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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	ANNEX to the Recommendation for a Council Recommendation on broad guidelines for the economic policies of the Member States and of the Union

Delegations will find attached the Annex to the Recommendation for a Council Recommendation on broad guidelines for the economic policies of the Member States and of the Union as agreed by the EPC and the EFC.

ANNEX

Broad Guidelines for the economic policies of the Member States and of the Union
Part I of the Integrated Guidelines

Guideline 1: Promoting investment

Increasing the level of productive investment in Europe is key to boost demand and improve competitiveness and long term growth potential in Europe. Efforts should focus on mobilising finance for viable investment projects, making finance reach the real economy and improving the investment environment. Macroeconomic and financial stability, as well as regulatory predictability and openness and transparency of its financial sector, are critical for keeping the Union attractive for private sector investment, including foreign investment.

The potential of EU funds, including the European Fund for Strategic Investment and structural funds, and national funds to finance growth enhancing investments in key areas should be fully exploited. The result-oriented management of funds as well as increasing the use of innovative financial instruments, where appropriate, are crucial elements in this regard.

Making finance reach the real economy calls for increasing transparency and information provision, in particular through the implementation of a European investment advisory hub under the auspices of the European Investment Bank and the establishment of a transparent pipeline of projects. Close co-operation with all relevant stakeholders is key, in order to ensure smooth carrying out of operations, adequate risk taking and maximum value added.

Guideline 2: Enhancing growth by the Member States implementation of structural reforms

Ambitious implementation of structural reforms by the Member States in both product and labour markets and social welfare and pension systems is crucial to strengthen and sustain the economic recovery and ensure sustainable public finances, improve competitiveness, prevent and correct harmful macro-economic imbalances in line with the Macroeconomic Imbalance Procedure and increase the growth potential of the Union economies. This would also help in achieving higher economic and social cohesion. Competition-enhancing reforms, notably in the non-tradable sector, a better functioning of the labour markets, and an improved business environment contribute to removing obstacles to growth and investment and increasing the adjustment capacity of the economy. Member States shall regard their economic policies as a matter of common concern and coordinate them in order to enhance positive synergies and avoid negative spillovers.

Labour market and social system reforms need to be pursued to promote growth and employment, while ensuring access for all to high quality, affordable and sustainable social services and benefits. Action in the area of labour market reforms, for example wage setting mechanisms and increasing participation rates, should be pursued in line with the more detailed guidance in the employment guidelines[1].

[1] Insert cross reference to EG

Further efforts are needed to make the Union an attractive destination for talent and skills. Reforming and further integrating product markets should be continued to ensure that Union consumers and business benefit from lower prices and a wider choice of goods and services. Better-integrated markets give companies access to a substantially larger market than their own domestic market, thus providing them with more opportunities for expansion. More competitive and better-integrated product markets will also boost innovation and can help increase the speed of adjustment and resilience to economic shocks in individual Member States and for the EU as a whole.

Efforts should continue to improve the regulatory environment in which enterprises operate, to support in particular small and medium sized enterprises, and should include modernisation of public administration, reducing administrative burdens, greater transparency, the fight against corruption, tax evasion and undeclared work, the improvement of the independence, quality and efficiency of judicial systems, alongside with contract enforcement and well-functioning insolvency frameworks.

Information and communication technologies and the digital economy are important drivers of productivity, innovation and growth in all sectors of the economy. Promoting private investment in research and innovation should be accompanied by in-depth reforms to modernise the research and innovation systems, to enhance cooperation between public institutions and the private sector and to improve the broader framework conditions for companies to become more knowledge-intensive. Raising the quality and efficiency of public investments in research and innovation will continue improving the quality of public finances and could improve the long term sustainability of public finances.

Guideline 3: Removing key barriers to sustainable growth and jobs at Union level

Further integrating the Single Market, including removing remaining barriers, increasing competition and improving the business environment is key to keep Europe an attractive location for businesses both domestic and foreign. To move Europe's productivity frontier, it is necessary to increase innovation and human capital formation and to ensure an integrated well-functioning Digital Single Market. Increasing the uptake of information and communication technologies by both consumers and business can contribute to creating a borderless digital Europe and increasing productivity.

A well-functioning financial sector is key to a smooth functioning of the economy. The strengthened regulatory and supervisory provisions and consumer protection in the area of financial markets and financial institutions should be fully implemented. Measures need to be taken to build a sustainable market for securitisation in Europe, which will help improve the effective funding capacity of Union banks. Building on the achievements of the single market for financial services and capital, a genuine Capital Markets Union needs to be established.

Delivering a strong Energy Union should ensure affordable, secure and sustainable energy for businesses and households. A cost-effective implementation of the 2030 climate and energy framework and transition to a competitive, resource efficient low carbon economy should be pursued including through both demand and supply side reforms, while promoting green jobs, green technologies and innovative solutions. In this regard, the energy and transport sectors continue to require particular attention, including with respect to interconnections and infrastructure.

Union legislation should focus on those issues that are best dealt with at European level, and designed taking into account their economic, environmental and social impact. Creating a level playing field across the borders with greater regulatory predictability and in full compliance with competition rules will further attract investment. A better and more predictable business environment is particularly important in network industries characterised by long investment horizons and large-scale initial investments. The external dimension of the internal market should be further developed.

Guideline 4: Improving the sustainability and growth-friendliness of public finances

Sound public finances are key for growth and job creation. Fiscal sustainability is vital to secure investor confidence and the fiscal space necessary to counter unexpected developments and maximise the positive contribution of public finances to the economy. This also creates the appropriate conditions for supporting growth and investment. Member States should secure long term control over the deficit and debt levels. Fiscal policies must be conducted within the Union rules-based framework, notably the Stability and Growth Pact, complemented by sound national budgetary arrangements. Fiscal policies should reflect the economic conditions and sustainability risks at Member State level, while ensuring a good co-ordination of economic policies. Euro area Member States are invited to continue monitoring closely and discussing the aggregate fiscal situation of the euro area including the fiscal stance.

In designing and implementing budgetary consolidation, strategies should prioritise growth-enhancing expenditure items within areas such as education, skills and employability, research and development and innovation and investment in networks with positive impacts on productivity. Expenditure reforms should target efficiency gains in public administration;such reforms can be prepared notably by spending reviews,with a view to secure long term sustainability.

Expenditure reforms that promote efficient resource allocation to support growth and employment while preserving equity should be complemented by modernising revenue systems where necessary. A common consolidated corporate tax base should continue to be explored. Shifts towards more growth friendly taxes, while ensuring compliance with the Stability and Growth Pact, can help correct market inefficiencies and lay foundations for sustained growth and job creation. At the same time it is important to consider the distributional effects in any change in taxation. The efficiency of the tax system could be enhanced by broadening tax bases, such as removing or reducing the use and generosity of exemptions and preferential regimes, verifying the scope and effiency of tax expenditures and by strengthening the tax administration, simplifying the tax system, and combatting tax fraud and aggressive tax planning.