



PORTUGUESE NATIONAL ASSEMBLY

EUROPEAN AFFAIRS COMMITTEE

## **Final Opinion**

COM(2011)815

COMMISSION COMMUNICATION - Annual Growth Survey 2012



**PORTUGUESE NATIONAL ASSEMBLY**

**EUROPEAN AFFAIRS COMMITTEE**

In accordance with Articles 6 and 7 of Law No 43/2006 of 25 August 2006 on the monitoring, assessment and contribution of opinions by the Portuguese National Assembly in the context of the process of EU integration, and with the Guidelines for the scrutiny of EU initiatives, which were approved on 20 January 2010, the European Affairs Committee has received the COMMISSION COMMUNICATION entitled 'Annual Growth Survey 2012' [COM(2011)815].

Given its subject matter, the above-mentioned initiative was forwarded to the Committee for Budgetary and Financial Affairs and Public Administration, which analysed it and approved the Report which is attached hereto and forms an integral part of this Final Opinion.

At its meeting of 28 February 2012 the European Affairs Committee discussed endorsing Parts I and II of the Report approved by the Committee for Budgetary and Financial Affairs and Public Administration.

Palácio de São Bento, 29 February 2012

**Vice-Chairman of the Committee**

A handwritten signature in black ink, appearing to be 'João Serpa Oliva', written over a printed name.

**(João Serpa Oliva)**



PORTUGUESE NATIONAL ASSEMBLY

COMMITTEE ON EUROPEAN AFFAIRS

**ANNEX**

**Report by the Committee for Budgetary and Financial Affairs and Public Administration**

PORTUGUESE NATIONAL ASSEMBLY

Committee for Budgetary and Financial Affairs and Public Administration.

## **Report**

COM(2011)815

Commission Communication

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Annual Growth Survey 2012

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**PART I - INTRODUCTION**

In accordance with Article 7 of Law No 43/2006 of 25 August 2006 on the monitoring, examination and issuing of opinions by the Portuguese National Assembly in the context of the process of EU integration, Commission Communication COM/2011/815, Annual Growth Survey 2012, was sent to the Committee for Budgetary and Financial Affairs and Public Administration, in view of its subject-matter, to enable that Committee to examine the Communication and draw up this opinion.

On 16 December 2011, the proposal was sent to the members of the Committee for Budgetary and Financial Affairs and Public Administration, and João Galamba of the Socialist Group was appointed Rapporteur.

**Part II - GROUNDS**

**A - General**

The Annual Growth Survey represents the start of the 2012 European semester of economic governance. It is the basis on which the priorities for national and EU-level action for the next twelve months will be defined at the forthcoming European Council in March. These should then feed into national economic and budgetary decisions, taking up the EU country-specific recommendations and where relevant the commitments made under the Euro Plus Pact.

When it examines each Member State individually, the Commission will thus present an in-depth assessment of how the Member States have implemented the specific recommendations addressed to them in 2011 and the commitments entered into under the Euro Plus Pact, and of the annual review of the Stability and Growth Programmes and the National Reform Plans which the Member States are to submit to the European institutions by the end of April 2012.

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The conclusions of the Commission's work will subsequently be adopted by the European Council in June 2012 and, in July, forwarded to the Member States for incorporation into their draft budgets for next year. This will wind up the European semester and herald the start of the national semester.

In the context of this initiative, the European Commission therefore stresses the need to implement the first economic governance package, which has been in place since December 2011. It argues that, in order to avoid a time-lag between the taking of decisions at EU level and their implementation by the Member States, 'a sense of urgency needs to accompany the next European semester, with rapid and demonstrable follow-through by Member States of EU level guidance.'

The Commission emphasizes five priorities for action for 2012:

1a. Pursuing differentiated growth-friendly fiscal consolidation

- *Compliance with fiscal principles by countries receiving financial assistance and strengthening of consolidation efforts by the Member States with high or excessive deficits. Maintaining medium-term fiscal sustainability among the other countries.*
- *Ensuring that public spending growth lies below the rate of medium-term trend GDP growth, prioritising the promotion of growth (specifically in education, research, innovation and energy) and the reform and modernisation of pension systems.*
- *Improving the revenue component of fiscal consolidation through enhanced effectiveness, efficiency and fairness and through the option of increasing taxes, shifting the tax burden in such a way as to reduce labour costs and exploiting new sources of tax revenue.*

2a. Restoring normal lending to the economy

- *Strengthening, where necessary, the capital positions of the systemic banks.*
- Better access for the banking sector to long-term funding by applying temporary measures to limit the impact of the reform of the banking sector on loans to the real economy.
- Creation of a specific system tailored to the growing SME markets and revision of the prudential rules to ensure that they do not unduly penalise loans to SMEs, together with cooperation with the European Investment Bank on the granting of loans to SMEs.

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- Developing a new European venture capital regime that will enable EU venture capital funds to market their products and raise capital on a pan-European basis across the Single Market.
- Completing the regulation and supervision of the financial markets.

3a. Promoting growth and competitiveness for today and tomorrow

- The leveraging of growth by the Member States, particularly as regards reforms of services, network industries, the public sector, energy efficiency, waste reduction and improving the business environment and the competitiveness of companies.
- Creating a single EU digital market, making the single market in services a reality, and taking full advantage of the external market.
- Reprogramming and making better use of available funds, while also boosting co-financing rates for countries receiving financial assistance.

4a. Tackling unemployment and the social consequences of the crisis

- Mobilising labour to boost growth by reforming the mechanisms used to determine salaries, promoting mobility, combating early withdrawal from the labour market and promoting entrepreneurial activity.
- Support for employment, particularly of young people, with a particular emphasis on vocational training in higher education and on gaining work experience, with a view to helping young people integrate into the labour market.
- Protecting the most vulnerable, specifically through effective social security systems and automatic stabilisers, promotion of inclusive and activation strategies, and the provision of essential services.

5a. Modernising public administration

- Minimising the burdens arising from administration and excessive regulation, and the time it takes to set up a company.

**B- Implications for Portugal**

In the case of Portugal, the Commission's recommendation in 2011 was to implement the existing commitments entered into under the EU/IMF financial assistance programme currently in place, which involve obligations that coincide with the measures and instruments of the European semester.

**C- Analysis of and opinion on substantive issues relating to the initiative**



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In view of the negative developments in the European crisis, an analysis of this initiative raises the following issues:

- *Impact of the current fiscal consolidation strategy on confidence in the European economy*

The fiscal consolidation strategy which has been pursued in the EU and which is reinforced by the Fiscal Compact is designed to build confidence in the European economy. However, the latest IMF Fiscal Monitor notes, for example, that significantly tightening budgetary policy when the economy is shrinking may exacerbate rather than alleviate market tensions, as it will adversely affect growth. Setting aside the need for a differentiated analysis that takes account of the individual features and the financial capacity of each Member State, it may be necessary, in view of the deterioration of the economic situation in the EU and the possible decline in confidence across the whole economy, to reassess the rate of reduction of aggregate government deficits and debts within the EU.

- *Impact of the current process of deleveraging the financial sector on the volume of lending to the real economy*

There is a need for measures to shore up the stability of the banking sector in order to ensure that it is financially sound, although such measures may adversely affect the volume of lending to the real economy, particularly to SMEs. The recent liquidity-providing measures taken by the European Central Bank (ECB) - specifically the increased flexibility of guarantees and three-year loans with unlimited financing at 1% (longer-term refinancing operations, LTROs) - are designed to ease the conditions under which the banking sector provides financing. Only time will tell if this will result in an increase in the volume of lending to the economy.

- *Impact of microeconomic labour market reforms on employment policy*

The deleveraging strategy currently being implemented - in families, companies, banks and the public sector - will probably result in a contraction in domestic demand within the EU. Under these circumstances, prospects for reversing rising unemployment within the EU will be better if falling domestic demand is offset by an increase in exports (to non-EU countries). However, given the relative size of the European economy, it seems unlikely that exports alone will offset the negative impact of falling demand within the EU.

- Since growth estimates have been revised downwards, it is a good thing that unused structural funds are being deployed in order to

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stimulate activity and employment. However, the fact that these funds represent only a small proportion of the EU's GDP means that this option may not be as effective as one might wish.

**D- Principles of subsidiarity and proportionality**

This is a Commission communication, which means that it is a non-legislative initiative. It is not, therefore, subject to analysis as regards compliance with the principles of subsidiarity and proportionality.

**PART III - COMMENTS BY THE RAPPORTEUR**

The rapporteur reserves the right to give his views in the course of debate.

**PART IV - CONCLUSIONS**

In the light of the foregoing, the conclusion of the Committee on Budgetary and Financial Affairs and Public Administration is as follows:

1. This initiative is the basis on which the priorities for action at national and EU level over the next twelve months will be set at the spring Council in March. These priorities will then provide guidelines for national economic and budgetary decisions, in the light of the specific recommendations made by the EU to each individual country. It is therefore important for the Portuguese National Assembly to give its views to the European institutions in good time.
2. As the European crisis worsens, an analysis of this initiative raises the following issues, as explained above.
3. There is no need to assess the degree of compliance with the principles of subsidiarity and proportionality, as this is not a legislative initiative.
4. Without prejudice to the monitoring of the implementation of the European semester and any scrutiny of subsequent initiatives, the Committee on Budgetary and Financial Affairs and Public Administration hereby concludes its examination of this initiative.

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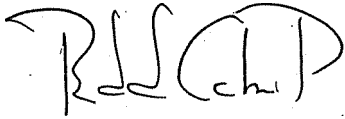
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This Report, in accordance with Law No 43/2006 of 25 August 2006, will be referred to the Committee on European Affairs for appropriate action, in particular as regards point 1 of these Conclusions.

Palácio de São Bento, 22 February 2012

Rapporteur

Committee Chairman

A handwritten signature in black ink, appearing to read 'J. Galamba', written in a cursive style.

(João Galamba)

(Eduardo Cabrita)