Background memo, Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU, 17 February 2016, session I

Parliaments' experiences with enhanced economic coordination and governance

General introduction

Title IV of the Treaty on Stability, Economic Coordination and Governance in the EU (SCEG) deals with economic policy coordination and convergence. The first session of the day focuses on the exchange of best practices and experiences of the Member States relating to measures to enhance economic growth, convergence and competitiveness (as stated by Art. 9). Delegations are invited to share their experiences with the goal to work towards a more closely coordinated economic policy.

ARTICLE 9
Building upon economic policy coordination, as defined in the Treaty on the Functioning of the European Union, the Contracting Parties undertake to work jointly towards an economic policy that fosters the proper functioning of the economic and monetary union and economic growth through enhanced convergence and competitiveness. To that end, the Contracting Parties shall take the necessary actions and measures in all the areas which are essential to the proper functioning of the euro area in pursuit of the objectives of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability.

Background

On 26 November 2015, the European Commission has published its European semester package 2016, including the Annual Growth Survey, the Alert Mechanism Report, and the draft Joint Employment Report. On top of that it also published a proposal for a Council Recommendation on the economic policy of the euro area, a proposal for a regulation establishing a Programme for Structural Reform Support and a Working Document on national investment challenges.

The publication of the Alert Mechanism Report (AMR) forms the start of the Macroeconomic Imbalance Procedure (MIP), which aims to identify and address imbalances that hinder the smooth functioning of the economies of Member States, as well as the economy of the EU as a whole. In its conclusions of the Ecofin meeting of 15 January 2016, the Council has confirmed that in-depth reviews (IDR's) will be carried out for 18 Member States. These will be published in February 2016 and will form the basis (together with the national reform programmes and stability or convergence programmes) for the 2016 Country-Specific Recommendations (CSR's). The Council underlines that important challenges remain and further progress on policy actions is needed to address imbalances, in particular the elevated levels of indebtedness, high unemployment as well declining trends in potential growth and productivity growth.

Macroeconomic Imbalances are detected by means of a scoreboard with certain thresholds. This year, three indicators have been added to the previous fourteen indicators: activity rate, long-term employment and youth unemployment. In its conclusions of 15 January, the Ecofin Council has expressed its concern about the inclusion of three additional employments indicators. According to the Council, this may be detrimental to the function of the scoreboard as an early warning device for the identification, prevention and correction of macroeconomic imbalances.

The main priorities in the Annual Growth Survey 2016 are the same as for 2015: re-launching investment, pursuing structural reforms to modernise our economies and responsible fiscal policies. The Growth Survey shows a moderate recovery for the EU as a whole. Nevertheless, economic performance, social conditions and reform implementation remain uneven across the EU. Recovery benefits from temporary positive factors such as low oil prices, a relatively weak euro and accommodative monetary policies. At the same time, it is challenged by security concerns, geopolitical tensions and inflow of refugees and asylum seekers.

This year, the Commission has published the Recommendations on the economic policy of the euro area for the first time together with the Annual Growth Survey and the Alert Mechanism Report. The aim is to better integrate the euro area and national dimensions of EU economic governance. Common challenges may thus be better reflected in the Country-Specific Recommendations.

In September 2015, the European Parliament published an in-depth analysis of the involvement of national parliaments in Stability or Convergence Programmes and National Reform Programmes. Based on the information included in these plans, it showed that about half of the programmes make reference to involvement of national parliaments. The procedures for such involvement vary widely.
In its resolution of 17 December 2015, the EP has urged the Commission to launch negotiations on an interinstitutional agreement (IIA) on European economic governance, and insists that this should ensure, within the framework of the Treaties, that the structure of the European semester allows for meaningful and regular parliamentary scrutiny.

The track record in the implementation of the CSRs has so far been rather weak (see summary document prepared by the European Parliament). This was one reason to the streamlining of the European Semester process as proposed by the European Commission in spring 2015.

Points for discussion

- What are current experiences with working towards a more closely coordinated economic policy?
- How do the various criteria for economic convergence relate to each other in practice? What possible improvements could be suggested here? How would that help parliamentary scrutiny?
- How do Member States deal with structural challenges to economic growth, such as increasing health care expenditure or pension costs?
- Does the current institutional framework of European economic governance provide parliaments sufficient room for interparliamentary cooperation on best practices?
- How could political ownership in the implementation of Council recommendations be improved at national level?

Contributions

Mr. Jeroen Dijsselbloem, president of the eurogroup, will reflect on the current macroeconomic situation in the EU as a whole. In particular he will reflect on the present system of economic coordination and the way forward to improve this.

On the basis of their recent research results, Mr. Kees Vendrik, Vice President of the Netherlands Court of Audit, will point out some drawbacks of the complex institutional arrangements that are in place in European economic governance, as well as the intransparent way the criteria to assess member states' situation are applied. Equally, Mr. Vendrik will reflect on the governance arrangements of democratic control of the EU's macroeconomic policy.

According to the Commission's European Economic Forecast of autumn 2015, France's GDP is expected to grow by 1.4% in 2016. However, unemployment figures will only improve by 2017 and, although decreasing, the budget deficit is expected to be 3.4% in 2016. Ms. Valérie Rabault, General Rapporteur of the Finances Committee of the French National Assembly will share insights on the way France has been dealing with recent economic challenges.

On 17 December 2015, the European Parliament has adopted a resolution on Completing Europe's Economic and Monetary Union in which it emphasises the need for stronger parliamentary scrutiny. Mr. Roberto Gualtieri (IT, S&D), member of the European Parliament, will reflect on the question whether the current institutional framework of European economic governance provides parliaments sufficient room for interparliamentary cooperation on best practices.