

EUROPEAN PARLIAMENTARY WEEK 2021

22 FEBRUARY 2021

EUROPEAN PARLIAMENT,
BRUSSELS



EU ECONOMIC GOVERNANCE FROM A PARLIAMENTARY PERSPECTIVE

CO-ORGANIZED:

by the European Parliament
and the Portuguese Assembleia da República

BACKGROUND
NOTE

European Parliament
National Parliaments

European Semester Conference - Inter-parliamentary Conference on Stability, Economic Coordination and Governance in the EU

Monday

22 February 2021

Plenary session

Opening session: Investing in our climate, social and economic resilience: What are the main policy priorities? and

Panel discussion: The preparations of national recovery and resilience plans: where do we stand?

The Recovery and [Resilience](#) Facility (RRF) Regulation, recently agreed by the European Parliament (EP) and the Council, is at the core of the [European Union Recovery Plan](#), a wide package of initiatives aimed at meeting the calls by the [European Parliament](#) and by the [European Council](#) for coordinated and decisive action at EU level to mitigate the negative consequences of the COVID-19 crisis. The RRF Regulation links the Facility to EU's climate, economic and social policy objectives, notably in the context of the European Semester for economic policy coordination.

To finance the recovery, a new instrument has been agreed, the European Union Recovery Instrument ([EURI](#)). Bonds issued under EURI will finance the RRF once Member States have ratified the change to the ceiling of the EU's own resources decision. As part of the agreement on the recovery plan, a [roadmap](#) for new EU own resources has been agreed.

The Facility foresees disbursement of EU funds to Member States through grants and loans, once the packages of reforms and investments presented in their Recovery and Resilience Plans (RRPs) are approved and upon implementation of the agreed milestones and targets; pre-financing is foreseen once the plans are agreed. Such reforms and investments should support economic recovery, address Member States' structural weaknesses, and make their economies more resilient. The plans should focus on six identified pillars:

- a. Green transition;
- b. Digital transformation;
- c. Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity,

competitiveness, research, development and innovation, and a well-functioning single market with strong small and medium enterprises;

- d. Social and territorial cohesion;
- e. Health, and economic, social and institutional resilience; and
- f. Policies for the next generation, children and youth, including education and skills.

The Facility should support projects that respect the principle of additionality of Union funding and it should not be a substitute for recurring national expenditures, unless for duly justified cases.

The Commission has provided the planned allocation of funds from the different pillars of the Next Generation EU, including the breakdown of grants to each Member State from the RRF. The Commission further stated that it will not propose specific recommendations in 2021 for Member States submitting a plan, except on fiscal matters - as required by the Stability and Growth Pact - and will take into account the general escape clause.

Member States are currently preparing and discussing their RRFs following the objectives of RRF Regulation and relevant [EU level guidance](#). Design of such plans can benefit from involving the relevant national stakeholders and it should address challenges identified in the European Semester, particularly the [country-specific recommendations adopted by the Council](#). The plans are due to be submitted to EU level by 30 April and may be submitted in a single integrated document together with the National Reform Program.

In what concerns the current state-of-play on national parliaments' involvement in the design and assessment of RRFs, information available show mixed approaches and different degree of parliamentary involvement at the preparatory stage. Many parliaments may not have formal powers to approve the RRFs but, nevertheless, the large majority have shown interest in (and initiated procedures allowing to) discussing the plans, either in plenary or in specific committees.

In many cases, discussions on RRP are part of an obligation for the government to keep the chamber fully informed of European affairs. Some parliaments have devised specific procedures to assess the RRP. Some parliaments have already been given (and discussed) preliminary information by their executives. A number of parliaments plan to discuss RRP in conjunction with national budgets, national Stability and Convergence Programmes, National Reform Programmes or other instruments with budgetary implications. A number of parliaments have already planned specific outputs in the form of resolutions, opinions or approval of bills. A number of parliaments have received information from their executives ahead of any formal adoption of the draft plans being prepared.

The [35th Biannual report of COSAC](#), due to be presented in May 2021, will have a specific chapter dedicated to "Next Generation EU: scrutiny of National Recovery and Resilience Plans – implications for the European Semester". Particular emphasis will be placed on the possible involvement of national Parliaments/Chambers in the process, as well as on analysing potential best practices regarding future governance and monitoring of their implementation within the framework of the European Semester.

Committee on Budgets (BUDG)

Theme: The EU budget at the centre of the Recovery Plan. Next Generation EU, Multiannual Financial Framework (MFF) and Own Resources: New intersections between the competences of the EP and national parliaments?

Traditionally, the EU budget has been largely expenditure-driven, strictly capped by the ceilings of the multiannual financial framework (MFF). With an annual volume of around EUR 150 billion (equivalent to 1% of EU gross national income - GNI), its added value relies on efficient use of the available funds and on its capacity to leverage national public and private co-financing.

Similarly, the revenue side has been dominated by the GNI-based own resources, i.e. national contributions from Member States.

The architecture of the EU Recovery Plan signifies a sea change for the functions and the potential impact of the EU budget:

- The [Next Generation EU](#) scheme endows the EU budget with additional - albeit temporary - means for expenditure, and allows a broader scope of intervention, including crisis reaction capacity.

Collective financial firepower is designed to create synergies by aligning efforts to tackle economic recovery, national reforms and the objectives of the European Green Deal and the Agenda 2030.

- The leveraging of private investments will be vastly enhanced by EU guarantees and the provisioning for guarantee funds, not least in cooperation with the EIB and guided by principles of sustainable finance.
- The supplementary headroom under the own resources ceiling - pending ratification of the [Own Resources Decision](#) by all EU Member States - will allow the EU to issue bonds and borrow funds in unprecedented amounts. The EU's excellent credit worthiness can thus be beneficial for the joint efforts under the EU Recovery Plan.
- According to the recently adopted [Interinstitutional Agreement](#), the long-term repayment of the incurred debt should be re-financed primarily by revenues from new EU own resources. This would avoid serious 'crowding-out risks' under the MFF ceilings or a spike in additional national contributions.

Some framing questions for participants:

- *What would be the best 'division of labour' between national public finances and the EU budget in addressing the double-challenge of supporting economic recovery while driving - simultaneously - the digital and green transitions?*
- *How can national parliaments and the European Parliament (and in particular the respective budget committees) provide additional scrutiny, legitimacy and accountability for the various building blocks of the EU Recovery Plan? What are their respective roles and how can they complement and help each other in the process?*
- *What would be the most efficient steps to make progress on the EU road map for new own resources?*

Committee on Economic and Monetary Affairs (ECON)

Theme: Resilience and Recovery from the COVID-19 crisis: Economic and fiscal priorities for investment and reforms

The European Union Recovery Plan is the largest EU fiscal stimulus and investment package and an unprecedented joint EU's answer to the health, economic and social crisis caused by the COVID-19 pandemic. The success of the Recovery Plan will largely depend on responsible and efficient spending of the EU funds: Similarly, the revenue side has been dominated by the GNI-based own resources, i.e. national contributions from Member States.

1. to counteract the economic and social damage caused by the pandemic;
2. to gear investments and reforms towards a just green and digital transitions and policies for the next generation; and
3. to promote convergence, enhance resilience and crisis preparedness, while counteracting internal imbalances.

The national Recovery and Resilience Plans (RRPs) should be consistent with the relevant [country-specific challenges](#) and priorities identified in the context of the European Semester, as well as challenges and priorities identified in the most recent [Council recommendation on the economic policy of the euro area](#) for Member States whose currency is the euro.

The Recovery and Resilience Facility (RRF) represents both an opportunity and a challenge for the European and the national parliaments, notably in what concerns spending decisions and governance. National parliaments have an important role in the design of policy choices and in scrutinising their implementation, while the European Parliament will have a decisive role in the scrutiny of the RRF.

Some framing questions for participants:

- *What role and opportunities do you see for both the European and the national parliaments in the context of the RRF? What strategies, political arrangements and institutional setup do you plan to assess policy choices and to ensure parliamentary scrutiny of the implementation of the RRFs?*
- *How to best achieve consistency between the RRFs and the National Reform Programmes under the 2021 European Semester?*
- *How to ensure that RRF funds are fairly and efficiently spent in line with the objectives of the just, green and digital transition and focus on convergence and resilience to reduce macroeconomic imbalances?*
- *How to involve local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders in designing or analysing national RRFs?*

Committee on Employment and Social Affairs (EMPL)

Theme: Strengthening and implementing the Social Dimension: How to integrate the European Pillar of Social Rights into the recovery and resilience plans?

The European Parliament, the Council and the Commission proclaimed the [European Pillar of Social Rights](#) (EPSR) at the Social [Summit for Fair Jobs and Growth](#) in Gothenburg, Sweden, on 17 November 2017. The Pillar sets out [20 key principles](#) and rights to support fair and well-functioning labour markets, structured around three chapters:

- [equal opportunities and access to the labour market](#),
- [fair working conditions](#),
- [social protection and inclusion](#).

The Pillar is the first set of social rights proclaimed by EU institutions since the [Charter of Fundamental Rights](#) in 2000.

The EPSR calls for two main actions: modernising existing legislation to better fit the present reality of the world of work and societal patterns, and developing employment and social benchmarks in order to foster upward convergence in the euro area and possibly beyond.

The President of the European Commission, Ursula von der Leyen, signalled in her [speech](#) before Parliament in July 2019, her commitment to the Pillar. In her [political guidelines](#), the Commission President further announced additional actions to implement the principles and rights.

While delivery on the EPSR is mostly in Member States hands - including social partners and civil society - the European Union institutions, and the European Commission in particular, can help by setting the framework and giving direction.

As defined in the [European Council Strategy agenda 2019-2024](#), the EPSR should be implemented at EU and Member State level, with due regard for the respective competences. Inequalities, which affect young people in particular, pose a major political, social and economic risk; generational, territorial and educational divides are developing and new forms of exclusion emerging.

The Commission is expected to bring forward the Action Plan on the European Pillar of Social Rights in March 2021.

One may note also the importance of the social dimension as incorporated in the [RRE](#). The scope of the regulation refers to six European priorities structured in

pillars, and two of them are of particular interest to the remit of Employment and Social affairs:

- the social and territorial cohesion, taking into account the objectives of the EPSR;
- policies for the Next Generation, taking into account the objectives of the [European Skills Agenda](#), the [Youth Guarantee](#) and the [Child Guarantee](#).

Some framing questions for participants:

- *Within the new political context and of the COVID-19 crisis, does the European Pillar of Social Rights need to be updated, in particular, with regards to work and rights in the digital age (platform work, teleworking and the right to disconnect)?*
- *Many citizens are suffering because of the COVID-19 crisis. This includes people who lost their jobs and ended up below the poverty line, women that are in need of help or shelter because of the increased domestic violence during the lockdowns and people in need of medical help. Many of the non-governmental and charitable organisations helping these people have lost their income from private sponsors and need financial support from the state. How can the EU recovery plan and the RRFs support the most vulnerable in the society? What role for non-governmental and charitable organisations?*
- *Amidst increasing levels of job polarisation, how can the RRF be leveraged towards res-skilling/upskilling activities as well as encouraging reforms in order to increase the appeal and labour market effectiveness for young people?*
- *How can we ensure effective social nets and up/re-skilling policies for workers impacted by the green transition?*

Committee on Environment, Public Health and Food Safety (ENVI)

Theme: The Recovery and Resilience Plan: Synergies between the European Green Deal and the path towards building a more resilient European Health Union

The [Green Deal](#) places sustainability at the heart of the EU's economic policymaking. As the EU continues to strive for "an economy that works for people and the planet," while fighting a pandemic, it is now more relevant than ever that the concept of sustainable growth is used as a guiding principle for the RRP. In fact, promoting synergies amongst the pillars of climate and environmental sustainability, productivity, fairness, and resilience will be key to guarantee a robust recovery for Europe, thus enabling an acceleration of the green transition the achievement of the Green Deal objectives. Further tools, such as [InvestEU](#) and the measures framed under the Sustainable Europe Investment Plan, can assist the European Union playing a catalysing role for private and public green investments.

The Green Deal and the objective of a carbon neutral Union by 2050 may also provide a unique opportunity for a stronger Union. It will give guidance to Member States on where reforms and investments are most needed, strengthening and accelerating the transition to a more sustainable, resilient and inclusive Union. Furthermore, the European Semester plays a key role in supporting Member States in delivering on the Sustainability Development Goals (SDG). Many policies may support the re-foundation of the European economy and the achievement of Union's Climate Neutrality objective by 2050 and the zero pollution ambition, such as renewable energy, energy efficiency, renovation, sustainable mobility, circular economy and biodiversity strategies.

While the EU and its Member States work hard towards rebuilding a greener, fairer, more sustainable economy, unexpected challenges can arise. Protecting the health of EU citizens, including by preventing and addressing future pandemics and improving the resilience of Europe's health systems, is not a stand-alone objective, but converges deeply with the Climate and Environmental agendas of the Union and, as such, is also pivotal to ensure that the Union can deliver on its Green Deal objectives.

Some framing questions for participants:

- *Can the pandemic crisis we are facing be a catalyst for a greener rebuild of our economies? How can parliamentarians better contribute to aligning Member States' Recovery Plans and sustainable recovery and growth, in particular in view of the target of Climate neutrality by 2050?*
- *How can national parliaments and the European Parliament (and in particular the respective environment and health committees) provide additional scrutiny, legitimacy and accountability for ensuring that the EU recovery is in line with and concurs to the achievement of the overall Green Deal objectives?*
- *What are the top primacy actions to ensure that the European Semester priorities take into account the Green Deal objectives and the European contribution to SDG targets? Can the sharing of best practices play a role in the deployment of a greener European Semester?*

