



# **ECONOMIC GOVERNANCE REVIEW - SOME LESSONS LEARNED -**

Kajus Hagelstam, 10 March 2022



European Parliament

- 
- **SCOPE OF THE EUROPEAN SEMESTER**
  - **ROLE OF THE EP**

# 2019 COUNTRY SPECIFIC RECOMMENDATION (“PRE-PANDEMIC”)

Broad Category	Policy areas	AT	BE	BG	CY	CZ	DE	DK	EE	EL*	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK		
Public finances & taxation	Fiscal policy & fiscal governance																														
	Long-term sustainability of public finances, inc. pensions																														
	Reduce the tax burden on labour																														
	Broaden tax bases																														
	Reduce the debt bias																														
	Fight against tax evasion, improve tax administration & tackle tax avoidance																														
Financial sector	Financial services																														
	Housing market																														
	Access to finance																														
	Private indebtedness																														
Labour market, education & social policies	Employment protection legislation & framework for labour contracts																														
	Unemployment benefits																														
	Active labour market policies																														
	Incentives to work, job creation, labour market participation																														
	Wages & wage setting																														
	Childcare																														
	Health & long-term care																														
	Poverty reduction & social inclusion																														
	Education																														
	Skills & life-long learning																														
Structural policies	Research & innovation																														
	Competition & regulatory framework																														
	Competition in services																														
	Telecom, postal services & local public services																														
	Energy, resources & climate change																														
	Transport																														
Public administration & business environment	Business environment																														
	Insolvency framework																														
	Public administration																														
	State-owned enterprises																														
	Civil justice																														
	Shadow economy & corruption																														

\* This coverage excludes the recommendation on continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018.

■ Policies covered in the 2019 CSRs

# 2020 EUROPEAN SEMESTER RECOMMENDATION (“PANDEMIC TIMES”)

## Economic stability



The recommendations reflect the activation of the general escape clause, allowing Member States to temporarily depart from budgetary requirements in order to preserve jobs, help companies and support a robust recovery.

A supportive fiscal stance is currently warranted in all Member States to facilitate the recovery of consumption, investment and growth.

## Social fairness



It is of utmost importance to preserve jobs, provide adequate unemployment benefits and income replacement to all workers. As people return to their workplace, ensuring occupational health and safety is also key. Guaranteeing people the right to develop their skills, in particular digital ones, will be a top priority. Our collective efforts must also focus on tackling inequalities and poverty, and protecting vulnerable groups.

## Green Deal



Investing for the recovery creates the opportunity to reshape the EU economy and set it firmly on a sustainable footing. National authorities should identify projects that can boost climate neutrality, especially in the industrial and transport sectors. The European Green Deal and the implementation of the National Energy and Climate Plans should guide investments.

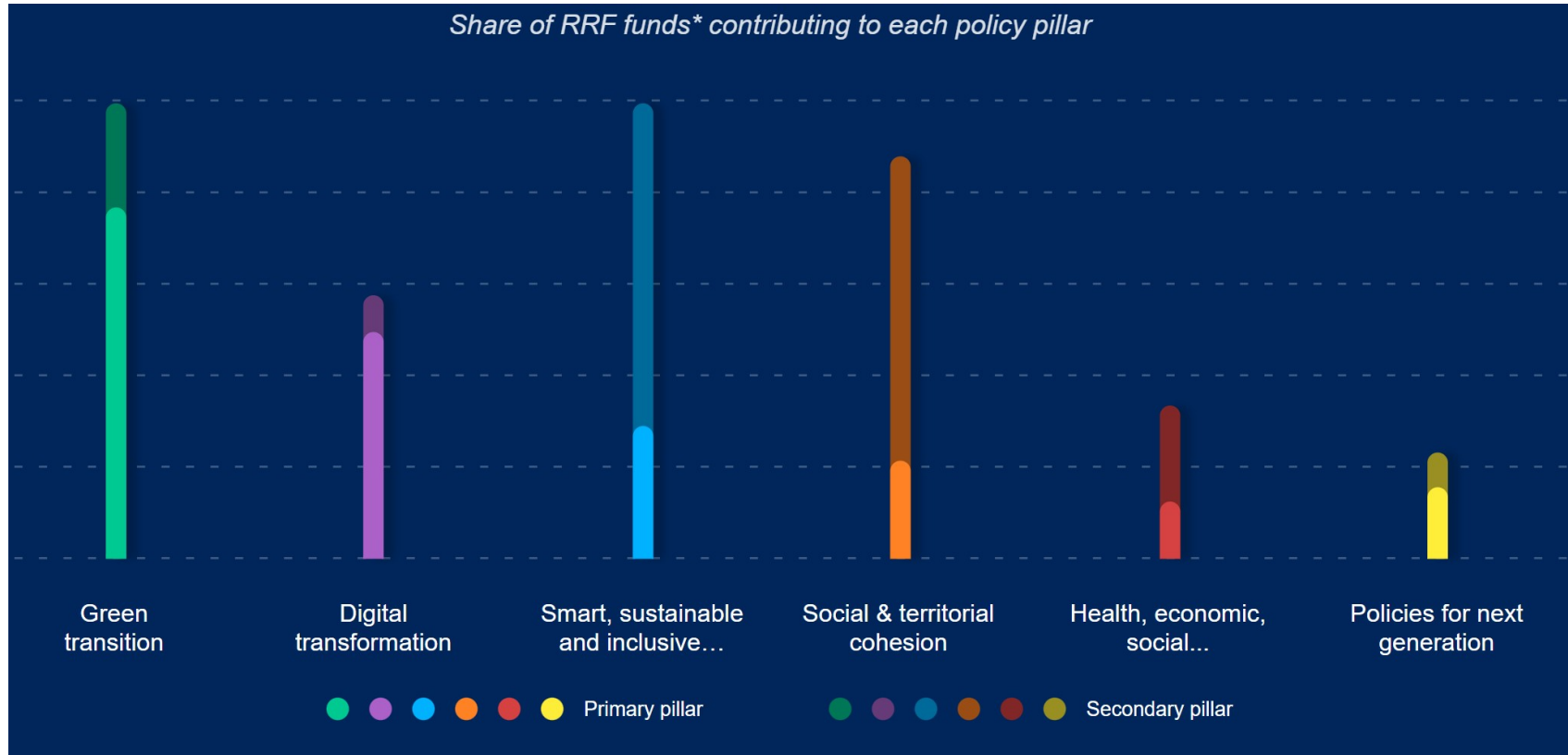
## Productivity



Stronger productivity growth and a smooth functioning of the Single Market are crucial to securing a robust recovery. Policies should promote innovation, investment in digitalisation, education, skills and training, a supportive investment environment and well-functioning labour markets.

Source: European Commission

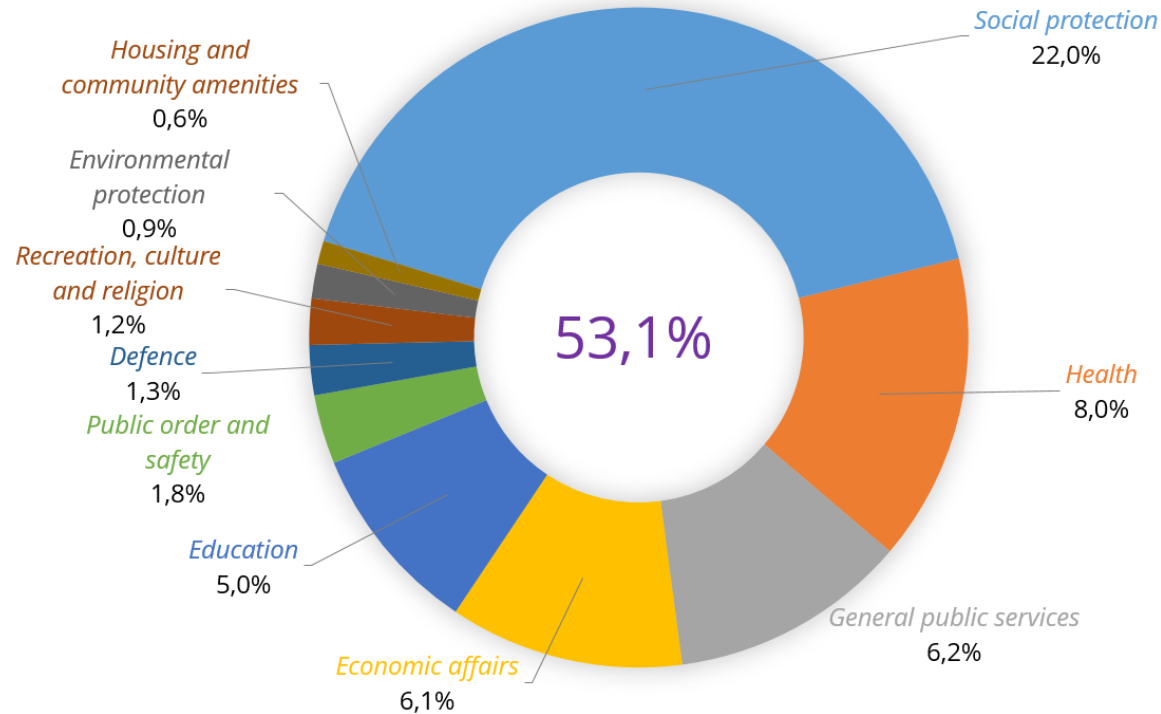
# THE 6 POLICY PILLARS OF THE RRF (“PANDEMIC RECOVERY TIMES”)



Source: European Commission

# BUDGET EXPENDITURES IN EU MEMBER STATES (IN 2020 % GDP)

General government expenditure by function in the EU (2020, % of GDP)



Source: Eurostat

## EU SURVEILLANCE – HOW TO MAKE A DISTINCTION BETWEEN VARIOUS OBJECTIVES?

- Comprehensive policy recommendations supporting **sustainable growth** (open method of coordination + financial incentives?)
- Avoiding non-sustainable **fiscal policies** in EMU e.g. avoiding any default, bail-out, negative spill-overs among EA Member States (rule based + financial sanctions?)
- Avoiding **macro-economic imbalances** inside EMU (rule based + financial sanctions?)
- Avoiding any “free-riding” on joint **climate targets** (rule based + financial sanctions?)
- Supporting **digital transformation** (new surveillance cycle for digitalisation of the economy)
- Enhancing EU level **fiscal capacity** for common objectives / supranational public goods (+ progress on EU own resources)

# THE PRINCIPLE OF DUAL LEGITIMACY IN EU

Based on the European principle of democracy (Article 10(2) TEU)

The Community method reflects the **dual legitimacy** concept:

- the **European Parliament** as a representative of the **Union** (based on direct elections), and
- the **Council of the EU** as a representative of the **Member States**, legitimised by the national parliaments.

# THE ROLE OF THE EP

- I. **Policy debate and orientations** (e.g. Semester, RRF)
- II. **Legislator** (e.g. SGP, MIP, RRF)
- III. **Budgetary Authority**
- IV. **Oversight/Accountability:** Monetary Dialogues / Economic Dialogues / Recover and Resilience Dialogues / Banking Union Hearings
- V. **Inter-parliamentary co-operation** (e.g. EPW)

# DEBATE WITH EU NATIONAL PARLIAMENTS 15-16 FEBRUARY 2022

## EUROPEAN PARLIAMENTARY WEEK 2022



## EU ECONOMIC GOVERNANCE FROM A PARLIAMENTARY PERSPECTIVE

CO-ORGANISED:

by the European Parliament and the National Assembly and the Senate of France

European Parliament  
National Parliaments

