

# Procedure file

Basic information			
INI - Own-initiative procedure	<a href="#">2011/2319(INI)</a>	Procedure completed	
Contribution to the annual growth survey 2012			
Subject 5.05 Economic growth			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs		29/11/2011
		PPE <a href="#">GAUZÈS Jean-Paul</a>	
		Shadow rapporteur	
		ALDE <a href="#">GOULARD Sylvie</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>INTA</b> International Trade	The committee decided not to give an opinion.	
	<b>BUDG</b> Budgets	The committee decided not to give an opinion.	
	<b>EMPL</b> Employment and Social Affairs	The committee decided not to give an opinion.	
	<b>ENVI</b> Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
<b>ITRE</b> Industry, Research and Energy	The committee decided not to give an opinion.		
<b>IMCO</b> Internal Market and Consumer Protection	The committee decided not to give an opinion.		
<b>TRAN</b> Transport and Tourism	The committee decided not to give an opinion.		
<b>REGI</b> Regional Development	The committee decided not to give an opinion.		
<b>CULT</b> Culture and Education	The committee decided not to give an opinion.		
<b>JURI</b> Legal Affairs	The committee decided not to give an opinion.		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3141</a>	24/01/2012
	<a href="#">Environment</a>	<a href="#">3139</a>	19/12/2011
European Commission	Commission DG	Commissioner	
	<a href="#">Secretariat-General</a>	BARROSO José Manuel	

Key events			
23/11/2011	Non-legislative basic document published	<a href="#">COM(2011)0815</a>	Summary
19/12/2011	Debate in Council	<a href="#">3139</a>	Summary
19/01/2012	Committee referral announced in Parliament		
24/01/2012	Debate in Council	<a href="#">3141</a>	Summary
24/01/2012	Vote in committee		
27/01/2012	Committee report tabled for plenary	<a href="#">A7-0018/2012</a>	Summary
15/02/2012	Results of vote in Parliament		
15/02/2012	Debate in Parliament		
15/02/2012	Decision by Parliament	<a href="#">T7-0048/2012</a>	Summary
15/02/2012	End of procedure in Parliament		

Technical information	
Procedure reference	2011/2319(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Strategic initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/08055

Documentation gateway					
Non-legislative basic document		<a href="#">COM(2011)0815</a>	23/11/2011	EC	Summary
Committee draft report		<a href="#">PE478.513</a>	14/12/2011	EP	
Amendments tabled in committee		<a href="#">PE478.675</a>	12/01/2012	EP	
Committee report tabled for plenary, single reading		<a href="#">A7-0018/2012</a>	27/01/2012	EP	Summary
Text adopted by Parliament, single reading		<a href="#">T7-0048/2012</a>	15/02/2012	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2012)322</a>	05/06/2012	EC	

## Contribution to the annual growth survey 2012

**PURPOSE:** to present the Annual Growth Survey 2012.

**CONTENT:** the annual growth survey is the starting point for the European Semester, which involves simultaneous monitoring of the member states' fiscal policies and structural reforms, in accordance with common rules, during a six-month period every year.

The European Semester was implemented for the first time in 2011 as part of a reform of EU economic governance. The 2012 European Semester will be the second such exercise, but the first since the establishment of a new procedure for excessive economic imbalances in the framework of the six pack on the reform of economic governance.

The Autumn forecasts for 2011-2013 published by the Commission show that economic recovery has come to a standstill and that low levels of confidence are adversely affecting investment and consumption. The impact has been particularly acute in the Euro area. As a result, GDP is likely to stagnate in the coming year and overall growth in the EU is forecast to be as low as 0.6% for 2012. Unemployment levels are likely

to remain high at around 10% in 2012 and into 2013, exacerbating the social impact of the crisis.

The growth prospects of all Member States, whether they are currently in the Euro area or not, depend on dealing decisively with the sovereign debt crisis and demonstrating that the Euro is a stable and strong currency whose members are determined and capable of implementing sound economic policies.

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The annual growth review for this year has a strong emphasis on the need to implement the agreed measures. Now that the parties reached agreement on a new form of economic governance that recognises the greater interdependence of economies of Member States, the priority must be to implement what was agreed but with a clear focus on measures conducive to growth.

CONTENT: the Commission's annual review presents a series of priority actions to be undertaken by Member States to ensure a better coordination and greater effectiveness of policies so that the European economy may lead the way in terms of sustainable growth. For 2012, it is suggested that efforts at national and EU level should focus on the following priorities:

(1) Pursuing differentiated growth-friendly fiscal consolidation: government debt levels have increased markedly by 20 percentage points on average over 2007-2010 as a result of the crisis and are expected to reach 85% of GDP in the EU and 90% in the Euro area by 2012. Member States are not all in the same situation so differentiated strategies should be pursued within the common framework, taking account of country-specific fiscal and macro-financial risks. In particular:

- Member States benefitting from financial assistance programmes and those under close market scrutiny should continue to meet agreed budgetary targets in spite of possibly changing macro-economic conditions;
- Member States with a significant adjustment gap under excessive deficit procedure, or a high deficit should step up their consolidation efforts. Possible limited downwards revisions of the main macro-economic scenario should not result in delays in the correction of excessive deficits;
- in Member States which do not have an excessive deficit, and that are on an appropriate adjustment path towards their medium-term objectives, budgetary policy can play its counter-cyclical and stabilising role, as long as medium-term fiscal sustainability is not put at risk.

On the expenditure side, Member States should keep public expenditure growth below the rate of medium-term trend GDP growth. The Commission considers that Member States should give particular attention to the following:

- prioritising growth-friendly expenditure, such as education, research, innovation and energy which are an investment in future growth;
- pursuing the reform and modernisation of pension systems.

To take better account of the need to integrate tax policy this year's Annual Growth Survey contains a new annex on growth-friendly tax policies in Member States and better tax coordination in the EU.

(2) Restoring normal lending to the economy: the bank excesses leading up to the crisis have resulted in a widespread fragility in the sector and now risk acting as a brake on economic recovery. Restoring investor confidence will require a strengthening of banks' capital positions and measures to support banks' access to funding, and will help to sever the link between the sovereign crisis and the financial sector. The objective is to address the weakness in the current regulatory and supervisory framework.

In a short-term perspective, the Commission considers that priority should be given to:

- strengthening of the capital positions of systemic banks;
- facilitating bank access to term funding by implementing temporary measures (e.g. public guarantees) so as to limit the impact of banking sector reform on the flow of credit to the real economy, avoiding the risk of further tightening credit conditions;
- creating a specific regime adapted for SME growth markets allowing them to be more visible to investors and subjecting SMEs to proportionate listing requirements;
- developing a new European venture capital regime that will enable EU venture capital funds to market their funds and raise capital on a pan-European basis across the Single Market;
- completing the implementation of a new regulatory framework for EU financial markets in accordance with G20 commitments and strengthening the new EU-level arrangements for financial supervision.

(3) Promoting growth and competitiveness: by putting particular emphasis on the digital economy, the internal market for services and external trade as well as better use of EU budget (including the potential of structural funds) in favour of growth and competitiveness.

Putting emphasis on efficient use of resources, for example, in areas such as energy efficiency and waste reduction can improve competitiveness, create new jobs and help preserve the environment. Priority should also be given to reforms to improve the business environment.

A targeted programme to accelerate growth is also necessary. To support these efforts, the Commission has identified a series of EU-level decisions which, if taken quickly, could give an immediate boost to growth. These include the 12 proposals of the "[Small Business Act](#)", which the European Parliament and the Council have already agreed to adopt by using the accelerated procedure.

(4) Tackling unemployment and the social consequences of the crisis: unemployment has increased significantly as a result, with 23 million people unemployed in the EU today. Between 2008 and 2010, the total number of young (under 25) unemployed in the EU increased by one million making it one of the groups that have been worst affected by the crisis. Moreover, one out of seven (14.4%) currently leaves the education system with no more than lower secondary education and participates in no further education and training.

To create jobs and ensure a job-rich recovery, the Commission considers that Member States should give particular priority to the following: (i) enhancing labour mobility; (ii) facilitating the recognition of professional qualifications and experience; (iii) strengthening cooperation between public employment services; (iv) supporting employment especially of young people; (v) protecting the vulnerable.

(5) Modernising public administration: the quality of public administration at EU, national, regional and local level is a determining element of competitiveness, and an important productivity factor. The on-going pressure on public finances is driving major changes and restructuring of the public sector.

The Commission considers that Member States should give priority to: (i) improving their business environments by minimising administrative burdens, including by avoiding "gold plating" when transposing EU legislation and by reducing unnecessary regulations and permits, and introducing simpler and quicker procedures, in particular in their judicial systems; (ii) ensuring that exchanges between administrations and enterprises as well as citizens can be done digitally; (iii) facilitating the creation of new businesses by implementing the commitment in the Small Business Act to reduce the time for starting up of a company to 3 days; (iv) where absorption rates of EU structural funds is low, building administrative capacity, including the necessary expertise and continuity of management, to ensure speedier disbursement of unused funds on growth-enhancing projects.

In conclusion, the Commission invites:

- the European Council to take note of this Annual Growth Survey and to task Council formations to consider it and report to the Spring European Council so that the March European Council can adopt appropriate guidance for the 2012 European semester;
- the Member States to reflect the guidance agreed by the Spring European Council in their next Stability and Convergence Programmes and their National Reform Programmes in the spring 2012.

## Contribution to the annual growth survey 2012

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The Council took note of oral information from the Commission concerning the Annual Growth Survey for 2012 ([17229/11](#) + [ADD 1](#) + [ADD 2](#) + [ADD 3](#) + [ADD 4](#)), which was published on 23 November 2011, launching the 2012 European semester of economic governance. The survey is the basis for building the necessary common understanding on the priorities for action at national and EU level for the next twelve months, which 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.

The Commission will present to the June European Council a detailed assessment of the implementation by member states of the country-specific recommendations and the Euro Plus Pact commitments in the country-by-country analysis.

It should be recalled that, for 2012, the Commission is of the opinion that efforts at national and EU level should concentrate on the following five priorities:

- 1) pursuing differentiated growth-friendly fiscal consolidation;
- 2) restoring normal lending to the economy;
- 3) promoting growth and competitiveness for today and tomorrow;
- 4) tackling unemployment and the social consequences of the crisis; and
- 5) modernising public administration.

## Contribution to the annual growth survey 2012

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The Council discussed the Commission's annual growth survey, focusing on ways at the current juncture to promote growth and employment in the short and medium term without compromising the fiscal consolidation necessary for restoring sustainability and confidence. Draft conclusions will be prepared in the light of the Council's discussion, for adoption at its meeting on 21 February 2012.

The Commission's annual growth survey outlines **priority actions** to be taken by Member States in order to ensure better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth.

### 1. Pursuing differentiated growth-friendly fiscal consolidation:

- Member States benefitting from financial assistance programmes and those under close market scrutiny should continue to meet agreed budgetary targets in spite of possibly changing macro-economic conditions;
- Member States with a significant adjustment gap under excessive deficit procedure, or a high deficit should step up their consolidation efforts. Possible limited downwards revisions of the main macro-economic scenario should not result in delays in the correction of excessive deficits;
- in Member States which do not have an excessive deficit, and that are on an appropriate adjustment path towards their medium-term objectives, budgetary policy can play its counter-cyclical and stabilising role, as long as medium-term fiscal sustainability is not put at risk.

On the expenditure side, Member States should keep public expenditure growth below the rate of medium-term trend GDP growth.

2) Restoring normal lending to the economy: the bank excesses leading up to the crisis have resulted in a widespread fragility in the sector and now risk acting as a brake on economic recovery. Restoring investor confidence will require a strengthening of banks capital positions and measures to support banks access to funding, and will help to sever the link between the sovereign crisis and the financial sector. The objective is also to address the weakness in the current regulatory and supervisory framework and enable more normal lending patterns to business and to private households, without the excessive risk taking of the pre-crisis period.

3) Promoting growth and competitiveness: placing particular emphasis on the digital economy, the internal market for services, as well as a better use of the EU budget (in particular the potential of the Structural Funds) in favour of growth and competitiveness.

4) Tackling unemployment and the social consequences of the crisis, in particular by i) promoting labour mobility, ii) facilitating the recognition of professional qualifications, iii) strengthening cooperation between public employment services, iv) restricting access to early retirement schemes while supporting longer working lives, v) improving access to lifelong learning, and vi) protecting the vulnerable.

5) Modernising public administration: the Commission is of the opinion that the Member States should give priority to the following actions: i) improving their business environments by minimising administrative burdens, reducing unnecessary regulations and permits and introducing simpler and quicker procedures in particular in their judicial systems; ii) ensuring that exchanges between administrations and enterprises, as

well as citizens, can be done digitally; iii) facilitating the creation of new businesses by implementing the commitment in the [Small Business Act](#) to reduce the time for starting up of a company to 3 days, and iv) building administrative capacity, in particular the necessary expertise to ensure speedier disbursement of unused funds on growth-enhancing projects.

The European Semester was implemented for the first time in 2011 as part of a reform of EU economic governance. The 2012 European Semester will be the second such exercise, but the first since a new procedure on excessive economic imbalances was introduced as part of the governance reform.

At its meeting on 1 and 2 March, the European Council will assess implementation of country-specific recommendations made under the 2011 European Semester and will provide guidance for 2012.

## Contribution to the annual growth survey 2012

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The Committee on Economic and Monetary Affairs adopted the own-initiative report drafted by Jean-Paul GAUZÈS (EPP, FR) in response to the Commission communication on the contribution to the Annual Growth Survey (AGS) 2012.

Members welcome the AGS 2012 as presented by the Commission as a good basis for this years European Semester. They agree with the Commissions analysis that efforts at national and EU level should concentrate on the following five priorities:

- pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation;
- ensuring long-term financing of the real economy;
- promoting sustainable growth through more competitiveness and investments;
- tackling unemployment and the social consequences of the crisis;
- modernising EU public administration and services of general interest.

Members deem however that the Annual Growth Survey falls short of what is necessary to restore confidence among European households and enterprises as well as financial markets, since it overlooks the need to take urgent action to support short-term activity and employment in investing in the EU 2020 objectives. They deplore the lack of, or unevenness in, the implementation in the Member States of guidelines agreed at the EU level, bearing in mind the necessary margin of discretion which the Member States enjoy to pursue their own policies, which prevents the agreed guidelines from unleashing their full potential to achieve EU 2020 goals.

In this context, the report makes the following recommendations:

Pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation: Members urge Member States to take the appropriate steps to correct their excessive deficits by the deadlines set by the Council and to reduce their sovereign debts to a sustainable level. They underline the fact that Member States should pursue differentiated strategies according to their budgetary situations and insist that Member States must keep their public expenditure growth below the rate of medium-term trend GDP growth provided that increased expenditure is not matched by additional discretionary revenue measures.

Member States are invited to prioritise, on the expenditure and revenue sides of the budget, growth-friendly policies, such as education, research, innovation, infrastructure and energy, and to ensure the efficiency of such expenditures and revenues. Members call for efficient, socially just and sustainable reform:

- of the pension and social security systems,
- growth-friendly tax policies in the Member States, better tax coordination and where appropriate harmonisation in the EU; encourages the Member States to improve their domestic fiscal frameworks as agreed with a view to promoting efficient and sustainable fiscal policies.

The Commission for its part is called upon to ensure the coordination of measures against tax evasion.

Ensuring long-term financing of the real economy: Members believe that more diligent and ambitious measures are required in order to enhance the resilience of the EU financial system. The report underlines the fact that restoring investor confidence will require a strengthening of the banks capital positions and measures to support their access to funding, as far as possible curtailing short-term remuneration systems and inadequate business models.

It stresses that, after having been correctly capitalised, banks should not unduly restrict lending to the real economy and therefore regulatory actions should lay the basis for an increase in their lending capacity. The Commission is invited to ensure that the European system of financial supervision maintains bank lending, in particular by those institutions that benefited from crisis-related State aid and the support of ECB liquidity lines. Members expect the Commission to make its proposals on crisis bank management before Summer 2012.

Promoting sustainable growth through more competitiveness and investments: Members are worried by the macroeconomic imbalances within the EU and the fact that many Member States, in particular those under market pressure, are falling behind in terms of productivity. They insist on the role of enhanced coordination of economic policies as well as structural reforms in tackling these problems in both deficit and surplus countries in an adequate way.

Tackling unemployment and the social consequences of the crisis: Members believe that the structural mismatch between supply and demand for labour will hinder recovery and long-term growth. They therefore calls for structural reforms in the labour market, while respecting the subsidiarity principle and ensuring social cohesion. They draw attention to the role and responsibilities of the social partners in the design and implementation of structural reforms.

Modernising EU public administration and services of general interest: the report recalls that the quality of public administration at EU, national, regional and local level is a determining element of competitiveness and an important productivity factor. Public-sector reforms are an imperative part of restoring competitiveness.

Members call for more efficiency in the delivery of public services as well as an increase in the transparency and quality of public administration and the judiciary, and further encourage reductions in the unnecessary administrative burden and red tape. They underline the

importance of monitoring and evaluating civil service performance in conformity with the subsidiarity principle. Lastly, regretting the slow pace of the implementation of EU legislation by certain Member States, Members call on the latter to deliver the agreed results concerning the quality of statistics.

Procedural framework: the committee responsible deplores the fact that the involvement of the European Parliament in the elaboration of the BEPG (Broad Economic Policy Guidelines)/AGS is not formally provided for by the Treaty, whilst Parliaments contribution to employment topics is made under the consultation procedure (Article 148(2) TFEU). It recalls that the AGS should be subject to a codecision procedure that should be introduced by the next treaty change.

Members wish to step up dialogue between EU and national institutions, in particular parliamentary institutions, where appropriate and with mutual respect and consent. They recall that the economic governance legal framework (the six pack) provides the tool of economic dialogue and should be utilised as much as possible.

The report urges the Commission to provide a detailed assessment of the implementation by Member States of the country-specific recommendations that it will make public before the June 2012 European Council. It also recalls the fact that the Council should explain its position publicly as part of the economic dialogue in Parliament when it diverges significantly from Commission recommendations and proposals.

Lastly, the Commission, the Council and the European Council are urged to agree with Parliament on a streamlined timetable for the European Semester in order to make it as effective, transparent and legitimate as possible.

## Contribution to the annual growth survey 2012

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The European Parliament adopted a resolution in response to the Commission communication on the contribution to the Annual Growth Survey (AGS) 2012.

Members welcome the AGS 2012 as presented by the Commission as a good basis for this years European Semester. They agree with the Commissions analysis that efforts at national and EU level should concentrate on the following five priorities:

- pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation;
- ensuring long-term financing of the real economy;
- promoting sustainable growth through more competitiveness and investments;
- tackling unemployment and the social consequences of the crisis;
- modernising EU public administration and services of general interest.

The resolution stresses that the solutions specifically targeting the current sovereign debt and financial crisis, on which all the institutions are working on a daily basis, should go hand in hand with a major focus on medium- and long-term growth-enhancing measures, as well as an overhaul of the general economic framework, in order to improve the sustainability and competitiveness of the European economy and ensure its long-lasting success.

Members deem however that the Annual Growth Survey falls short of what is necessary to restore confidence among European households and enterprises as well as financial markets, since it overlooks the need to take urgent action to support short-term activity and employment in investing in the EU 2020 objectives. They deplore the lack of, or unevenness in, the implementation in the Member States of guidelines agreed at the EU level.

In this context, the resolution makes the following recommendations:

(1) Pursuing differentiated growth-friendly fiscal consolidation while ensuring economic recovery and job creation: Parliament urges Member States to take the appropriate steps to correct their excessive deficits by the deadlines set by the Council and to reduce their sovereign debts to a sustainable level. It underlines the fact that Member States should pursue differentiated strategies according to their budgetary situations and insist that Member States must keep their public expenditure growth below the rate of medium-term trend GDP growth provided that increased expenditure is not matched by additional discretionary revenue measures.

Member States are invited to prioritise, on the expenditure and revenue sides of the budget, growth-friendly policies, such as education, research, innovation, infrastructure and energy, and to ensure the efficiency of such expenditures and revenues. Members call for efficient, socially just and sustainable reform:

- of the pension and social security systems,
- growth-friendly tax policies in the Member States, better tax coordination and where appropriate harmonisation in the EU; encourages the Member States to improve their domestic fiscal frameworks as agreed with a view to promoting efficient and sustainable fiscal policies.

The Commission for its part is called upon to ensure the coordination of measures against tax evasion.

(2) Ensuring long-term financing of the real economy: Members believe that more diligent and ambitious measures are required in order to enhance the resilience of the EU financial system. The resolution underlines the fact that restoring investor confidence will require a strengthening of the banks capital positions and measures to support their access to funding, as far as possible curtailing short-term remuneration systems and inadequate business models.

It stresses that, after having been correctly capitalised, banks should not unduly restrict lending to the real economy and therefore regulatory actions should lay the basis for an increase in their lending capacity. The Commission is invited to ensure that the European system of financial supervision maintains bank lending, in particular by those institutions that benefited from crisis-related State aid and the support of ECB liquidity lines. Parliament expects the Commission to make its proposals on crisis bank management before Summer 2012.

Parliament supports the creation of project bonds designed to contribute to the financing of key infrastructure projects in order to promote sustainable growth and jobs.

(3) Promoting sustainable growth through more competitiveness and investments: Members are worried by the macroeconomic imbalances within the EU and the fact that many Member States, in particular those under market pressure, are falling behind in terms of productivity.

They insist on the role of enhanced coordination of economic policies as well as structural reforms in tackling these problems in both deficit and surplus countries in an adequate way.

(4) Tackling unemployment and the social consequences of the crisis: Parliament believes that the structural mismatch between supply and demand for labour will hinder recovery and long-term growth. It therefore calls for structural reforms in the labour market, while respecting the subsidiarity principle and ensuring social cohesion. It draws attention to the role and responsibilities of the social partners in the design and implementation of structural reforms.

(5) Modernising EU public administration and services of general interest: the resolution recalls that the quality of public administration at EU, national, regional and local level is a determining element of competitiveness and an important productivity factor. Public-sector reforms are an imperative part of restoring competitiveness.

Members call for more efficiency in the delivery of public services as well as an increase in the transparency and quality of public administration and the judiciary, and further encourage reductions in the unnecessary administrative burden and red tape. They underline the importance of monitoring and evaluating civil service performance in conformity with the subsidiarity principle. Lastly, regretting the slow pace of the implementation of EU legislation by certain Member States, Members call on the latter to deliver the agreed results concerning the quality of statistics.

(6) Procedural framework: the resolution deplores the fact that the involvement of the European Parliament in the elaboration of the BEPG (Broad Economic Policy Guidelines)/AGS is not formally provided for by the Treaty, whilst Parliament's contribution to employment topics is made under the consultation procedure (Article 148(2) TFEU). It recalls that the AGS should be subject to a codecision procedure that should be introduced by the next treaty change.

Stressing that the European Semester is now part of EU secondary legislation, Parliament wishes to step up dialogue between EU and national institutions, in particular parliamentary institutions, where appropriate and with mutual respect and consent. They recall that the economic governance legal framework (the six pack) provides the tool of economic dialogue and should be utilised as much as possible.

Members invite the Commission to present future surveys under the title Annual Sustainable Growth Guidelines. Parliament also urges the Commission to provide a detailed assessment of the implementation by Member States of the country-specific recommendations that it will make public before the June 2012 European Council. It also recalls the fact that the Council should explain its position publicly as part of the economic dialogue in Parliament when it diverges significantly from Commission recommendations and proposals.

Lastly, the Commission, the Council and the European Council are urged to agree with Parliament on a streamlined timetable for the European Semester in order to make it as effective, transparent and legitimate as possible.