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## TEXTS ADOPTED

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### **P9\_TA(2021)0083**

#### **European Semester: Annual Sustainable Growth Strategy 2021**

**European Parliament resolution of 11 March 2021 on the European Semester for economic policy coordination: Annual Sustainable Growth Strategy 2021 (2021/2004(INI))**

*The European Parliament,*

- having regard to the Treaty on the Functioning of the European Union, in particular Articles 121, 126 and 136 thereof and Protocol No 12,
- having regard to Protocol No 1 on the role of national parliaments in the European Union,
- having regard to Protocol No 2 on the application of the principles of subsidiarity and proportionality,
- having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,
- 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<sup>1</sup>,
- having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States<sup>2</sup>,
- having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area<sup>3</sup>,

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<sup>1</sup> OJ L 306, 23.11.2011, p. 12.

<sup>2</sup> OJ L 306, 23.11.2011, p. 41.

<sup>3</sup> OJ L 306, 23.11.2011, p. 8.

- 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<sup>1</sup>,
- 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<sup>2</sup>,
- 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<sup>3</sup>,
- having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area<sup>4</sup>,
- 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<sup>5</sup>,
- having regard to the Commission communication of 20 March 2020 on the activation of the general escape clause of the Stability and Growth Pact (COM(2020)0123),
- having regard to the Commission communication of 27 May 2020 entitled ‘Europe’s moment: Repair and Prepare for the Next Generation’ (COM(2020)0456),
- having regard to the Commission communication of 27 May 2020 on the EU budget powering the recovery plan for Europe (COM(2020)0442),
- having regard to the Commission proposal of 28 May 2020 for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic (COM(2020)0441),
- having regard to the Commission communications of 17 September 2020 entitled ‘Annual Sustainable Growth Strategy 2021’ (COM(2020)0575) and of 18 November 2020 entitled ‘Alert Mechanism Report 2021’ (COM(2020)0745),
- having regard to the European Fiscal Board annual report of 29 October 2019, the European Fiscal Board statement of 24 March 2020 on COVID-19 and the European Fiscal Board’s assessment of 1 July 2020 of the fiscal stance appropriate for the euro area in 2021,
- having regard to the Interinstitutional Agreement of 16 December 2020 on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as

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<sup>1</sup> OJ L 306, 23.11.2011, p. 33.

<sup>2</sup> OJ L 306, 23.11.2011, p. 25.

<sup>3</sup> OJ L 306, 23.11.2011, p. 1.

<sup>4</sup> OJ L 140, 27.5.2013, p. 11.

<sup>5</sup> OJ L 140, 27.5.2013, p. 1.

well as on new own resources, including a roadmap towards the introduction of new own resources<sup>1</sup>,

- having regard to the Commission’s European Economic Forecast: Winter 2021 (Institutional Paper 144)<sup>2</sup>,
  - having regard to the European Council recommendations of 10-11 December 2020 on the MFF and Next Generation EU, COVID-19, climate change, security and external relations (EUCO 22/20),
  - having regard to Rule 54 of its Rules of Procedure,
  - having regard to the opinions of the Committee on Budgets and the Committee on the Environment, Public Health and Food Safety,
  - having regard to the letter from the Committee on Regional Development,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0036/2021),
- A. whereas the European Semester plays an essential role in coordinating economic, budgetary and employment policies in the Member States, which serves to ensure sound public finances, to prevent excessive macroeconomic imbalances, to support structural reforms and to boost investment, and currently represents the framework used to guide the Union and the Member States through the challenges of the recovery based on the EU’s policy priorities; whereas since the 2008 sovereign debt crisis, the Union is much more robust to face crises, but new challenges to macroeconomic stability are emerging;
- B. whereas the Union and its Member States have committed to the Treaty-based fundamental values, the implementation of the UN 2030 Agenda, the European Pillar of Social Rights (EPSR) and the Paris Climate Agreement;
- C. whereas aspects relating to the possible future of the EU fiscal framework will be dealt with by the review of the macroeconomic legislative framework in the own-initiative report of the European Parliament dedicated to that issue; notes that the framework will be reviewed, and should be adapted according to its outcome;
- D. whereas the employment and social aspects of the Annual Sustainable Growth Strategy (ASGS) are dealt with by the twin report entitled ‘European Semester for economic policy coordination: Employment and Social Aspects in the Annual Sustainable Growth Strategy 2021’;
- E. whereas high levels of public debt may represent a heavy burden on future generations’ shoulders and drag on the recovery;
- F. whereas the pandemic has hit all Member States, creating a symmetrical shock, but the scale of the impact, specific economic exposures and initial conditions, as well as the pace and the strength of the recovery will vary significantly;

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<sup>1</sup> OJ L 433 I, 22.12.2020, p. 28.

<sup>2</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ip144\\_en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf)

- G. whereas the good times need to be used to implement structural reforms, in particular measures aimed at reducing budget deficits, government debt and non-performing loans and to prepare for another possible economic crisis or recession;
- H. whereas women have been disproportionately affected as a result of the crisis and the proposed recovery response addresses the challenges related to the COVID-19 crisis in the care sector and the specific challenges faced by women;
- I. whereas Member States have taken sizeable fiscal measures in response to the pandemic (4,2 % of GDP in 2020 and 2,4 % of GDP in 2021); whereas output in the European economy would barely return to pre-pandemic levels in 2022;
- J. whereas the recovery and resilience plans adopted by the Member States will encompass their national agenda of reforms and investments designed in line with the EU policy objectives, centred, among others, on the green and digital transitions;

### ***I. COVID-crisis, Recovery and Resilience Facility, temporary adjustment of the Semester***

1. Takes note of the fact that the European Semester and the Recovery and Resilience Facility are closely intertwined; notes that the assessment of the recovery and resilience plans (RRPs) will be made against 11 criteria grouped under relevance, effectiveness, efficiency and coherence; invites the Commission to scrutinise the plans thoroughly in order to ensure that the recovery generates European added value, improves Member States' long-term competitiveness and sustainable growth prospects, and guides European economies to address the challenges and reap the benefits of the green and digital transitions, the EPSR and UN Sustainable Development Goals (SDGs);
2. Welcomes, furthermore, the rapid and intense initial response to the crisis in the area of monetary and fiscal policy, at both EU and Member State level, as well as the adoption of the next MFF and Next Generation EU (NGEU); calls on the Commission and the Council to accelerate the implementation of the Recovery and Resilience Facility in order for funding to be disbursed quickly; stresses that, in order to be successful, the climate and digital transitions must have the social and single market dimensions at their core; insists that funds and resources be directed to projects and beneficiaries that spend the resources responsibly, effectively and on viable, sustainable projects that generate the highest possible impact; recalls the role the European Parliament will play in the Recovery and Resilience dialogue established by the RRF Regulation, which will also see its competent committees scrutinise the link between the European Semester and the RRF;
3. Highlights that the goal of the Recovery and Resilience Facility is to make Member States' economies and societies more resilient, while striving for competitive sustainability, convergence and cohesion within the EU; emphasises that national ownership and transparency will be essential elements for the swift and successful implementation of the Recovery and Resilience Facility and the recovery plans; considers it essential, therefore, for debates to be held in national parliaments, for the Commission to cooperate with the national authorities and relevant stakeholders proactively in order to discuss the draft national plans at an early stage, making tailor-made solutions and specific reforms possible;

4. Welcomes the fact that in order to cope with the unprecedented crisis caused by COVID-19, the Member States and the EU institutions established NGEU in order to help the recovery; notes, therefore, that the RRF creates a unique opportunity for delivering on the reforms and investments needed for the EU to get ready to cope with the present challenges;
5. Believes that the symmetrical effects of COVID-19 have actually widened the socio-economic rift between EU Member States and their regions;
6. Further notes that the deadlines of the European Semester and the Recovery and Resilience Facility will overlap, which requires the temporary adjustment of the Semester process in order to properly launch the Recovery and Resilience Facility; stresses that the EU's recovery provides a unique opportunity to provide guidance to Member States on where reforms and investments are most needed in order to accelerate the transition to a more sustainable, resilient and inclusive EU;
7. Supports the Commission's guidance to Member States to include in their RRFs investments and reforms in flagship areas that are in line with the EU's objective of just climate and digital transitions;
8. Considers that the four dimensions of social and environmental sustainability, productivity, fairness and stability identified in the 2020 ASGS should be considered in the preparation of the Member States' recovery and resilience plans, which are to be centred around the six pillars defined in the Regulation establishing the Recovery and Resilience Facility; reiterates that in order to ensure transparency, the Commission will transmit the national recovery and resilience plans drawn up by Member States to both the Council and the European Parliament simultaneously;
9. Underlines that the Regulation establishing the Recovery and Resilience Facility recognises that women have been particularly affected by the COVID-19 crisis, as they represent the majority of healthcare workers across the Union and balance unpaid care work with their employment responsibilities;
10. Considers that the temporary adaptation of this year's cycle cannot override the original purpose and function, and must not impede the further evolution of the European Semester; recalls that the European Semester cycle is a well-established framework for EU Member States to coordinate their budgetary, economic, social and employment policies, and after the COVID-19 crisis, a functioning European Semester will be needed more than ever to coordinate these policies across the European Union, but also notes that the Semester, since the inception, has been expanded to include, among others, issues related to the financial sector and taxation, as well as objectives of the UN SDGs in the European Semester, giving due consideration to the people of our planet in our economic policy; notes that in order to further strengthen economic and social resilience, the EU must deliver on the principles of the EPSR; recalls that promoting stronger and sustainable growth in a sustainable manner means promoting responsible fiscal policies, structural reforms, effective investment, digital transformation and green and just transitions; invites the Member States and the Commission to strike a proper balance between boosting sustainable, growth-friendly public and private investment and structural reforms in the recovery plans;

11. Believes that the 2021 European Semester exercise offers a great opportunity to improve national ownership, given that Member States are developing tailor-made RRP to respond to their different needs; in this regard, is convinced that democratic legitimacy must be guaranteed and eventually increased, including the proper role of the European Parliament in the implementation of the Facility, as enshrined in the Regulation establishing the Recovery and Resilience Facility; calls on the Member States to build up, using, if necessary, the Technical Support Instrument, the necessary administrative and monitoring capacity to provide firm guarantees of the proper and efficient use of funds, as well as a high level of absorption capacity; recalls that RRP are subject to the horizontal requirements of sound economic governance and the general regime of rules for the protection of the Union budget;

## ***II. Economic prospects for the EU***

12. Notes with great concern the extremely difficult situation EU economies find themselves in and that, according to the Commission's Winter 2021 economic forecast, GDP fell by an unprecedented rate in both the euro area and the EU as a whole; notes that EU GDP has contracted by 6,3 % (6,8 % in the euro area) in 2020, whereas an economic recovery of 3,7 % (3,8 % in the euro area) is forecast in 2021;
13. Highlights that the unprecedented economic recession in 2020 and the measures taken in response to the pandemic are set to push the EU debt-to-GDP ratio up to a new peak of around 93,9 % (101,7 % in the euro area) in 2020, with a further forecasted increase to around 94,6 % (102,3 % in the euro area) in 2021; highlights that a high level of uncertainty persists and that the economic outlook very much depends on how quickly the pandemic can be overcome; understands, furthermore, that these debt levels can be sustained by sufficient economic growth; reiterates the importance of the long-term sustainability of sovereign debt; notes that many Member States have entered the current crisis in a weak fiscal position, which is being further worsened by the pandemic;
14. Is concerned about the remarkably negative impact of the COVID-19 pandemic on the EU's economy, particularly on small and medium-sized enterprises (SMEs), the single market and its competitiveness and underlines the importance of the implementation of the European Green Deal, the EPSR and the UN SDGs; believes, therefore, that coordination of the Member States' actions is, among others, an essential tool for reducing the mentioned negative impact; is of the opinion that if the EU cannot provide an adequate response to this current crisis, then both the euro area and the EU as a whole risk falling further behind with the realisation of the goals of environmental sustainability, competitiveness, productivity, fairness and macroeconomic stability;
15. Reiterates the importance of safeguarding the level playing field in the single market, while taking into account the physical characteristics faced by insular, peripheral, and sparsely populated regions of the EU and the situation of the EU's least developed regions, which is a necessary precondition for fostering, among other things, the digital transformation and the green and just transitions, innovation and accelerating the recovery and competitiveness;
16. Calls for a better implementation of responsible public finances, socially balanced structural reforms improving long-term prospects and high-quality and efficient public and private investment, among others, to realise the green and digital transitions;

17. Is concerned about the impact of the pandemic containment measures on the low productivity growth in the EU and the pronounced decline of productivity growth in the euro area before the pandemic; is of the opinion that a balanced strategy to promote sustainable growth and an investment-friendly environment should be pursued, while improving fiscal sustainability; stresses that special emphasis should be placed on future-oriented investments and policies, especially by those Member States that have the fiscal space to invest in order to promote sustainable and inclusive growth;
18. Welcomes the European Green Deal as the EU's new sustainable growth strategy bringing together four dimensions: the environment, productivity, stability and fairness, enabled by digital and green technologies, an innovative industrial base and strategic autonomy;

### ***III. Responsible fiscal and sustainable policies***

19. Notes that although there are new challenges regarding macroeconomic stability, the Economic and Monetary Union is in a much better position to face crises than it was during the 2008 financial and economic crisis; is convinced that promoting resilient and sustainable economic recovery in line with the EU's policy objectives, centred around the green, just and digital transitions, is one of the most important immediate priorities; notes that the means to overcome the current crisis are of a nature, which requires – for as long as necessary – expansionary fiscal policy;
20. Points out that those Member States that had fiscal buffers were able to mobilise fiscal stimulus packages at a much faster pace and without associated borrowing costs, which has helped to mitigate the negative socio-economic effects of the pandemic; reiterates that replenishing fiscal buffers over time, in a socially responsible manner, will be important for preparation for future crises; however, urges Member States, the Commission and the Council not to repeat mistakes of the past in response to the economic crisis; shares the view of the European Fiscal Board that rapidly reversing the fiscal stance is not advisable for recovery;
21. Notes the fact that the Commission intends to make recommendations on the budgetary situation of the Member States in 2021, as envisaged under the Stability and Growth Pact; points out that the economic governance framework should also look at current economic realities and be coherent with the EU's policy priorities, while at the same time improving compliance with fiscal rules, which should be simplified, clear and practical, and are going to be reviewed, and according to the outcome, adapted; calls for a more pragmatic approach and underlines the need to ensure that the framework is stricter in good economic times and more flexible in bad economic times;
22. Without prejudice to the outcome of the discussions on the reform of the Growth and Stability Pact, highlights that the current EU fiscal and budgetary rules provide the flexibility needed in times of crisis, through the activation of the general escape clause under the Stability and Growth Pact and allow all Member States to adopt the fiscal stance necessary to protect the EU's economies, thereby demonstrating extraordinary counter-cyclicality;
23. Expects that the general escape clause will remain activated as long as the underlying justification of the activation exists in order to support the efforts of the Member States to recover from the pandemic crisis and strengthen their competitiveness, as well as

economic and social resilience; takes note of the Commission's view that, according to the current preliminary indications, the general escape clause should continue to be applied in 2022 and be deactivated in 2023; invites the Commission to assess the deactivation or continued application of the general escape clause as part of its European Semester package on the basis of its spring 2021 economic forecast; notes that the Commission will continue to take into account country-specific situations after the deactivation of the general escape clause;

24. Takes note of the Commission communication on the fiscal policy response to COVID-19<sup>1</sup>, which sets out its considerations on how to coordinate at EU level the conduct of fiscal policy, taking to the next phase the concerted approach of addressing the pandemic, sustaining the economy, supporting a sustainable recovery and maintaining fiscal sustainability in the medium term; ; acknowledges that the general escape clause allows Member States temporarily to depart from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term and does not lead to the suspension of the procedures of the Pact; takes note of the Commission's assessment that sustainability risks have increased due to the severe impact of the crisis, and that this is likely to lead to less favourable growth and fiscal trajectories in the medium term; highlights the Commission's call to make the best use of the general escape clause and Next Generation EU;
25. Calls on the Commission to act decisively in order to tackle tax fraud, tax avoidance and evasion, as well money laundering issues, which drain potential resources from national budgets and hampers governments' capacity to act, among others, for the recovery from the COVID-19 pandemic;
26. Notes the fact that, by the end of April 2021, the Commission intends to perform in-depth reviews assessing the state of play of imbalances for selected Member States; further notes that a number of existing macroeconomic imbalances are being aggravated by the COVID-19 crisis;
27. Recalls the urgent need to complete and reinforce the Economic and Monetary Union architecture by completing the Banking Union and the Capital Markets Union, with a view to protecting citizens and reducing pressure on public finances during external shocks so as to overcome social and economic imbalances;

#### ***IV. Growth-enhancing, balanced and sustainable structural reforms***

28. Is aware that the COVID-19 crisis will not be solved by the current fiscal stance alone; underlines, therefore, the importance of implementing deep, growth-enhancing, balanced and sustainable and socially just, tailor-made structural reforms to deliver on, among other things, sustainable and socially inclusive growth and jobs, which can support the recovery efficiently, as well as supporting the digital transformation and green transition, quality employment, reduction of poverty, and the UN SDGs, and can boost competitiveness and the single market, increasing convergence and stronger and sustainable growth within the Union and the Member States; points out that the long-term growth potential of Member States' economies in particular can only be enhanced

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<sup>1</sup> Commission communication of 3 March 2021 entitled 'One year since the outbreak of COVID-19: fiscal policy response' (COM(2021)0105).

by structural improvements; notes, however, that the effectiveness and success of the alignment of Member States' policy measures will depend on the review of the Stability and Growth Pact and, according to outcome thereof, its adaptation, as well as increased ownership by the Member States of the implementation of the country-specific recommendations;

29. Calls on the Commission to start working on the creation of a climate indicator to assess the discrepancy between the structure of Member States' budgets and the Paris-aligned scenario for each of their national budgets; stresses the need for this indicator to provide Member States with information on their trajectory within the framework of the Paris Agreement in order to ensure that Europe is able to become the first climate-neutral continent by 2050; expects the climate indicator to be a reference for the EU's various policies and thus also to be used as a guide for the European Semester, without watering down its original purpose;
30. Is of the opinion that developing digital skills is a precondition to ensure that all Europeans are able to participate in society and reap the advantages of the digital transition; points out that it requires reforms in the area of education, skills and also lifelong learning to steer a labour market in transition and to develop and enable key digital technologies and build Europe's digital future; further points out that equality in cross-cutting access to digital infrastructure, equipment and skills should be supported in order to prevent a digital divide;
31. Calls on the Member States and the Commission, while respecting fiscal sustainability and sound budgetary rules, to create a regulatory and governance framework, including investment rules or other adequate mechanisms, that are predictable and supportive of public and private investments in line with the EU's long-term objectives, while ensuring Member States' ability to respond to future crises;
32. Takes note that the Member States are encouraged by the Commission, within the context of the Recovery and Resilience Facility, to submit their National Reform Programmes and their RRP in a single integrated document;
33. Highlights that the Recovery and Resilience Facility, providing financial support, can be a unique opportunity to help Member States address their challenges identified in the framework of the European Semester;
34. Recalls that socially balanced, growth-friendly structural reforms do not always require fiscal space, but rather political, legislative and administrative efforts;
35. Highlights that continuous monitoring and vigilance will be needed and Member States should address emerging imbalances through reforms that enhance economic and social resilience and promote the digital transformation and green and just transitions; is pleased that the Commission will continue to monitor implementation by Member States of reforms proposed in previous years' country-specific recommendations; considers that this process should take into account the economic and social outlook of the Member States;

## ***V. Investment***

36. Stresses that the EU faces the unprecedented challenge of mitigating the economic consequences of the pandemic, taking into account EU strategies with a view to having a lasting impact on the resilience of the Member States, and believes that the economic recovery should be conducted through strengthening the single market, research and innovation, and in accordance with European Green Deal, the UN SDGs, the implementation of the EPSR and competitiveness, while alleviating the situation of SMEs and improving their access to private capital; is convinced that this requires both an increased level of economically, socially, environmentally and digitally viable investment in the long term and enhanced convergence and cohesion in the EU and the Member States;
37. Stresses the lack of investment, as projections reveal the need for an expansion of investment; highlights that public investments are limited, as they represent scarce resources mostly funded by the taxpayers; points out that the size of the investment gap also requires sizeable private and public investments, generating an adequate level of infrastructure, as well as a predictable and favourable business environment that is conducive to such investments;
38. Stresses that the Member States should focus on targeted, sustainable public and private investment in future-proof infrastructure and other areas that further strengthen the single market, the transition to a cleaner, socially inclusive, sustainable and digital society and increase the EU's competitiveness and strategic autonomy; is of the opinion, therefore, that cross-border and multi-country projects are to be prioritised;
39. Underlines the need to adopt investment-friendly policies, reduce administrative burden and guarantee a level playing field, in particular for SMEs, which constitute the backbone of the EU economy and job creation; considers that all this would both facilitate economic recovery and create conditions advantageous to long-term growth;

#### ***VI. A more democratic European Semester***

40. Highlights the importance of full debate and the proper involvement of national parliaments and the European Parliament in the process of the European Semester; reiterates its call for the strengthening of the European Parliament's democratic role in the economic governance framework, and calls on the Council and Commission to take due account of the resolutions adopted by parliaments; invites the Commission to keep both the European Parliament and the Council, as co-legislators, equally well informed on all aspects relating to the application of the EU economic governance framework, including on the preparatory stages;
41. Calls for committed coordination with social partners and other relevant stakeholders at both national and European level, with a view to strengthening democratic accountability and transparency;
42. Underlines the important role of the Committee on Economic and Monetary Affairs in taking action with a view to improving accountability to Parliament, as the experience accumulated so far in applying the European Semester has shown that the current accountability set-up could be enhanced in order to improve its legitimacy and effectiveness;

43. Recalls that the European Semester is a mixed exercise consisting of the so-called national and European semesters over the year; recalls the importance of the principles of subsidiarity and proportionality;

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44. Instructs its President to forward this resolution to the Council and the Commission.