implement the seven flagship initiatives and to reduce macroeconomic imbalances.

- The Member States and their regions should, in particular, involve national and regional parliaments, social partners, public authorities and civil society more closely in the formulation of national reform, development and cohesion programmes, and consult them regularly.
- The Commission should identify explicitly in the Annual Growth Survey potential cross-border spill-over effects of major economic policy measures implemented at Union level as well as in Member States.
- The Commissioners responsible for the European Semester should come and debate the Annual Growth Survey with the relevant committees of the Parliament as soon as they have been adopted by the Commission.
- The Council should come to the competent committee of the European Parliament in July to explain any significant changes it has made to the Commission's proposed country-specific recommendations; the Commission should take part in this hearing to provide its views on the situation.
- The Member States should provide information which is as detailed as possible on the measures and instruments provided for in the national reform programmes to attain the national objectives set, including the deadline for implementation, the expected effects, the potential spill-over effects, the risks of unsuccessful implementation, the costs and, if applicable, the use of Union Structural Funds.
- Incentive mechanisms would reinforce the binding nature of the economic policy coordination.

Recommendation 3.2 on a social pact for Europe

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

According to the Treaties the promotion of high employment and the guarantee of adequate social protection has to be taken into account in defining and implementing the policies and activities of the Union.

The specific rules for a binding supervision of the budgetary discipline in the euro area can and should complement fiscal and macroeconomic benchmarks with employment and social benchmarks to ensure the appropriate implementation of the abovementioned provision through adequate Union financial provisions.

A social pact for Europe should be set up to promote:

- youth employment, including initiatives such as a European youth guarantee;
- high-quality and appropriate financing of public services;
- decent living wages;
- access to affordable and social housing;
- a social protection floor to guarantee universal access to essential health services regardless

of income;

- the implementation of a social protocol to protect fundamental social and labour rights;
- European standards to manage restructuring in a social and responsible way;
- a new health and safety strategy including stress-related diseases;
- equal pay and equal rights for work of equal value for all.

4. Strengthening democratic legitimacy and accountability

Recommendation 4.1 on Economic dialogue

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The Commission should be required to implement comprehensively the compromises that will be reached in the context of the two-pack trilogue negotiations between the European Parliament and the Council.

Recommendation 4.2: European financial backstops

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

The operations of the EFSF/ESM and any future similar structure, should be subject to regular democratic control and oversight by the European Parliament and the Court of Auditors and OLAF should be involved in that control and oversight. The ESM should be communitarised.

Recommendation 4.3 on increasing the role of the European Parliament and inter-parliamentary cooperation in the context of the European Semester

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

- The President of the European Parliament shall present at the European Spring Council the Parliament's views on the Annual Growth Survey. An interinstitutional agreement should be negotiated to involve the European Parliament in the drafting and approval of the annual growth survey and the economic policy and employment guidelines.
- The Commission and the Council should be present when inter-parliamentary meetings between representatives of national parliaments and representatives of the European Parliament are organised at key moments of the Semester (i.e.: after the release of the Annual Growth Survey, and after the release of the country-specific recommendations), notably allowing national parliaments to take into account a European perspective when discussing the national budgets.

Recommendation 4.4 on increasing transparency, legitimacy and accountability

The European Parliament considers that the legislative act to be adopted should aim to regulate as follows:

- In order to reinforce transparency, Ecofin and the Eurogroup should be required to transmit to the European Parliament key internal documents, agendas and background material in advance of their meetings; in addition, the president of the Eurogroup should regularly appear before the European Parliament, e.g. in the form of hearings to be organised under the auspices of the European Parliament's Committee for Economic and Monetary Affairs.
- The European Parliament must be fully involved in the further drafting of the report of the four Presidents, in line with the Community method; this involvement can be organised at working group level (preparatory work) as well as on the Presidential level (decision-taking).
- The President of the European Parliament should be invited to participate in the European Council meetings and the euro area summits.
- When new competences are transferred to or created at Union level or when new Union institutions are established, a corresponding democratic control by, and accountability to, the European Parliament should be ensured.
- The European Parliament should hold a hearing and consent to the appointment of the ESM Chairperson. The Chairperson should be subject to regular reporting to the European Parliament.
- The Commission representative(s) in the Troika should be heard in the European Parliament before taking up duties and should be subject to regular reporting to the European Parliament.
- The strengthening of the role of Commissioner for Economic and Monetary affairs or the creation of a European treasury office must be linked to adequate means for democratic accountability and legitimacy, involving approbation and control procedures by the European Parliament.
- Only the respect for the Community method, Union law and Union institutions can ensure the respect for democratic accountability and legitimacy in the Union; under the Treaties, the EMU can only be established by the Union.
- The currency of the Union is the euro and its parliament is the European Parliament; the future architecture of the EMU must recognise that the European Parliament is the seat of accountability at Union level.
- The process by which a blueprint for the future of the EMU is elaborated must fully involve the Parliament in accordance to the Community method.

All decisions related to the strengthening of the EMU must be taken on the basis of the Treaty on European Union; any departure from the Community method and increased use of intergovernmental agreements would divide and weaken the Union, including the euro area.