


Procedure file

Basic information		
COS - Procedure on a strategy paper (historic)	2001/2082(COS)	Procedure completed
Public finances: contribution to growth and employment		
Subject 4.15 Employment policy, action to combat unemployment 5.10.01 Convergence of economic policies, public deficit, interest rates		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		21/03/2001
		PPE-DE PEIJS Karla M.H.	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets		26/06/2001
		PSE COLOM I NAVAL Joan	
Council of the European Union	ITRE Industry, External Trade, Research, Energy	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2335	12/03/2001
European Commission	Economic and Financial Affairs ECOFIN	2326	19/01/2001
	Commission DG Economic and Financial Affairs	Commissioner	

Key events			
21/12/2000	Non-legislative basic document published	COM(2000)0846	Summary
19/01/2001	Debate in Council	2326	
14/05/2001	Committee referral announced in Parliament		
13/09/2001	Vote in committee		Summary
13/09/2001	Committee report tabled for plenary	A5-0306/2001	
03/10/2001	Debate in Parliament		
04/10/2001	Decision by Parliament	T5-0508/2001	Summary

04/10/2001	End of procedure in Parliament		
11/04/2002	Final act published in Official Journal		

Technical information

Procedure reference	2001/2082(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/14680

Documentation gateway

Non-legislative basic document		COM(2000)0846	21/12/2000	EC	Summary
Document attached to the procedure		COM(2001)0355	27/06/2001	EC	Summary
Committee report tabled for plenary, single reading		A5-0306/2001	13/09/2001	EP	
Text adopted by Parliament, single reading		T5-0508/2001 OJ C 087 11.04.2002, p. 0157-0228 E	04/10/2001	EP	Summary

Public finances: contribution to growth and employment

PURPOSE : to evaluate the contribution of public finances to the growth and employment. **CONTENT :** The Lisbon European Council of 23-24 March 2000 requested the Council and the Commission to present a report to the Spring 2001 European Council assessing the contribution of public finances to growth and employment, and on the basis of comparable data and indicators, whether adequate concrete measures are being taken in order to: - alleviate the tax pressure on labour and especially on the relatively unskilled and low-paid, improve the employment and training incentive effects of tax and benefit systems; - redirect public expenditure towards increasing the relative importance of capital accumulation - both physical and human - and support research and development, innovation and information technologies; - ensure the long-term sustainability of public finances, examining the different dimensions involved, including the impact of ageing populations, in the light of the report to be prepared by the High Level Working Party on Social Protection. The ECOFIN Council examined a progress report 1 at their meeting of 7 November 2000, which they considered to be a good basis for the Commission-Council report to be presented to the Stockholm European Council. The assessment of the impact of public finances on growth and employment is not straightforward. Governments pursue many policy objectives (to improve resource allocation, redistribution, stabilisation) through a variety of policy instruments regulation, spending, taxes), which inevitably means that the impact of public finances on the real economy is multiple and complex. The document underlines the need to maintain sound public finances in the third phase of EMU and examines if the recent budgetary developments indicate that the EU is on the right track. The report also studies the recent employment-friendly tax and benefit systems. Furthermore, the reform effort has been unequal with a comprehensive approach to reform of the tax system in some countries contrasting with a piecemeal approach in others. Many countries have taken steps to reduce taxes, notably employer's social security contributions, and more recently personal income taxes especially at the lower end of the earnings scale. The document examines the role of public finances for a knowledge-driven economy. Assessing the contribution of public finances to a knowledge-driven economy is timely given the ongoing debate on the 'new economy'. However, there are considerable difficulties making cross-country comparisons on public expenditures as there is a lack of data on both inputs by the public sector (i.e. a comparable functional classification of spending) or outputs (the efficiency and economic benefits of such expenditures). taxes. Greater efforts are needed to increase the investment necessary to facilitate the development of the information society. Governments must also put more emphasis on education and training in order to equip European citizens with the necessary skills for an information society, while promoting the involvement of the private sector on innovation and R&D activities. Furthermore, restructuring of public spending should be complemented by institutional and structural reforms that enhance the role of market mechanisms and introduce adequate incentive systems to promote private accumulation of physical and human capital. Lastly, the report examines the long-term sustainability of public finances with regard to the impact of the ageing population which will lead to substantial pressure for increased spending on public pensions.?

Public finances: contribution to growth and employment

This communication dedicated to 'Public Finances in EMU' reviews Member States' budgetary performance in 2000 and assesses the short and medium-term prospects. It also contains an in-depth examination of some of the most important questions in the fast evolving debate on budgetary policy at EU level. This debate is being shaped by several factors, not least a growing understanding of the challenges and constraints facing Member States in running budgetary policies in EMU. Four issues dominate the discussion on EU budgetary policy as follows: - the Stability and Growth Pact (SGP) target of budget positions that are "close to balance or in surplus", an important goal not yet

reached in several Member States: having achieved impressive budgetary consolidation in the run up to EMU, Member States committed themselves in the Broad Economic Guidelines (BEPGs) to reach the SGP target of budget positions that are "close to balance in surplus", as a rule, by the end of 2001. Respect of the SGP target is vital for the smooth functioning of EMU as it would safeguard the 3% GDP deficit ceiling and allow the automatic stabilisers to operate fully in the event of an economic slowdown; - the importance of budgetary policy delivering an appropriate policy mix both at the euro area and Member State level: the EMU is a unique policy framework in having a centralised monetary policy but decentralised budgetary policies. Member States' budgetary policy must therefore ensure an appropriate policy mix at national level, while at the same time contributing to an appropriate fiscal stance for the euro area as a whole. There is a growing need to satisfy both these objectives; - broadening the debate on budgetary policy to include the quality and sustainability of public finances: new priorities are coming to the fore now that most Member States have reduced their budgetary imbalances; - better co-ordination on budgetary questions is needed: recent events have highlighted inadequate co-ordination on budgetary questions in EMU, and consequently a failure on the shocks/challenges.?

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The committee adopted the report by Karla PEIJS (EPP-ED, NL) on the Commission communication. It called on Member States to stick to the Stability Pact and warned governments that even a temporary loosening could ruin all previous efforts at budgetary adjustment and undermine the credibility of the euro zone. The committee also reminded Member States that their budgetary consolidation process was not over, and that the bigger countries in particular had some way to go. The report noted that automatic stabilisers could only work appropriately when the fiscal situation of the country was sustainable. As for public investments, the report underlined that they were "liable to be ill-targeted and ill-managed" and any increase in such investments was likely to result in higher public debt and a higher tax burden. The committee agreed that fiscal policies should give priority to the objective of "making work pay". A reduction in labour taxes should target the lower end of the labour market and provide incentives to go back to work. The report supported a coordination of tax systems in Europe and the inclusion of an environmental component in taxes. ?

Public finances: contribution to growth and employment

The European Parliament voted 388 to 91 with 15 abstentions in favour of the resolution by Mrs Karla PEIJS (EPP-ED, NL) taking up the question of public finances and the impact on growth and employment. (Please refer to the previous text).?