Council of the
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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject:	COUNCIL RECOMMENDATION on broad guidelines for the economic policies of the Member States and of the European Union

COUNCIL RECOMMENDATION (EU) 2015/…

of …

on broad guidelines for the economic policies of the Member States and of the European Union

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) thereof,

Having regard to the recommendation from the European Commission,

Having regard to the conclusions of the European Council, Whereas:

(1) The Treaty provides that Member States are to regard their economic policies as a matter of common concern and coordinate them within the Council. The Treaty further provides that broad economic policy guidelines and employment guidelines are to be adopted by the Council to guide Member State and Union policies.

(2) In accordance with the Treaty, the Union has developed and implemented policy coordination instruments for fiscal policy and macro-structural policies. The European Semester combines the different instruments in an overarching framework for integrated multilateral economic and budgetary surveillance. The streamlining and strengthening of the European Semester, as set out in the Commission's 2015 Annual Growth Survey, should further improve its functioning.

(3) The financial and economic crisis revealed and emphasised important weaknesses in the economy of the Union and its Member States. It has also underscored the close interdependence of the Member States' economies and labour markets. Moreover, the strong increase in public debt levels has created risks for fiscal sustainability. Moving the Union to a state of smart, sustainable and inclusive growth and job creation is the key challenge faced today. This requires coordinated and ambitious policy action at both Union and national levels, in line with the Treaty and Union economic governance. Combining supply and demand side measures, that policy action should encompass a boost to investment, a renewed commitment to structural reforms and exercising fiscal responsibility.

(4) Member States and the Union should also address the social impact of the crisis and aim at building a cohesive society in which people are empowered to anticipate and manage change, and can actively participate in society and the economy. Access and opportunities for all should be ensured and poverty and social exclusion reduced, in particular by ensuring an effective functioning of labour markets and social welfare systems and removing barriers to labour market participation. Member States should also make sure that the benefits of economic growth reach all citizens and all regions.

(5) Action in line with the integrated guidelines for the economic and employment policies of the Member States is an important contribution to reaching the goals of the Europe 2020 strategy for smart, sustainable and inclusive growth ('Europe 2020 strategy'). The Europe 2020 strategy should be underpinned by an integrated set of European and national policies, which Member States and the Union should implement in order to achieve the positive spillover effects of coordinated structural reforms, an appropriate overall economic policy mix and a more consistent contribution from European policies to the objectives of the Europe 2020 strategy, and in order to ensure the smooth functioning of the Economic and Monetary Union. The broad guidelines for the economic policies of the Member States and of the European Union, annexed to this Recommendation, and the relevant guidelines for employment policies form together the integrated guidelines for implementing the Europe 2020 strategy ('Europe 2020 integrated guidelines').

(6) While the Europe 2020 integrated guidelines are addressed to Member States and the Union, they should be implemented in partnership with all national, regional and local authorities, closely involving parliaments, as well as social partners and representatives of civil society.

(7) The broad guidelines for economic policies give guidance to the Member States on implementing reforms, reflecting interdependence between the Member States. They are in line with the Stability and Growth Pact. Such guidelines should form the basis for country-specific recommendations that the Council may address to the Member States,

HEREBY RECOMMENDS that Member States and, where relevant, the Union take into account in their economic policies the guidelines set out in the Annex, which form part of the Europe 2020 integrated guidelines.

Done at …,

For the Council
The President

ANNEX

Broad guidelines for the economic policies of the Member States and of the European Union
Part I of the Europe 2020 integrated guidelines

Guideline 1: Promoting investment

Increasing the level of productive investment in Europe is key to boosting demand and improving 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 Union funds, including the European Fund for Strategic Investments 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 an increased use of innovative financial instruments, where appropriate, are crucial elements in that 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 cooperation with all relevant stakeholders is key, in order to ensure a smooth carrying out of operations, adequate risk taking and maximum added value.

Guideline 2: Enhancing growth through Member States' implementation of structural reforms

Ambitious implementation of structural reforms by Member States in both product and labour markets, 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 achieve higher economic and social cohesion. Competition-enhancing reforms, in particular 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 in order 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 an increase in participation rates, should be pursued in line with the more detailed guidance set out in the employment guidelines.

Further efforts are needed to make the Union an attractive destination for talent and skills. The process of reforming and further integrating product markets should be continued to ensure that Union consumers and businesses 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 Union as a whole.

Efforts should continue to be made in order 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, a reduction in 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 procedures.

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 Europe remaining an attractive location for businesses, both domestic and foreign. In order 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 businesses 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 rules in the area of financial markets and financial institutions should be fully implemented. Measures need to be taken in order to build a sustainable market for securitisation in Europe, which will help improve the effective funding capacity of Union banks. A genuine capital markets Union needs to be established, building on the achievements of the single market for financial services and capital.

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 that 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 should be designed taking into account their economic, environmental and social impact. Creating a level playing field across 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, in particular 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 coordination 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 in particular by spending reviews, with a view to securing long-term sustainability.

Expenditure reforms that promote efficient resource allocation to support growth and employment while preserving equity should be complemented by the modernisation of 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 efficiency of tax expenditures and strengthening the tax administration, simplifying the tax system, and combating tax fraud and aggressive tax planning.