

## **EAPN Amendments to Integrated Guidelines: Economic Policies and Recital 6**

See proposed amendments in **yellow highlighting** and omissions in ~~cross-out~~.

### **ANNEX**

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

##### **Guideline 1: Boosting **smart, sustainable and inclusive** investment**

Increasing the level of productive investment in Europe is key to boost demand and improve competitiveness and long term **smart, sustainable and inclusive** growth potential in Europe. Efforts should focus on mobilising finance for investment, **including social investment**, making finance reach the real economy and improving the investment environment.

The potential of EU funds, including the European Fund for Strategic Investment and structural funds, and national funds to finance **smart, sustainable and inclusive** growth enhancing investments in key areas should be fully exploited. Priority should be given to areas **which exhibit social as well as economic added value and contribute to the Europe 2020 Strategy's objective of smart, sustainable and inclusive growth and to its headline targets**. The result-oriented management of funds as well as increasing the use of innovative financial instruments, **including a comprehensive ex-ante social, environmental and equality impact assessment** 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 an European investment advisory hub, **including independent social investment experts**, under the auspices of the European Investment Bank and the establishment of a transparent pipeline of projects, both at European and national level. Close cooperation with all relevant stakeholders, **including social partners and civil society organisations**, is key, in order to ensure smooth carrying out of operations, adequate risk taking and maximum **social as well as economic** value added. Macroeconomic and financial stability, as well as regulatory predictability and openness and transparency of its financial sector, are critical elements for keeping the Union an attractive host for foreign financial investment.

##### **Guideline 2:**

##### **Enhancing **smart, sustainable and inclusive** growth by the Member States implementation of structural Reforms.**

Ambitious implementation of structural reforms by the Member States in both product and **inclusive** labour markets and to ensure **well-functioning and adequate** social welfare systems is crucial to strengthen and sustain the economic recovery, correct harmful macro-economic

and social imbalances and unleash the potential of the Union economies. This would also help in achieving economic and social cohesion. Competition-enhancing reforms, notably in the non-tradable sector, a better functioning of the inclusive labour markets, and an improved business environment contribute to removing obstacles to smart, sustainable and inclusive growth and investment and increasing the adjustment capacity of the economy. Member States should coordinate closely such reforms and regard their economic policies as a matter of common concern in order to maximise positive spillovers and minimise negative ones. Labour market and social system reforms need to be pursued to promote inclusive and sustainable growth and quality employment, including decent statutory minimum wage and inclusive labour markets, while ensuring access for all to high quality, adequate, affordable and sustainable social protection, public services and benefits. Action in the area of labour market reforms, including wage setting mechanisms, should be pursued in line with the more detailed guidance in the employment guidelines<sup>1</sup>. Actions on legal migration should make the Union an attractive destination for talent and skills, and guarantee fundamental rights.

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 quality goods and services, whilst preserving quality employment. 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 can also help increase the speed of adjustment and resilience to economic shocks.

Efforts should continue to streamline the regulatory environment in which enterprises operate, whilst promoting quality work and ensuring adequate employment protection, and should include modernisation and increased quality of public administration, greater transparency, the fight against corruption, tax evasion and avoidance and undeclared work, the improvement of the independence, quality, access and affordability as well as 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, as well as potential generators of social inclusion and cohesion. 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 and non-profit sector and to improve the broader framework conditions for companies to become more knowledge-intensive. Raising the quality of public investments in research and innovation will continue improving the quality of public finance.

### **Guideline 3: Removing key barriers to smart, sustainable and inclusive growth and jobs at Union level**

Further integrating the Single Market, increasing competition, and improving the business Environment, whilst guaranteeing social rights, is key to keep Europe an attractive location for businesses both domestic and foreign, supporting internal consumer demand and quality employment. To move Europe's productivity frontier, it is necessary to increase innovation and social investment in people and human capital and to ensure an integrated well-

functioning, **and inclusive** Digital Single Market. Increasing the **access and** uptake of information and communication technologies by both consumers and business can contribute to creating a borderless, **more inclusive**, 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 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. Implementation of the 2030 climate and energy framework and transition to a resource efficient low carbon economy should be pursued including demand and supply side reforms, **safeguarding against social impact on low-income households and increasing energy poverty through comprehensive impact assessment**. In this regard, the energy and transport sector require particular attention.

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 **inclusive** growth-friendliness of public finances**

Stable, **and adequate** public finances are key for **smart, sustainable and inclusive** growth and **quality** 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. Member States should secure long term control over the deficit and debt levels, **whilst ensuring that sufficient social investments are made to promote social cohesion, inclusive growth and shared prosperity**. Fiscal policies must be conducted within the Union rules-based framework complemented by sound national budgetary arrangements. Fiscal policies should reflect the economic **and social** conditions and sustainability risks at Member State level, while ensuring a good co-ordination of economic **and social** policies and a coherent fiscal stance across the Union and the euro area, making use of fiscal space where available to support **smart, sustainable and inclusive** growth and investment.

In designing and implementing budgetary consolidation, strategies should prioritise **smart, sustainable and inclusive** growth-enhancing expenditure items within areas such as **quality comprehensive** education, skills and, **quality job creation** and **inclusive labour markets**

employability, research and development and innovation and investment in networks with positive impacts on productivity, quality job-creation and social inclusion for example high-speed Internet, energy and transport interconnections, social and health infrastructure, as well as social investment in people and automatic stabilisation systems ensuring adequate universal social protection through the life cycle. Expenditure reforms should target efficiency gains in public administration, rather than reductions in the scope or quality of public services; such reforms can be prepared notably by spending reviews, embedding social and environmental impact assessment, with a view to secure long term sustainability.

Expenditure reforms that promote efficient and equitable resource allocation to support inclusive growth and quality employment while preserving equity should be complemented by modernising revenue systems. Common consolidated corporate tax base should be pursued and tax evasion and avoidance tackled. Reducing taxation on labour, particularly low-wage employees, while ensuring adequate financing for social protection, promoting progressive tax reform ensuring budget-neutrality by shifting it towards progressive income tax consumption taxes, recurrent taxes on immovable property, inheritance and wealth taxes, environmental taxes can help correcting market inefficiencies and lay foundations for a sustained rates of smart, sustainable and inclusive growth and quality job creation, whilst reducing inequality by sharing more fairly prosperity and the benefits of growth. The efficiency and effectiveness of the tax system can be enhanced by broadening tax bases, such as removing or reducing the use and generosity of exemptions and preferential regimes, and by strengthening the tax administration, simplifying the tax system, and combatting tax fraud and aggressive tax planning.

## Recital 6

(6) When designing and implementing national policies, Member States should ensure effective governance. While the Europe 2020 Strategy and these guidelines are addressed to Member States and the Union, they should be designed, implemented, monitored and evaluated in partnership with all national, regional and local authorities, closely associating parliaments, as well as social partners and representatives of organized civil society.