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REPORT

on the review of the economic governance framework: stocktaking and challenges
(2014/2145(INI))

Committee on Economic and Monetary Affairs

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PR_INI

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the review of the economic governance framework: stocktaking and challenges (2014/2145(INI))

The European Parliament,

– having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability[1],

– having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit in the Member States of the euro area[2],

– having regard to the letter of 3 July 2013 from the then Vice-President of the Commission, Olli Rehn, on the application of Article 5(1) of Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies,

– having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[3],

– having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure[4],

– having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area[5],having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States[6],

– having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[7],

– having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the

[1] OJ L 140, 27.5.2013, p. 1.
[2] OJ L 140, 27.5.2013, p. 11.
[3] OJ L 306, 23.11.2011, p. 12.
[4] OJ L 306, 23.11.2011, p. 33.
[5] OJ L 306, 23.11.2011, p. 1.
[6] OJ L 306, 23.11.2011, p. 41.
[7] OJ L 306, 23.11.2011, p. 25.

Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area[1],

– having regard to its resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (the European Central Bank (ECB), the Commission and the International Monetary Fund) with regard to the euro area programme countries[2],

– having regard to its resolution of 12 December 2013 on constitutional problems of a multitier governance in the European Union[3],

– having regard to its resolution of 1 December 2011 on the European Semester for Economic Policy Coordination[4],

– having regard to its resolution of 6 July 2011 on the financial, economic and social crisis: recommendations concerning the measures and initiatives to be taken[5],

– having regard to the Commission Communication of 28 November 2014 entitled 'Economic governance review – Report on the application of Regulations (EU) Nos 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013' (COM(2014)0905),

– having regard to the Commission Communication of 13 January 2015 entitled 'Making the best use of the flexibility within the existing rules of the Stability and Growth Pact' (COM(2015)0012),

– having regard to the Commission's Sixth report on economic, social and territorial cohesion of 23 July 2014 (COM(2014)0473),

– having regard to the conclusions of the European Council meetings of June and December 2014,

– having regard to the conclusions of the Euro summit of October 2014,

– having regard to the speech of 15 July 2014 by President of the Commission Jean-Claude Juncker at the European Parliament,

– having regard to the speech of 22 August 2014 by President of the ECB Mario Draghi at the annual central bank symposium in Jackson Hole,

– having regard to ECB Occasional Paper No 157 of November 2014 entitled 'The identification of fiscal and macroeconomic imbalances – unexploited synergies under the strengthened EU governance framework',

– having regard to OECD Social, Employment and Migration Working Paper No 163 of 9

[1] OJ L 306, 23.11.2011, p. 8.
[2] Texts adopted, P7_TA(2014)0239.
[3] Texts adopted, P7_TA(2013)0598.
[4] OJ C 165 E, 11.6.2013, p. 24.
[5] OJ C 33 E, 5.2.2013, p. 140.

December 2014 entitled ‘Trends in income inequality and its impact on economic growth’,

– having regard to the IMF staff discussion note of September 2013 entitled ‘Towards a fiscal union for the euro area’,

– having regard to the ECB's Governing Council proposals of 10th June 2010 entitled 'Reinforcing Economic Governance in the Euro Area',

– having regard to the communication from the Commission of 13 January 2015 entitled 'Making the best use of the flexibility within the existing rules of the stability and growth pact' (COM(2015)0012),

– having regard to the Council conclusions on the sixth report on economic, social and territorial cohesion: investment for jobs and growth, adopted by the General Affairs (Cohesion) Council on 19 November 2014,

– having regard to Rule 52 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 Employment and Social Affairs, the Committee on the Internal Market and Consumer Protection and the Committee on Constitutional Affairs (A8-0190/2015),

A. whereas the economic governance in the Eurozone which was designed to avoid unsustainable public finances and coordinate fiscal policies started out with the SGP consisting of two simple rules in order to avoid detrimental effects on the EMU as a whole;

B. whereas immediately after the introduction of the euro, consolidation fatigue set in regarding implementation of these rules, which laid ground for an element of the present crisis in the EMU;

C. whereas a reform of the original SGP took place in 2005 which introduced a number of refinements and increased flexibility and which did not sufficiently address the problems of the weak enforcement provisions and coordination;

D. whereas when several countries were at risk of default on their debt, which would have resulted in a world-wide spread of the crisis and depression, the situation could be averted by putting in place ad-hoc mechanisms such as the EFSF and the EFSM;

E. whereas, in order to avoid a reoccurrence of this kind of crisis, as well as the spreading of the crisis to other countries through the banking sector, a number of measures were taken, which included the creation of the Banking Union, the ESM, improved economic governance legislation in the form of the 6- and 2- packs, the TSCG and the European Semester, all of which must be considered as a package;

F. whereas, according to the ***Commission's latest Spring*** forecast, after two consecutive years of negative growth, gross domestic product (GDP) in the euro area is expected to rise***, meaning that the economic recovery is slowly gaining ground and need to be strengthened further as the output gap will remain large;***

G. whereas huge differences continue to prevail between the Member States ***in terms of debt ratios, deficit ratios, unemployment levels, current account balances and levels of social protection***, also after the ***implementation of the programmes***, reflecting ***differences in the origins of the crises and its point of departure, and in the ambition, impact and national ownership when implementing the measures agreed between the Institutions and the Member States concerned***;

H. whereas investment in the euro area decreased by 17 % since the pre-crisis period and,remains weak; whereas both a lack of future-oriented growth-enhancing investment and unsustainable public and private debt are crippling burden for future generations;

I. whereas a European investment plan as an important instrument to stimulate notably private investment is being put in place to mobilise EUR 315 billion in new investments over the next three years; whereas if the proposed financial objectives are achieved this plan is only one element destined to overcome the accumulated investment gap, together with implementation of structural reforms to create an investor-friendly environment in Member States;

Stocktaking of the current economic governance framework

1. Welcomes the Commission Communication of 28 November 2014 on the economic governance review; considers that the assessment by the Commission gives a picture of how and to what extent the different tools and procedures have been used and implemented;

2. Stresses that at the core of the economic governance system is the prevention of excessive deficit and debt levels and excessive macroeconomic imbalances, as well as the economic policy coordination; underlines therefore that the central question in the review is whether the EMU has been made more resilient by the new economic governance framework, notably as far as its ability to avoid a Member State to default on its debt is concerned, while contributing to closer coordination and convergence of Member States' economic policies and ensuring a high level of transparency, credibility and democratic accountability;

3. ***Takes notes of the fact that in some Member States, progress has been made in addressing debt level or in exiting the Excessive Deficit Procedure;***

4. ***Shares the Commission's analysis that parts of the new framework have achieved results but that the ability to draw conclusions on the effectiveness of the regulations in normal economic times is limited;***

5. Acknowledges that an assessment of the application of the six-pack and two-pack at this stage remains partial and cannot be isolated from the European Semester, the TFEU and the Fiscal Compact;

6. Welcomes the 6- and 2-Packs' broadening of the scope of the stability and growth pact

through the addition of procedures to prevent and correct macroeconomic imbalances inside and among Member States and shift the overreliance on the deficit criterion to attention to both the deficit and the overall debt, thus trying to identify and correct possible problems and preventing the emergence of crises at the earliest stage possible, while at the same time allowing flexibility in the form of clauses for structural reforms, investments and adverse business cycle conditions; recalls that flexibility cannot endanger the preventive nature of the Pact;

7. Underlines the importance of the scoreboard to identify macroeconomic imbalances at an early stage and the importance of sustainable structural reforms when trying to overcome macroeconomic imbalances;

8. Stresses that a consistent and fair implementation of the framework across countries and over time contributes to credibility; calls on the Commission and Council to apply and act in the spirit of the changes made to the SGP under the 6 and 2 pack, notably regarding enforcement provisions;

9. Believes that the current economic situation with its fragile growth and high unemployment calls for urgent, comprehensive and decisive measures in an holistic approach based on growth-friendly fiscal consolidation, structural reforms and boosting investment in order to restore sustainable growth and competitiveness, ***to foster innovation and to fight unemployment*** while addressing the ***risk of persisting*** low inflation ***or possible threat of deflationary pressure***, ***as well as persistent macroeconomic imbalances; highlights that the economic governance framework must constitute a key component of this holistic approach to be able to address these challenges***;

10. Agrees with Commissioner Thyssen's statement that countries that provide high-quality jobs and better social protection and invest in human capital are more resilient to economic crises; calls on the Commission to reflect this position as it moves forward in all of its European semester policy and country-specific recommendations;

11. Highlights the fact that the current economic governance framework ***needs to be implemented and where necessary improved to deliver fiscal stability, to favour*** a proper debate on the overall assessment of the euro area as a whole allowing growth-friendly fiscal responsibility, to improve economic ***convergence*** perspective of the euro area and ***to*** address ***on an equal footing Member States'*** different economic and fiscal situations ; ***insists that it suffers from a lack of ownership at national level and limited attention to the international economic perspective and appropriate democratic accountability mechanism***;

12. Stresses that the current situation calls for ***enhanced*** and inclusive economic coordination ***considering the euro area as a whole*** and ***improving the national ownership and democratic accountability for the implementation of the rules*** (to ***restore trust, favour convergence between Member States***, improve fiscal sustainability, ***encourage*** sustainable structural reforms and ***boost*** investments) ***as well as*** for swift ***reaction*** to correct the most obvious fault lines, ***to improve the effectiveness of*** the economic governance framework and ***to ensure consistent and fair implementation of the framework across countries and over time***;

13. Underlines the importance of simple and transparent procedures for economic governance and warns that the current complexity of the framework as well as the lack of implementation and ownership is detrimental to its effectiveness and acceptance by national parliaments, local authorities, social partners and citizens in Member States;

14. Acknowledges that ***some*** progress has been made with a debate on the Medium-Term Objective (MTO) and ***in terms of*** a better ownership of the national debate in euro area Member States, also thanks to the contribution of the national fiscal councils ***acting as independent bodies monitoring compliance with fiscal rules and macroeconomic forecast***; c***alls on the Commission to present an overview on the structure and the functioning of Member States' national fiscal councils and how these councils can improve ownership at national level***;

15. Considers the economic governance framework to be a key political initiative that underpins the foundations of the Europe 2020 goals and flagship initiatives which are aimed at fully exploiting the Single Market's untapped growth potential; believes that by unlocking the Single Market's growth potential, Member States will more easily fulfil the targets embedded in the economic governance framework; furthermore, considers that the primary actors in the Single Market are consumers and businesses;

What best application of flexibility within the existing rules?

16. ***Acknowledges that*** the Stability and Growth Pact (SGP) which ***has*** been put in place to ensure ***the fiscal sustainability of the Member States participating in the Economic and Monetary Union, allows Member States to conduct*** a ***counter***-cyclical policy ***when necessary and fiscal room for the automatic stabilizers to work properly***; underlines that not all Member states achieved a surplus while economy was booming and that some existing ***flexibility*** clauses ***foreseen in the legislation was*** not put ***in*** full use in previous years;

17. Welcomes the fact that in its interpretative communication on flexibility, the Commission acknowledges that the way in which the current fiscal rules are interpreted is one element in bridging the investment gap in the EU and ***facilitating the*** implementation of growth-enhancing***, sustainable and socially balanced*** structural reforms; notes that the Communication makes no changes as far as the calculation of the deficit is concerned but that ***certain investments can justify a temporary deviation from the Medium Term Objective (MTO) of the concerned Member State or from the adjustment path towards it***;

18. Supports all the incentives ***proposed by the European Commission*** to finance the new European Fund for Strategic Investments (EFSI), mainly by making national contributions to the fund fiscally neutral as regards to the attainment of the MTO and to the required fiscal adjustment effort without modifying it in ***the preventive or the corrective arm of*** the SGP***; notes the Commission's intention to refrain from launching an EDP if, only because of the additional contribution to the EFSI, a Member State deficit goes slightly and temporarily beyond the 3 % deficit limit; draws the attention on the SGP's vital contribution to confidence building when attracting foreign investments***; ***stresses the importance of the additionality of the EFSI financing since EFSI-funded projects must, under no circumstances simply replace***

investment already planned and that net investment must, on the contrary, be effectively increased as a result;

19. Welcomes that the Commission communication aims at clarifying the scope of the investment clause, allowing for ***a certain degree of temporary*** flexibility in the preventive arm of the SGP, ***in the form of a temporary deviation from the MTO, provided the deviation does not lead to an excess over the 3% deficit reference value and an appropriate safety margin***, to accommodate investment programmes by the Member States, in particular as regards expenditure on projects under structural and cohesion policy, including the Youth Employment Initiative, trans-European networks and the Connecting Europe Facility, and co-financing under the EFSI;

20. Believes that a ***precondition for the application of*** the structural reform clause under the preventive arm and the consideration of structural reform plans under the corrective arm is a formal national parliamentary adoption of a reform and its actual implementation, allowing more efficiency and ownership; ***stresses that the reform process should fully involve social partners at all stages;***

21. Calls for enhanced dialogue between the Commission and the Member States on the content and types of structural reforms most appropriate and effective ***to be proposed by the Commission in the Country specific recommendations***, ***compatible with the Treaty and secondary law, taking into account*** cost benefit analysis, result-oriented assessment and timeframe impact, and contributing to the achievement of the MTO;

22. Encourages the Finance Committees of the national parliaments to systematically invite the European Commissioners responsible for economic governance to a public debate in their chambers before the draft budgets of the Member States are adopted;

23. Believes that structural reforms ***committed in National Reform Programmes*** should ***in the medium and long terms*** have positive economic, social ***and environmental*** returns, and improve the ***efficiency and efficacy of*** administrative capacity;

24. ***Notes*** that ***because it could have led to an exercise to define all kinds of hypothesis with the danger of leaving out the one that will actually happen,*** the communication does not touch upon the nature of 'unusual events' falling outside the control of a Member State which could allow it to temporarily depart from the adjustment path towards achieving its MTO; ***underlines the need to treat similar situations in similar ways;***

25. Calls for greater economic and social cohesion to be provided by strengthening the European Social Fund and the Cohesion Fund in order to preserve and create jobs with rights by supporting measures to combat unemployment and poverty;

26. Underlines the importance of boosting economic growth and creating new jobs, particularly jobs for young people, for the public acceptance of the European economic governance framework;

27. Notes with deep concern that long-term unemployment has doubled over the course of the crisis; notes also that this increase was even higher among low-skilled workers; calls

on the Commission to ensure that the fight against long-term unemployment is reflected in its policies and country-specific recommendations;

28. Believes that the rising levels of inequality in Europe should be given the utmost importance in the context of the Union's economic framework; believes that one of the best ways to combat this rising inequality is to redouble efforts to create more quality jobs in Europe;

Closer coordination, economic convergence and streamlining of the European Semester

29. Urges the Commission to fully apply the SGP and ensure its fair implementation in line with its recent review of the 6- and 2- pack and the communication on flexibility; believes that, where necessary and possible, the European Semester should be streamlined and reinforced within the current legislative framework; stresses that any such future streamlining and reinforcements should in any case be stability-oriented;

30. Believes that ***the Commission communication clarifies where*** room for flexibility exists under the ***existing legislation; welcomes the attempt to shed more clarity into this complicated field*** and expects the Commission to use the flexibility that is built into the ***existing rules in line with the communication while ensuring the predictability, transparency and effectiveness of the economic governance framework;***

31. Invites the Commission and the Council to better articulate the fiscal and macroeconomic frameworks to allow for earlier ***and more consistent*** debate among ***all*** stakeholders taking into account the ***European interests served by these frameworks,*** the need to increase convergence between euro area Member States, ***deliberation by*** national parliaments and ***the role of*** social partners ***or of local authorities*** regarding the ***ownership*** of ***sustainable and socially balanced*** structural reforms;

32. Insists that the Annual Growth Survey (AGS) ***as well as the country-specific recommendations (CSR)*** must be better implemented and ***take into account the assessment of the budgetary situation and prospects both in the euro area as a whole and in the individual Member States ; suggests*** that this overall ***assessment foreseen in Regulation 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area should be submitted to a plenary debate of the European Parliament with the Council, the President of the Eurogroup and the Commission prior to the Spring Council*** and properly implemented throughout the European Semester;

33. Acknowledges that the European Semester has become an important vehicle to deliver reforms at national and EU levels by ensuring that the EU and its Member States coordinate their economic policies; regrets however the lack of ownership resulting in an unsatisfactory level of implementation of the country-specific recommendations;

34. Believes that the European Semester should be streamlined and reinforced, without modifying the current legal framework, and that Semester-related documents should be better coordinated, thus increasing focus, effectiveness and ownership to achieve the European goals of good economic governance;

35. Requests that the Country Specific Recommendations (CSRs) be, where relevant, better coordinated with the Excessive Deficit Procedure (EDP) recommendations so as to ensure consistency between surveillance of the fiscal position and economic policy coordination;

36. Favours an enhanced process at EU and national level regarding the elaboration, follow-up, support and monitoring of Country Specific Recommendations also allowing to check their actual implementation and quality against delivery;

37. Recalls that the legislation requires the Commission to take into account amongst others the 2020 targets when preparing its recommendations and enshrines the principle according to which 'the Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its positions publicly';

38. Is concerned by the debt increase in countries which already have a high level of debt, which is in stark contradiction with the 1/20 rule on debt reduction; asks the Commission to explain how it intends to address this contradiction and to ensure that debt ratios are reduced to sustainable levels in line with the SGP;

39. Supports the Commission three-pillar strategy (growth-enhancing investments, fiscal consolidation and structural reforms), presented in the AGS 2015 and ask to make it more concrete under the ***overall assessment of the budgetary situation and prospects in the*** euro area and in the CSRs;

40. Recognises the need for independent and pluralistic analysis of Member States' economic perspectives at the EU level; in this context urges to further develop the Commission's Unit known as Chief Economic Analyst to provide objective, independent and transparent analysis of the relevant data, which should be made public and serve as a basis for a well-informed debate and decision-making in the Commission, the Council and the European Parliament; demands that the Chief Economic Analyst be transmitted all relevant documents in time to carry out its tasks; stresses the useful role of national fiscal councils both at national and at EU level and encourages the set-up of a European network;

41. Recalls that the MIP is meant to avoid crises to happen through the early identification of harmful macro-economic imbalances on the basis of an objective assessment of the development of the key macroeconomic variables; believes that the MIP must be used to assess in an efficient and effective manner the development of key macroeconomic variables in both deficit and surpluses countries, ***particularly with regard to strengthening competitiveness and better taking into account the euro area as a whole, including spillover effects***; recalls that macroeconomic surveillance is also aimed at identifying countries that are likely to experience a future imbalance and to avoid it through the timely launching of sustainable and socially balanced structural reforms, when room for action is still available;

42. Underlines the Commission's clear differentiation between the preventive and corrective arms of the SGP as regards investment allowing temporary deviation from the MTO, or the adjustment path towards it, within the existence of a safety margin under the preventive arm; calls on the Commission and the Council to be consistent in this

domain with the outcome of the co-legislators position regarding the European Fund for Strategic Investments regulation;

43. Asks the Commission to consider in its analyses all important factors, including real growth, inflation, long term public investment and unemployment rates when evaluating the economic and fiscal situations of Member States, urgently addressing the investment gap in the EU by shifting expenditure towards the most productive, sustainable growth and jobs enhancing investment;

44. Calls on the Commission to ensure that the way in which effective actions are taken into account under the EDP is based on clear, numerical quantifiable and qualitative criteria;

45. Insists that the focus on structural deficits since the 2005 reform of the SGP, together with the introduction of an expenditure rule with the 2011 reform ***as well as the concept of output gap which is difficult to quantify, create uncertainty, complexity and*** margins for ***flexibility and thus*** the discretionary implementation of the SGP***; fears that*** the calculation of potential growth ***and output, which underpins*** the assessment of structural deficits, and that of the expenditure rule, are subject to several questionable assumptions ***which lead to*** substantial revisions between the Commission's autumn and spring forecasts, thereby leading to various calculations and diverging assessments as regards the implementation of the SGP;

46. Calls on the Commission, when monitoring and evaluating the fiscal positions of Member States, to consider the practical implications of the agreed fiscal measures and reforms; calls on the Commission to aim at predictable and consistent policy making, to base its analysis on hard facts and reliable data and to exercise the utmost caution when making use of estimations in concepts such as estimated growth potential for GDP and output gaps;

47. Underlines the importance of new growth and job creation for the public acceptance of the economic governance framework and calls, therefore, for the Commission to improve the business environment in Europe with particular attention to SMEs, removal of red tape and access to finance; recalls in this respect the need to provide support to SMEs to enable them to also access non-EU markets such as the US, Canada, China and India;

Democratic accountability and challenges ahead in deepening economic governance

48. Believes that a deepened and more resilient EMU urgently needs less complexity, better ownership and more transparency, rather than just adding new layers of rules to the already existing ones; underlines that, as responsibilities in the field of EMU are shared between the national and the European level, particular attention needs to be paid to ensuring the coherence and accountability of economic governance at both the national and European level; believes furthermore that a major role must be played by institutions subject to democratic accountability and underlines the need for sustained parliamentary involvement, whereby responsibilities must be assumed at the level where decisions are taken or implemented;

49. Acknowledges, based on the current situation, that the economic governance framework

must be ***simplified, better enforced and where necessary***, corrected and completed to allow for the EU and the euro area to meet the challenges of convergence, ***sustainable growth, full employment, citizens' welfare***, ***competitiveness, sound and sustainable public finances, future oriented with high social-economic return*** long-lasting investment and reliance;

50. Believes that, as parliamentary input on economic policy guidelines is an important aspect of any democratic system, increased legitimacy at the European level can be ensured by the adoption of Convergence Guidelines which contain targeted priorities for the coming years, subject to a codecision procedure that should be introduced in the next Treaty change;

51. Recalls the European Parliament's ***resolutions specifying*** that the creation of the European Stability Mechanism (ESM) ***and of the Treaty on Stability, Coordination and Governance ('Fiscal Compact'***) outside of the structure of the institutions of the Union represents a setback to the political integration of the Union and, therefore, demands that the ESM ***and the Fiscal Compact*** be fully integrated into the community framework on the basis of an assessment of the experience with its implementation according to Article 16 of the TSCG and consequently made formally accountable to Parliament;

52. Recalls its request to develop options for a new legal framework for future macroeconomic adjustment programmes, replacing the Troika, in order to increase the transparency and ownership of these programmes and ensure that all EU decisions are, where possible, taken under the Community method; believes that there should be a consistency between the nature of the stability mechanism used and the institution in charge of its mobilisation, while acknowledging that, because financial assistance is guaranteed by MS of the euro area, they have a say in its release;

53. Requests that a reassessment of the Eurogroup's decision-making process be conducted so as to provide for appropriate democratic accountability; welcomes the Eurogroup President regularly participating in the meetings of the ECON committee in the same way as the chair of the ECOFIN Council, thus contributing to a similar level of democratic accountability;

54. Recalls that the 6 and 2 pack are based on a strengthened role for an independent Commissioner who should ensure the fair and non-discriminatory application of the rules, believes that further steps in the institutional set-up of economic governance, such as the strengthening of the role of the Commissioner for Economic and Monetary Affairs or the creation of a European Treasury Office must respect the separation of powers between the different institutions and be linked to adequate means for democratic accountability and legitimacy, involving the European Parliament;

55. Recalls that the banking union was the result of the political will to avoid the renewal of financial crises, to break the vicious circle between banks and sovereigns as well as to minimise the negative spill-overs emanating from a sovereign debt crisis and that the same will is needed to achieve a deepened EMU;

56. Asks the Commission to come forward with an ambitious roadmap for the achievement

of a deepened economic and monetary union which takes into account the proposals as outlined in this report, building on the mandate given by the euro area summit, confirmed by the European Council 'to prepare next steps on better economic governance in the euro area' as well as on previous work such as the Thyssen report of 20 November 2012 'Towards a genuine Economic and Monetary Union', the communication of the Commission of 28 November 2012 'A blueprint for a deep and genuine economic and monetary union. Launching a European debate' and the final Four Presidents report of 5 December 2012;

57. Invites the stakeholders in this necessary next step of the EMU to take into account foreseeable future enlargement of the euro area and to explore all options to deepen and strengthen the EMU and make it more resilient, conductive to growth, jobs and stability, such as:

a) enhanced democratic accountability mechanisms at both the EU and national levels, whereby responsibilities must be assumed at the level where decisions are taken and based on the adoption of convergence guidelines under co-decision, while formalising the scrutiny role of the European Parliament in the European Semester in an Inter-Institutional Agreement and ensuring that all euro area National Parliaments follow each step of the European Semester process;

b) a social dimension aimed at preserving Europe's social market economy, respecting the right to collective bargaining, under which coordination of the social policies of the Member States would be ensured, including a minimum wage or income mechanism proper to and decided by each Member State and supporting the fight against poverty and social exclusion, the reintegration of workers into the job market, voluntary mobility and flexibility between professions and Member States;

c) a euro area fiscal capacitybased on specific own-resources which should, in the framework of the Union budget with European parliamentary control, assist Member States in the implementation of the agreed structural reforms based on certain conditions, including the effective implementation of the National Reform Programmes; welcomes in this regard the work of the EU Group on own resources chaired by Mario Monti;

d) increase the resilience of the EMU to face economic shocks and emergencies directly connected to the monetary union while avoiding any form of permanent fiscal transfers;

e) on taxation, a commitment to European-wide measures against tax fraud and evasion and aggressive corporate tax planning, cooperation of the national tax authorities in order to exchange information regarding tax avoidance and tax fraud, measures to bring about convergence of taxation policies of the Member States, a common consolidated corporate tax base, simpler and more transparent tax systems and country-by-country reporting for corporates, excluding SMEs;

f) completing the Banking Union step by step;

g) the inclusion of the ESM and the TSCG in Union law going hand in hand with enhanced economic policy coordination, real convergence, enforcement of common rules and a clear commitment to economically and socially sustainable structural reforms;

h) addressing weaknesses in the current framework that enables certain parts of the Treaty to be overseen by the Court while others are excluded;

i) an increased external role of the euro area, including the upgrading of its representation;

58. Requests that possible further step in the EMU be elaborated on the basis of a '4+1 Presidents' approach, including the EP President, who should be invited to all meetings, provided with full information, and given the right to participate in the debates; notes that the President of the Commission has indicated his intention to draw on input from the President of the European Parliament in his reflections during the preparation of the 4 Presidents' reports;

59. Asks its President, to undertake an ex-ante coordination with the chairmen of the political groups or those Members specifically appointed by their groups or Parliament, to represent Parliament in this upcoming task drawing on the basis of the mandate given by this resolution addressing inter alia the questions in the Four Presidents' Analytical Note on 'Preparing Next Steps on Better Economic Governance in the Euro area';

60. Instructs its President to forward this resolution to the presidents of the Council, the Commission, the Eurogroup and the ECB, and to the national parliaments.

EXPLANATORY STATEMENT

Following the mandate received from the coordinators of the ECON committee in September 2014, this report is a contribution to assess the effectiveness of the legal framework, particularly whether the provisions governing decision-making have proved sufficiently robust and whether the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States (MS) in accordance with the TFEU. Since then, 3 major evolutions have occurred: the request by the Eurozone summit on 24 October 2014 to the President of the Commission to resume the work on the 4 Presidents report, the publication by the Commission of two communications, one on the 'economic governance review, report on the application of regulations' on 28 November 2014 and another one on 'making the best use of the flexibility within the existing rules of the Stability and Growth Pact'.

It is prepared in a context where more than 7 years after the beginning of the crisis, the euro has been rescued thanks to steps, including the revision of the Stability and Growth Pact (SGP), the Fiscal Compact, the settlement of a the European Stability Mechanism (ESM), the banking union and the driving role of the European Central Bank (ECB), that nobody could imagine to achieve beforehand. But it is also facing a situation in Europe, in the euro area where, according to the latest figures issued by Eurostat, the unemployment rate was 11.5% in November 2014, annual inflation is expected to be down to -0.2% in December 2014, while the European Commission's autumn forecast projects weak economic growth for 2014 (+0.8%).

The report is based on this background and on the analysis of the first years of the implementation of the economic governance framework as it was modified during the crisis. With today's insight, the incomplete character of the Economic and Monetary Union (EMU) and the poor performance of the euro area since 2011 have given rise to a debate on the policy-mix adopted in the wake of the sovereign debt crisis, as the euro area has been lagging behind its counterparts. In this vein, an economic paper[1] by the Commission analysing the euro area from 2011 to 2013 concludes that the simultaneous consolidations in euro area countries - following the expansionary policies agreed by the G20 in the aftermath of the failure of Lehman Brothers - have had 'large negative output effects' and 'significant negative spillovers'. The report observes that the new provisions have not allowed to take adequately into account the cumulative, Europe-wide effect of policies pursued at national level, in particular of the aggregate fiscal stance, and therefore have not addressed the risks stemming from growing divergences among euro area economies, the threat of deflation, low growth and high unemployment.

Against this background, the report argues that the negative effect on growth perspective of the implementation of simultaneous fiscal policy contraction across Europe has been significantly underestimated, and that the flexibility clauses foreseen in the SGP for implementing anti-cyclical economic policies in a context of growth below potential have not been fully used or have, up to now, also because of a to narrow interpretation, not allowed for

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[1] 'Fiscal consolidations and spillovers in the euro area periphery and core', Jan in't Veld, Economic Papers 506, European Commission, October 2013, http://ec.europa.eu/economy_finance/publications/economic_paper/2013/pdf/ecp506_en.pdf

enough room of manoeuvre to face the challenges the EU was going through.

The strong focus on the structural deficit when it comes to the assessment of the implementation of the SGP provisions, which led to discretionary interpretation as, by construction, this indicator is subject several questionable assumptions, is therefore worth being discussed. The consolidation bias over the past years, allowed by this assessment of the implementation of the SGP, has been sometimes harmful to the financing of structural reforms, including overdue investment needs, and may have led to contradictions in terms of policy recommendations when meeting EU 2020 targets were concerned.

In this context, the Commission has come up with two communications that define the framework of what is to be discussed. The one on flexibility is an interpretative one of immediate effect that is welcome to favour investment and growth within the existing rules. By considering national contributions to the EFSI as neutral regarding the SGP, this communication supports the investment plan launched by the Commission. Your rapporteur believes that further progress should be achieved, notably by adopting a symmetric approach for contributions to co-finance projects within the EFSI under a broader ‘investment clause’ in the preventive and corrective arms. This communication also proposes a new way to take into account the cost of the implementation of structural reforms in the assessment of the fiscal situation of MS. The related provisions could improve the implementation of reforms by MS and increase their sense of ownership, provided that the same approach is followed in the preventive and corrective arms.

The second communication is a sort of statistic observation of how the different procedures put in place with the ‘6+2 pack’ have been used: it acknowledges ‘possible areas for improvement, concerning transparency and complexity of policy making’ but also on ‘their impact on growth, imbalances and convergence’ while ‘the Commission plans to discuss these with the European Parliament and the Council in the coming months’.

This move has been made even greater on the monetary side by the decision taken by the ECB on 22 January 2015 to launch an expanded asset purchase programme that will include bonds issued by euro area central governments and amount to EUR 60 billion per month until at least September 2016.

Your rapporteur is strongly convinced that the European Parliament should use this window of opportunity to contribute to the debate on a better functioning of the EMU, also having in mind the discussion that will very soon be opened on the basis of the 4 Presidents report.

In this spirit, it seems that some critical points will need to be addressed.

1) The euro area lack a proper evaluation of its global economic situation, a shared diagnostic, as one sharing the same currency needs to have. This has been made obvious by the appearance of strong divergences that the current crisis and the intervention of the Troika have even increased and by the historical fall of investment in the EU. The EMU obviously lacks proper tools to have the appropriate debate on the dynamic the different MS should follow regarding their fiscal position. This has been a cornerstone of the debate we have since the creation of the EMU. We have tried to address it through different tools, including in the beginning the Broad Economic Policies Guidelines (BEPG). Somehow we then thought this

would be feasible within the European Semester with the Annual Growth Survey (AGS) and the Macroeconomic Imbalance Procedure (MIP). The latter, we have to acknowledge, has allowed us to open an observation of the deficit or surplus countries, even though it has not led to a broad discussion among stakeholders and appears in essence to be a tool for discussion by the Commission with MS on their expected structural reforms. Now that the EU economy has so obviously entered the risk zone of a scenario of the Japanese type, it may be the proper time to have this debate and to build the appropriate tools for it. Somehow it is opened by the current discussion on the 'euro area fiscal stance'', but the question is to find out if it should just be an addition of national observed fiscal positions or if it may be a political approach ahead of the cycle allowing to define the dynamic role each one could have in order to achieve the optimum outcome for the whole. For this purpose, your rapporteur proposes to upgrade the euro area recommendation prepared by the Commission and thus to make it compulsory and to adopt it earlier during the Spring Council.

2) Most observers, but also the Commission, today recognise that the economic governance has reached a point of complexity that is detrimental to democracy, transparency and ownership. Let's recognise that this is the result of a lack of trust that has led to add new rules to the already existing ones. This has also translated in a somehow intrusive follow-up of 'structural reforms' in MS by the Commission that at some point may be counterproductive. Following the adoption of the euro, the pressure for reforms may have diminished in most MS but the current crisis has obliged each of them to wake up. The best way to achieve them, without jeopardising democracy, social dialogue and ownership that are also part of EU competitiveness, is to allow each MS to deal with them on the basis of a common understanding the situation. Such a move is needed to be successful in the end, including in the spirit of the respect of the rules. It may work as long as one admits that the proper reforms need to be defined at national level following the EU overall strategy, that some reforms have long term effect and that, in the current economic situation, the right balance between structural reforms and fiscal discipline should be looked for.

3) The current economic governance rules and sanctions are essentially based on concepts, first of them the 'output gap', that are the object of important controversies among experts, including by Martti Hetemäki, President of the European Statistical Governance Advisory Board (ESGAB) or Stefan Kapferer on behalf of the OECD during their recent appearances before the ECON committee. The role of the 'output gap' has even been increased by the last Commission's communication on flexibility. This situation is not sane and should be clarified either by coming to a common understanding of these concept or by changing them, but in any case by associating the ECB, the OECD and the IMF to this task.

4) Following the implementation of the current economic governance framework in the current economic context, discussions are opening on the sustainability of some of the rules that were adopted in the past. The upcoming debate will also need to look at them with care. The first one is obviously the one on 1/20° debt reduction but the same may well apply to the 0.5% annual structural adjustment.

5) The European Parliament had at the end of last mandate triggered the debate on the legitimacy and the efficiency of assistance programmes led by the Troika. After he presented his programme as President of the Commission to the European Parliament on 15 July 2014,

it seems that Jean-Claude Juncker does not intend to pursue Troika as such. This need has been reinforced by the opinion of the advocate of the ECJ regarding the legality of the Outright Monetary Transactions (OMT) programme of the ECB. As a result and adding on the fact that the European Parliament pleads for the ESM to be included in the Treaty, a new reflection and a clarification on the responsibility and tools of the different stakeholders are needed.

6) Any framework for economic governance, however, cannot only be judged on outcomes (‘output legitimacy’), but has also to be assessed in terms of its democratic accountability. Given an increasing sense of a democratic deficit of the enhanced economic governance framework, the report argues that purely inter-governmental arrangements have to come to an end and that, instead, a stronger involvement of the European Parliament is, at the European level, a condition since qua non to increase democratic legitimacy. Given that, on top of this, democratic accountability is also weakened by the extreme complexity of the framework, the report asks the Commission to come forward with an ambitious legislative programme on the reform of the framework in spring of this year.

7) Last but not least, nobody can discuss EMU economic governance without thinking beyond the crisis. The debate on the deepening of the EMU has already been postponed for too long, as any honest observer may consider. During the last mandate, it had been stimulated by the Blueprint communication of the Commission, the 4 Presidents report that was assessed by the European Parliament with the 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’, namely the Thyssen report. But finally, the decision makers have been waiting for the German general elections, then for the European Parliament’s ones. Now the outcome of the elections in Greece changes the nature of the debate and so it seems the debate may finally take place after the general elections in the United Kingdom. It is time to prepare this task for which Jean-Claude Juncker has received a new mandate together with the Presidents of the European Council, of the Eurogroup and of the ECB. The European Parliament needs to be fully associated to this negotiation and to ensure that no left over option will be put aside to equip the EMU on an enhanced basis including, among others and at least, four blocks: a fiscal capacity, renewed assistance mechanisms, a social dimension and an institutional and democratic pillar. The EU and the euro area need it to make sure it will not be too little, too late this time and that European people can get the best out of the euro.

MINORITY OPINION

pursuant to Rule 56(3) of the Rules of Procedure
by Bernd Lucke

The purpose of the report was to examine the state of play in the area of economic governance and, in particular, describe the way in which the current economic governance rules operate and outline future challenges.

The report completely fails in this purpose.

It contains no systematic analysis of the status quo. Instead, it is weighed down with clichéd regulatory proposals and blithely disregards current EU law, in particular the no-bailout clause (Article 125 TFEU).

The report calls for the centralisation of economic policy and the introduction of joint liability arrangements in the eurozone. As a result, responsibility for implementing policy and liability for the results of that policy will continue to be two separate things.

The Maastricht Treaty, which still applies, stipulates that economic governance in the monetary union must be based on national responsibility for fiscal policy.

This is reflected in the no-bailout clause, which is underpinned by two simple fiscal rules.

Since they were introduced, these rules have been broken more than 90 times. Since the rescue policy in the form of EFSF support was introduced in 2010, the no-bailout principle has been rendered irrelevant and absurd.

Only the proper application of the no-bailout clause, and the real threat of state bankruptcy implicit in that clause, will ensure that every Member State takes responsibility for its own policies, rather than simply relying on Union support.

MINORITY OPINION

pursuant to Rule 56(3) of the Rules of Procedure
by Beatrix von Storch

Since 1999, European economic governance has become more and more complicated, albeit without producing any significant results. Over the last five years, in response to the financial and economic crisis and the crisis of confidence in the EU, more EU laws have been enacted than ever before. The name says it all: ‚European economic governance‘ must inevitably lead to a loss of national in the areas of economic, financial, social and fiscal policy - all spheres in which the Member States exercise sovereign powers. Reservations have long been voiced about the constitutionality of European economic governance - and with every justification. This report quite simply disregards those reservations. Through ‚European economic governance‘ the EU is seeking a major say in budget planning in the Member States and in national tax legislation and national policies on wages and welfare benefits. Binding country-specific recommendations represent an all-out attack on the subsidiarity principle. Practical proposals in the area of European economic governance also include the introduction of a centralised EU budget, European unemployment benefits, the issuing of Eurobonds and a stronger institutional role for the Eurogroup. I reject these proposals.

1.4.2015

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on the review of the economic governance framework: stocktaking and challenges
(2014/2145(INI))

Rapporteur: Anne Sander

SUGGESTIONS

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

A. whereas, pursuant to Article 3(3) of the Treaty on European Union, the Union 'shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection'; whereas it is vital to ensure the social dimension of economic governance at the various levels of the Union, as laid down in Article 9 TFEU; whereas in its resolution of 1 December 2011 on the European Semester for Economic Policy Coordination, Parliament stated that 'any new or upgraded organisation and decision-making process within the Council and/or the Commission must go hand in hand with upgraded democratic legitimacy and appropriate accountability to the European Parliament';

1. Underlines the fact that the European Union's economic governance framework should aim to be a steering instrument to correct major economic imbalances, including unemployment rates, which have caused sharp reductions in growth, and rising inequalities, and which have put European economies at risk; recalls that EU28 overall debt has fallen from 4.5% of GDP in 2011 to a forecast 3% of GDP in 2014; recalls, however, that the economic balance in the whole cycle should more efficiently boost smart, sustainable and inclusive growth, which has continued to be modest or has stagnated in recent years and is projected to remain below 1.5 %, according to the EU GDP growth forecasts; recalls that measures to ensure sustainable and inclusive growth must also be aimed at fulfilling and fostering more efficiently the EU 2020 strategy targets on employment and poverty, because progress has been insufficient;

2. Agrees with Commissioner Thyssen's statement that countries that provide high-quality jobs and better social protection and invest in human capital are more resilient to economic crises; calls on the Commission to reflect this position as it moves forward in all of its European semester policy and country-specific recommendations;

3. Welcomes the review of the framework's effectiveness with a view to assessing the effective and uniform application of governance rules by the Member States and the Commission; suggests that the review presents an opportunity for an exchange of views, especially with the European Parliament's competent committees, on the framework's operating rules and on the ways in which the framework could be made more effective, social and democratic, especially as regards delivering on the EU 2020 targets; suggests that the review include measures that will enhance trust in the economy as a precondition for private investment, which in turn is a main driver of job creation;

4. Emphasises that solidarity is the core value on which the European Union and the EU´s economic governance framework is built; believes that this review presents an opportunity to further improve the economic governance framework, with a view inter alia to achieving better coordination with the European social acquis and to improving European social governance so as to reduce unemployment, poverty and social exclusion; in this connection, stresses the importance of a better coordination system for the euro area as a whole;

5. Calls for the European Semester to become effective in preventing crises by helping to coordinate Member States' economic and social policies and policies for better and sustainable job creation and for boosting growth; in this regard, welcomes the Commission's proposal to focus its action not only on budget responsibility but also on investment – especially social investment to support sustainable job creation, to ensure greater social cohesion and gender equality, and to fight against poverty – and on structural reforms with a view to linking reform of the market economy to social progress; recalls that Parliament has repeatedly stated that the proposed structural reforms should be ambitious, economically efficient and socially responsible;

6. Underlines the fact that the balance between employment policy and economic policy set out in Articles 121 and 148 TFEU is necessary in order to ensure the positive development of the EU; recalls that, in order to meet the objectives set out in Article 9 TFEU, economic policy and social and employment policies should be given equal consideration, and therefore underlines the need to prevent economic and social imbalances, thus ensuring fully coherent public policy; in this connection, calls for equal consideration of economic freedoms and civil and social rights, in line with the EU Treaties;

7. Calls for greater economic and social cohesion to be provided by strengthening the European Social Fund and the Cohesion Fund in order to preserve and create jobs with rights by supporting measures to combat unemployment and poverty;

8. Stresses the need for better cooperation between EPSCO- and ECOFIN-related bodies, and therefore proposes that joint meetings of the EPSCO Council and the ECOFIN Council be held in order to promote coordinated socio-economic policies geared to competitiveness, the creation of better and sustainable jobs, fighting unemployment, and reducing inequalities, poverty and social exclusion, in order to boost inclusive growth in

Europe;

9. Emphasises that the social indicators scoreboard in the Alert Mechanism Report is important for identifying, in advance, the social impact of measures designed to correct macro-economic imbalances; calls on the Commission to assess its scope and effectiveness; encourages the Commission to take into account social considerations on a par with the economic ones, but also to pay attention to better and sustainable jobs, long-term and youth employment and child poverty, and the particular social situation in each Member State when developing country-specific recommendations and when assessing their implementation in Member States; calls on the Member States to use social indicators as an early warning mechanism to prevent future social and economic downturns;

10. Stresses that excessive inequality should be a trigger within the Alert Mechanism system as it destabilises societies and puts cohesion as well as economic performance at risk; stresses that an increase in inequality, as experienced in the EU and documented by the country reporting in the Semester, involves major democratic risks; points to the warnings by the IMF and the ILO that a further rise in inequalities in the EU could destabilise our societies;

11 Calls on the Member States to implement the country-specific recommendations so as to support sustainable growth through better, sustainable jobs and social cohesion and to achieve progress towards the Europe 2020 goals; calls on the Commission to submit to the European Parliament an annual assessment of the progress made as regards the effective implementation of those recommendations and their effects on Member States' debts and deficits and on social indicators; points out that the assessment should be included as an annex to the Annual Growth Report;

12. Reminds the Commission that while wages are considered an important element in resolving macro-economic imbalances, they are not only a tool for economic adjustment but, above all, the income that workers need to live on; in the framework of the assessment of the implementation of the recommendations, calls on the Commission to carry out an impact assessment so that recommendations in the field of wages avoid increasing in-work poverty or wage inequalities within Members States and so that they encourage Member States to shift taxation away from labour in order to stimulate growth and increase employment rates; encourages Member States to envisage minimum income schemes in accordance with each Member State's customs and traditions, and encourages them to follow the Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems;

13. Urges the Commission, in tandem with the EIB, while taking into account the specificities of different regions, to lay down criteria that enable SMEs – which have created over 80 % of the jobs in the EU and which drive sustainable and inclusive growth and are the backbone of job creation – to access financing from the European Fund for Strategic Investments, in connection with the European Investment Fund; points out that if project eligibility criteria and participation requirements are laid down as soon as possible, this will allow for preparations to be made and will make for better-coordinated actions, including on the part of SMEs; underlines the importance of boosting economic growth

and creating new jobs, particularly jobs for young people, for the public acceptance of the European economic governance framework; calls on the Commission, therefore, to take measures to increase trust in the economy and to improve the business environment, with particular attention to SMEs, to reduce administrative burdens while keeping the same levels of social rights, and to enhance access to finance;

14. Recalls that while designing and implementing structural reforms, adequate social protection should be maintained – while at the same time respecting Member States' competences, social and labour standards and workers' rights, the quality of employment, and better and sustainable jobs – as a means of ensuring social cohesion, competitiveness and resistance to economic and financial crises; encourages the Member States to share best practices and promote mutual learning and solidarity, including at regional and local level; with a view to improving the effectiveness and focus of fiscal policies, calls on the Member States to reform their labour markets and social security systems, as well as their educational systems; believes that labour market reforms should introduce internal flexibility measures aimed at maintaining employment in times of economic disruption, should ensure job quality, especially better and sustainable jobs, and security in employment transitions, and should provide unemployment benefit schemes that are based on realistic activation requirements that ensure adequate support for redundant workers and are linked to reintegration policies in accordance with Member States' customs and traditions; points out that efficient and increased integration of EU labour markets remains a medium-term objective for promoting social progress and reducing poverty in a balanced and competitive environment;

15. Urges Member States to tackle the urgent situation with regard to youth unemployment, not only by giving a genuine impulse to the real economy (by boosting demand and supply of goods and services) and the labour market, but also by implementing, in an effective and focused way, the Youth Employment Initiative; urges the Member States to use all available resources, in particular via investment in human capital, especially in education and vocational training, in order to support youth employment by achieving a better match between skills and jobs;

16. In the face of ageing populations and pension system reforms, calls on the Member States to give priority to action focusing on older workers; calls on the Commission to lay down criteria and step up checks on the use of EU funding for older workers and to take more action as regards the employment of older people;

17. Notes with deep concern that long-term unemployment has doubled over the course of the crisis; notes also that this increase was even higher among low-skilled workers; calls on the Commission to ensure that the fight against long-term unemployment is reflected in its policies and country-specific recommendations;

18. Believes that the rising levels of inequality in Europe should be given the utmost importance in the context of the Union's economic framework; believes that one of the best ways to combat this rising inequality is to redouble efforts to create more quality jobs in Europe;

19. Draws attention to the lack of democratic scrutiny of the European Semester procedure; with a view to ensuring accountability of the economic governance framework, increasing

the quality and ownership of the process of the European Semester procedure and reducing the widening gap between the EU institutions and EU citizens, recommends that the European Parliament, national parliaments, civil society and the social partners be more closely involved in the economic dialogue between Member States and the Commission, and more especially in the process of the European Semester, while ensuring that no unnecessary administrative burdens or costs for the stakeholders concerned are generated;

20. Recommends that the Commission, in order to work on ensuring greater transparency and democracy in the process of the European Semester, organise a debate, before publishing the Annual Growth Survey (AGS), with representatives of the European Parliament on the Survey's general guidelines and orientations; calls on the European Council not to approve the country-specific recommendations without taking the European Parliament´s opinion into account;

21 Reiterates its call for an interinstitutional agreement in order to involve Parliament in the drafting and approval of the AGS and the Broad Economic Policy and Employment Guidelines;

22. Recalls that the European Commission and the European Parliament have invited the Member States to involve their national parliaments and national civil society organisations in the elaboration of their National Reform Programmes (NRPs) and Stability and Convergence Programmes (SCPs); calls on the Member States at least to inform their national parliaments about the content of their NRPs and their SCPs, while taking into account the opinion of the most representative social organisations and civil society; calls on the Member States to inform the European Institutions on the development of those national debates, where appropriate;

23. Calls for the official establishment of a debate between the Commission, the Council and the European Parliament, along with social organisations and civil society at European level, between the publication of the Annual Growth Survey and the March European Council, and before the European Council approves the country-specific recommendations;

24. Stresses in this connection the need for a favourable public-sector investment climate, especially given the impact of the new SEC2010 accounting standards on the investment capacity of certain public authorities; calls for European Central Bank's decision-making to be adapted accordingly; draws attention to proposals to ensure active involvement of the Member States in implementing the Juncker Plan; calls on the Member States, when formulating their budgets, to give special attention to social investments such as education and lifelong learning, and to creating jobs and enhancing entrepreneurship; calls on the Commission to study the possibility of major budgetary flexibility within the rules of the economic governance framework in this regard, especially in times of severe economic and financial crisis;

25. Notes the analytical note 'Preparing for next steps on better economic governance in the euro area' proposed by the four Presidents; requests that the Presidents of the four institutions submit an ambitious 'roadmap' outlining the necessary legislative and institutional progress intended to create the best possible future for the eurozone, the EU

and its citizens; stresses that Parliament should play its full part in the upcoming discussions and decisions through a resolution adopted in plenary, which should be the basis for the President’s contribution to the roadmap.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	1.4.2015
Result of final vote	+: 38 –: 13 0: 0
Members present for the final vote	Laura Agea, Guillaume Balas, Brando Benifei, Enrique Calvet Chambon, Martina Dlabajová, Arne Gericke, Marian Harkin, Danuta Jazłowiecka, Agnes Jongerius, Rina Ronja Kari, Jan Keller, Ádám Kósa, Agnieszka Kozłowska-Rajewicz, Zdzisław Krasnodębski, Jean Lambert, Jérôme Lavrilleux, Patrick Le Hyaric, Jeroen Lenaers, Verónica Lope Fontagné, Javi López, Thomas Mann, Dominique Martin, Anthea McIntyre, Joëlle Mélin, Elisabeth Morin-Chartier, Emilian Pavel, Georgi Pirinski, Sofia Ribeiro, Claude Rolin, Anne Sander, Sven Schulze, Siôn Simon, Jutta Steinruck, Romana Tomc, Ulrike Trebesius, Marita Ulvskog, Renate Weber, Tatjana Ždanoka, Jana Žitňanská, Inês Cristina Zuber
Substitutes present for the final vote	Daniela Aiuto, Maria Arena, Georges Bach, Elmar Brok, Karima Delli, Sergio Gutiérrez Prieto, Joachim Schuster, Neoklis Sylikiotis, Claudiu Ciprian Tănăsescu, Ivo Vajgl
Substitutes under Rule 200(2) present for the final vote	Eleonora Evi

18.3.2015

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Economic and Monetary Affairs

on the review of the economic governance framework: stocktaking and challenges (2014/2145(INI))

Rapporteur: Ildikó Gáll-Pelcz

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

A. whereas as a consequence of the economic and financial crisis, the level of investments in the EU has dropped by about 15 % since its peak in 2007;

B. whereas this investment gap hampers economic recovery, job creation, long-term growth and the competitiveness of our industrial sector and of the Single Market at large, and poses a threat to the achievement of the targets set by the Europe 2020 Strategy;

C. whereas the review and improvement of the economic governance framework should be based on a holistic approach through a set of interconnected and mutually consistent policies that foster smart, sustainable and inclusive growth, and also competitiveness, and create better and sustainable jobs, instead of focusing solely on deficit reduction, and whereas unlocking the benefits of a well-functioning, effective and balanced Single Market with a strengthened industrial base is also key to achieving these aims;

D. whereas the Commission should monitor the Single Market taking account of the quality of the implementation of measures relevant to the economic governance framework; whereas the Commission should include in the annual governance check-up and the scoreboard obstacles to the implementation of Single Market legislation; whereas monitoring should assess the extent to which consumers, citizens and businesses alike benefit from the Single Market and take into account the challenges faced by consumers and businesses operating across the Single Market, in particular in areas where Member States have not implemented or enforced Single Market legislation;

E. whereas the completion of the Single Market in the field of public procurement and consumer protection would contribute to an increase in GDP of EUR 300 billion per year;

F. whereas a European Investment Plan is being put in place to raise EUR 315 billion in new investments over the next three years;

G. whereas the European Union faces a profound competitiveness crisis in an increasingly challenging global economy and in the Single Market, **in which only competitive economies will be able to create jobs and raise the living standards of their citizens;**

1. Welcomes the fact that the Commission Communication entitled ‘An Investment Plan for Europe’ (COM(2014)0903), the Commission Communication entitled ‘Making the best use of the flexibility within the existing rules of the Stability and Growth Pact’ (COM(2015)0012) and the proposal for a regulation of the European Parliament and of the Council on the European Fund for Strategic Investments (COM(2015)0010) underline as a priority the need to directly link the review of the economic governance framework to the needs of the real economy and to complete the Single Market and create a Digital Single Market;

2. Considers the economic governance framework to be a key political initiative that underpins the foundations of the Europe 2020 goals and flagship initiatives which are aimed at fully exploiting the Single Market’s untapped growth potential; believes that by unlocking the Single Market’s growth potential, Member States will more easily fulfil the targets embedded in the economic governance framework; furthermore, considers that the primary actors in the Single Market are consumers and businesses;

3. Stresses that the Single Market is the key driver for growth and jobs, and that the key area for growth **is** the Digital Single Market, a genuine market for cross-border online sales for goods, services and public procurement;

4. Underlines the fact that the economic crisis has clearly shown the importance of strengthening and guiding the economy of the European Union and the Member States towards research and innovation (R&I), technology and knowledge, by facilitating market access and mobility for both consumers and businesses, enhancing the Digital Single Market, combating Single Market fragmentation across the Union through the proper implementation and enforcement of Single Market legislation by Member States, and boosting investments in the real economy, particularly in sectors that contribute to sustainable development, resource efficiency and energy transition, while fostering high-employment growth and economic convergence among Member States and bridging the gap between euro and non-euro Member States;

5. Believes that the review of European economic governance should go hand in hand with the review of the overarching Europe 2020 strategy and the European Semester cycle with a view to fostering sustainable and competitive growth; calls, therefore, for a new approach to the Single Market and the Digital Single Market to be taken within the review of the Europe 2020 strategy by duly incorporating priority sectors/targets of the Single Market into a new simplified set of guidelines, headlines or flagship initiatives;

6. Welcomes the review of the framework’s effectiveness, with a view to assessing the

effective and uniform application of governance rules by the Commission, the Council and the Member States; believes that only where relevant should this review inspire a re-evaluation of the Single Market governance framework and explore possible synergy effects between the two processes;

7. Reiterates its call for the procedures to provide for the appropriate involvement of the European Parliament in the economic governance cycle, paving the way for the adoption, by Parliament and the Council, of the measures necessary to strengthen Single Market governance, and in particular those which address the areas in which the Union's regulatory framework has been established in accordance with the ordinary legislative procedure laid down in Article 294 of the Treaty on the Functioning of the European Union;

8. Reiterates its call on the Commission and the Council to enter into an interinstitutional agreement with Parliament in order to fully guarantee the role of Parliament within the whole Semester process;

9. Believes that the economic governance framework needs to be inclusive, more transparent and less complex, while taking account of national specificities, and that political priorities also have to be discussed in a more comprehensive manner with relevant stakeholders whilst remaining independent of vested interests;

10. Considers that national parliaments should be more involved in the process of effectively implementing measures laid down in the economic governance framework and in the context of Single Market governance;

11. Underlines the importance of new growth and job creation for the public acceptance of the economic governance framework and calls, therefore, for the Commission to improve the business environment in Europe with particular attention to SMEs, removal of red tape and access to finance; recalls in this respect the need to provide support to SMEs to enable them to also access non-EU markets such as the US, Canada, China and India;

12. Insists that the evaluation of the state of the Single Market should be made a part of the economic governance framework, laying the foundation for an annual Single Market cycle by reinforcing a pillar dedicated to the Single Market within the European Semester; notes that such an integrated policy framework could be a helpful contribution to identifying the obstacles to the functioning of the Single Market while enhancing the implementation of the EU's economic governance rules; underlines that the full implementation of the revised public procurement directives, particularly their rules on award criteria, can help public authorities to better spend public resources and avoid unnecessary environmental and social costs in the long run, thereby having a positive effect on the stability of public finances;

13. Strongly believes that efforts must be concentrated on the key priorities of the pillars within the European Semester; emphasises the importance of focusing on areas which deliver significant European added value in line with the principles of subsidiarity and proportionality; calls on the Commission to work with the Member States to identify ways of ensuring these principles can be more effectively implemented;

14. Calls on the Commission to submit to Parliament an annual report on Single Market integration with particular regard to key areas with the greatest growth potential and creation of better and sustainable jobs, assessing the effectiveness of the implementation of the country-specific recommendations, as well as the implementation and enforcement of Single Market legislation by Member States, and points out that the assessment could be provided as a contribution to the Annual Growth Survey;

15. Recalls that good economic governance and the impact thereof can be effective only if relevant stakeholders are involved; stresses the need for the EU, the Member States, the regions, municipalities and stakeholders to take a holistic approach in the implementation and development of policies; invites the Commission and the Member States to secure the democratic principle of civil dialogue through the structured involvement of relevant stakeholders in economic governance, and in particular in the European Semester process;

16. Highlights the opportunity to channel extra public and private money into viable projects with a real added value for the European social market economy and stresses that key sectors of the Single Market – transport, energy, services and products, research and innovation – and the Digital Single Market represent the adequate (most appropriate) scale for investments to be eligible within the pipeline of investment projects;

17. Welcomes the additional room for manoeuvre offered by the investment clause as defined by the Commission in its communication on flexibility; believes that this new possibility should be used to its utmost potential in order to encourage Member States to invest more in projects with a clear European added value such as those more closely linked to the further development of the Single Market and the Digital Single Market; considers that targeted investment and reforms in key growth sectors of the Single Market and in the modernisation of public administrations – notably in relation to e-government and e-procurement – should qualify as structural reforms;

18. Is concerned about the lack of implementation of the country-specific recommendations (CSRs) in some Member States, where only 12 % of the CSRs were fully addressed in 2013; stresses that better implementation of the CSRs is needed in order to support growth and jobs; calls on the Commission to strengthen the ownership of the CSRs in the Member States through increased involvement of the national parliaments.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.3.2015
Result of final vote	+: 33 –: 2 0: 4
Members present for the final vote	Dita Charanzová, Carlos Coelho, Sergio Gaetano Cofferati, Lara Comi, Anna Maria Corazza Bildt, Daniel Dalton, Dennis de Jong, Pascal Durand, Vicky Ford, Ildikó Gáll-Pelcz, Antanas Guoga, Robert Jarosław Iwaszkiewicz, Liisa Jaakonsaari, Antonio López-Istúriz White, Jiří Maštálka, Eva Paunova, Jiří Pospíšil, Virginie Rozière, Christel Schaldemose, Olga Sehnalová, Mylène Troszczynski, Anneleen Van Bossuyt, Marco Zullo
Substitutes present for the final vote	Lucy Anderson, Jussi Halla-aho, Kaja Kallas, Othmar Karas, Emma McClarkin, Jens Nilsson, Julia Reda, Adam Szejnfeld, Lambert van Nistelrooij, Josef Weidenholzer, Kerstin Westphal
Substitutes under Rule 200(2) present for the final vote	José Blanco López, Andrea Bocskor, Roger Helmer, György Hölvényi, Emilian Pavel

19.3.2015

OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on the review of the economic governance framework: stocktaking and challenges (2014/2145(INI))

Rapporteur: Sylvie Goulard

SUGGESTIONS

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

1. Takes the view that it is absolutely vital for the democratic legitimacy of economic and monetary union (EMU) to be improved substantially within the EU's institutional framework and in line with the Community method; considers that the pieces of legislation based on intergovernmental treaties and implemented during the crisis have hampered the democratic legitimacy of EMU; calls, therefore, for the European Stability Mechanism (ESM) to be integrated as soon as possible into the EU acquis, taking into account that Parliament's internal rules offer a sufficient margin of manoeuvre to organise, where appropriate, specific forms of differentiation on the basis of political agreement within and among the political groups in order to provide appropriate scrutiny of EMU; also calls for the relevant provisions of the Treaty on Stability, Coordination and Governance (TSCG) to be integrated into the legal framework of the European Union within five years at the latest after its entry into force, and after a comprehensive assessment of its implementation;

2. Advocates, in this sense, the establishment of less complex, more efficient and transparent economic governance, aiming, in the long term, at a deeper integration of the EU, while offering medium-term solutions to enable the eurozone and the Union to face the current challenges;

3. Underlines that the Eurogroup and the EuroSummit are both informal formations of the

Economic and Financial Affairs Council and of the European Council and that they took major decisions in the field of EMU during the financial and economic crisis, but that those decisions have therefore been affected by the lack of democratic legitimacy;

4. Calls for an interinstitutional agreement to be concluded between Parliament, the Commission and the Council providing for parliamentary scrutiny of the various stages of the European Semester, starting with the Annual Growth Survey;

5. Takes the view that the implementation of the economic dialogue needs to be scrupulously reviewed so as to ensure that there is proper parliamentary scrutiny at all stages of the procedures (Stability and Growth Pact (SGP) and macroeconomic imbalances procedure (MIP));

6. Welcomes the setting-up of the Interparliamentary Conference on Economic and Financial Governance of the European Union; underscores, nevertheless, its limits when it comes to encouraging accountability on the part of decision-makers; takes the view that, in the field of EMU, parliamentary control must be shared between the national and the European level and insists that responsibilities must be assumed at the level where decisions are taken or implemented, with national parliaments scrutinising national governments and the European Parliament scrutinising the European executives; believes that this is the only way to ensure the required increased accountability of decision-making; considers that this increased legitimacy can be ensured by foreseeing the adoption of national reform programmes and possible convergence partnerships by national parliaments, as well as the adoption by codecision of broad European policy orientations in the form of convergence guidelines, a new EU legal act setting a very limited number of priorities which are valid for a set period, and which are notably used when adopting the Annual Growth Survey and the country-specific recommendations; stresses that such cooperation should not be seen as the creation of a new mixed parliamentary body, which would be both ineffective and illegitimate from a democratic and constitutional point of view;

7. Regrets that the capacity of national parliaments to control and influence their governments' actions in the EU is insufficient; is of the view that national parliaments should take a more active part in policymaking in terms of scrutinising and shaping their governments' positions before they are submitted to the Commission;

8. Underlines that the legal framework for assistance programmes needs to be reviewed in order to ensure that all decisions are taken under the responsibility of the Commission with the full involvement of Parliament, in order to ensure full democratic legitimacy and accountability; calls on the Commission to report regularly to Parliament on the relevant decisions taken when it is involved in verifying the implementation of Member States' programmes; stresses that Parliament should follow up on its resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries[1] without delay, and prepare a new, separate resolution fully dedicated to this issue, drawing and building on the first enquiry;

9. Considers that in order to ensure the long-term sustainability of national public finances, it is of the utmost importance for the Commission to verify the quality of public finances,

[1] Texts adopted, P7_TA(2014)0239.

and in particular to clarify that national budgets are future-oriented, by identifying, together with Eurostat, and encouraging investment expenditures to a greater extent than consumption expenditures;

10. Is of the opinion that a ‘genuine EMU’ cannot be limited to a system of rules but requires a budgetary capacity as part of the EU budget, based on specific own resources, which should support sustainable growth and social cohesion, and address structural divergences and financial emergencies which are directly connected to the monetary union and where structural reforms are required;

11. Takes the view that the social dimension of EMU must be taken into account and recalls that Article 9 of the TFEU states that ‘in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion...’; also recalls that Article 3 of the TEU states that ‘the Union shall [be based on] a highly competitive social market economy, aiming at full employment and social progress’; believes that, according to the principle of human dignity, as enshrined in the Treaty, human resources should not be wasted and should be seen as a crucial component of competitiveness; calls for equal treatment of social rights and the internal market’s freedoms in the hierarchy of norms;

12. Requests that the Presidents of the four institutions submit an ambitious ‘roadmap’ outlining the necessary legislative and institutional progress to create the best future possible for the eurozone, the EU and its citizens; stresses that Parliament shall fully play its part in the upcoming discussions and decisions through a resolution adopted by the plenary, which shall be the basis for the President’s contribution to the ‘roadmap’, as stated in footnote 1 of the Analytical Note prepared for the Informal European Council of 12 February 2015 (Preparing for Next Steps on Better Economic Governance in the Euro Area): ‘The President of the European Commission has indicated his intention to draw on input from the President of the European Parliament in his reflections during the preparation of the report’;

13. Believes that a genuine EMU requires the reinforcement of the rule of law, as stated in Article 2 of the TEU; considers that the rule of law is defined as an institutional system in which public authority is subject to the law and the equality of legal subjects is guaranteed by independent jurisdictions; considers that this question should be one of the priorities, inter alia, to be tackled in the framework of the report entitled ‘Possible evolutions and adjustments of the current institutional set up of the European Union’, and that this should include infringement proceedings and action for annulment against decisions of the Commission and the Council; believes that the involvement of the Court of Justice of the European Union (ECJ) may notably be a guarantee that the rules will be applied in a uniform manner irrespective of the size of the Member State and will protect citizens’ rights and the rights of their organisations in the countries under the programme; states that this role for the ECJ will not result in economic governance procedures being delayed, as these procedures do not have suspensive effects.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.3.2015
Result of final vote	+: 12 –: 3 0: 7
Members present for the final vote	Kostas Chrysogonos, Richard Corbett, Pascal Durand, Esteban González Pons, Danuta Maria Hübner, Jo Leinen, Morten Messerschmidt, Maite Pagazaurtundúa Ruiz, György Schöpflin, Pedro Silva Pereira, Barbara Spinelli, Rainer Wieland
Substitutes present for the final vote	Max Andersson, Gerolf Annemans, Pervenche Berès, Sylvie Goulard, Roberto Gualtieri, Sylvia-Yvonne Kaufmann, Marcus Pretzell
Substitutes under Rule 200(2) present for the final vote	Frank Engel, Markus Pieper, Adam Szejnfeld

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	16.6.2015
Result of final vote	+: 33 –: 25 0: 1
Members present for the final vote	Gerolf Annemans, Burkhard Balz, Pervenche Berès, Udo Bullmann, Esther de Lange, Fabio De Masi, Anneliese Dodds, Markus Ferber, Jonás Fernández, Elisa Ferreira, Sven Giegold, Roberto Gualtieri, Brian Hayes, Gunnar Hökmark, Danuta Maria Hübner, Cătălin Sorin Ivan, Diane James, Othmar Karas, Georgios Kyrtsos, Philippe Lamberts, Werner Langen, Bernd Lucke, Olle Ludvigsson, Ivana Maletić, Notis Marias, Fulvio Martusciello, Bernard Monot, Luděk Niedermayer, Stanisław Ożóg, Dimitrios Papadimoulis, Sirpa Pietikäinen, Pirkko Ruohonen-Lerner, Molly Scott Cato, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Paul Tang, Michael Theurer, Ramon Tremosa i Balcells, Ernest Urtasun, Marco Valli, Tom Vandenkendelaere, Cora van Nieuwenhuizen, Miguel Viegas, Jakob von Weizsäcker, Steven Woolfe, Pablo Zalba Bidegain, Marco Zanni, Sotirios Zarianopoulos
Substitutes present for the final vote	Andrea Cozzolino, Barbara Kappel, Rina Ronja Kari, Thomas Mann, Siegfried Mureşan, Maria João Rodrigues, Siôn Simon, Beatrix von Storch
Substitutes under Rule 200(2) present for the final vote	Francisco Assis, Javi López