



Deutscher Bundestag

**Conference folder for the participants in the  
video conference:**

**Interparliamentary Conference on Stability, Economic  
Coordination and Governance in the European Union**

Berlin, 12<sup>th</sup> October 2020



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## **Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union, 12 October 2020**

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## Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union, 12 October 2020

### Programme videoconference

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<b>Monday, 12 October 2020</b>
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10.30 –  
10.45 hrs      **Welcome and opening remarks** by Dr Wolfgang Schäuble,  
President of the German Bundestag

10.45 –  
12.15 hrs      Session I:  
**New partnership: will monetary policy now receive the requested fiscal support?**

Chair: Dr Andre Berghegger, MP

Keynote statements:

- Dr Isabel Schnabel, Member of the Executive Board of the ECB
- Olaf Scholz, Federal Minister of Finance

*Potential topics: Between price stability and supporting economic policy: the ECB's tools and limitations. Between budgetary discipline and economic stimuli: Fiscal policy's tools and tasks. Next Generation EU: Beginning to complete economic and monetary union through a common fiscal policy? What has changed since the financial and sovereign-debt crisis? Expansive fiscal policy and expansive monetary policy: can the two work together in the long run?*

#### **Discussion**

12.15 –  
12.45 hrs      Break

12.45 –  
14.15 hrs      Session II:  
**The future of the European fiscal rules: are they still constructive?**

Chair: Dr Hans Michelbach, MP

Keynote statements:

- Klaus Regling, Managing Director of the ESM
- Paolo Gentiloni, EU Commissioner for Economy

*Potential topics: Do the European fiscal rules still pass a reality test? Are the rules still relevant today? How to return to the rulebook? Necessity to change methods, indicators and rules on expenditure (moving away from structural deficit, golden rule for investments, Stability and Growth Pact, review of the Six-Pack and Two-Pack)? Shaping this democratically: how can the national parliaments and the European Parliament be involved to a greater extent?*

#### **Discussion**

14.15 –  
14.45 hrs

Break

14.45 –  
16.15 hrs

Session III:

**Europe in recovery – what are the next steps?**

Chair: Oliver **Wittke**, MP

Keynote statements:

- Peter **Altmaier**, Federal Minister of Economic Affairs and Energy
- Valdis **Dombrovskis**, Executive Vice-President of the EU Commission

*Potential topics: Which future topics are addressed by the new Multiannual Financial Framework? Which are not? How can Next Generation EU's substantial resources be allocated rapidly and targetedly? How can national and European recovery initiatives be interconnected and coordinated? What will be the roles of national parliaments and the European Parliament in establishing recovery and resilience plans? How can Member States return to budgetary stability and sustainable growth after the crisis?*

**Discussion**

**Closing remarks** by MP Dr André **Berghegger**, Head of the Delegation of the German Bundestag to the IPC SECG

# Video Conference Guide for Webex and Interprefy

## General information

The video conference including the original spoken audio (floor) will be transmitted via Webex. Simultaneous interpretation of the conference will be provided from German, English and French into German, English and French via the platform Interprefy.

## Technical information

Please make sure you comply with the following technical requirements to ensure good video and audio quality – otherwise it will not be possible for your contribution to be interpreted.

- Use a stable LAN internet connection with sufficient bandwidth of at least 10 Mbit/s (please do not use a wireless network).
- When you take the floor during the conference use a high-quality external microphone, for instance in the form of a headset. Please do **not** use the built-in microphones on your laptop or PC, as these do not ensure sufficiently good audio quality.
- Sit in an evenly lit, bright place.
- Position your camera so that there is a good view of you in the video window that the other participants will see. The camera should be roughly at eye level. The background should be tidy and not distracting.
- Device for participating in the Webex conference: laptop or PC with built-in or external HD webcam, or a dedicated Webex device. To listen to the original audio (floor), you will need internal or external speakers.
- If you want to **listen to the simultaneous interpreting**, you have to open an additional window for the Interprefy platform in your internet browser (see below).
- Please do not log out during the break.

## System/IT information

Please note you will need the following to avoid problems when installing and connecting to Cisco Webex:

- Authorisation to download and run .exe and .msi files or to share the programmes via the relevant software centre (if administration is organised centrally, i.e. via the IT department or system administrator).
- USB read and write permission
- Audio and microphone input must be activated.
- Authorisation for your browser to access the camera, microphone and speakers.
- You will need to allow Cisco Webex to bypass proxy settings in your browser and your in-house network or the configuration of the proxy server and firewall.
- More information on security during Cisco Webex meetings is available here:  
<https://www.cisco.com/c/dam/en/us/products/collateral/conferencing/webex-meeting-center/white-paper-c11-737588.pdf?dtid=ossdc000283>



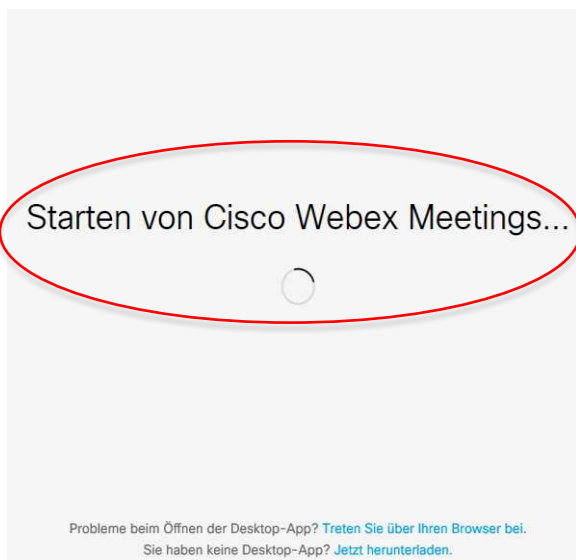
# Participating in a video conference using Cisco Webex and using Interprefy to listen to the simultaneous interpreting

## Participating in a Webex meeting

### 1. Please open the link in your e-mail invitation to the Webex meeting

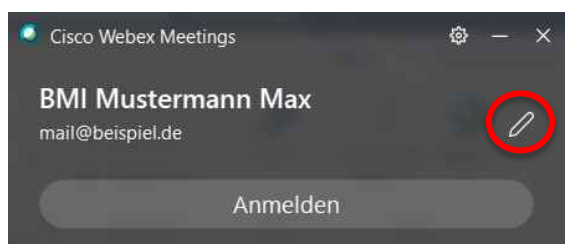
#### Option 1: Participate from the Webex Meetings app

→ If the Cisco Webex Meetings app is already installed on your PC, open the app by clicking on the link to the meeting.



Before joining the meeting, change your information in the programme to:

**Iso-code for your country / Last name / First name**  
e.g. DEU Mustermann Max



#### Option 2: Participate from your web browser

→ You can also participate using your web browser: click on [Join from your browser.](#)



If you are participating from your browser, enter your information as follows:

**Iso-code for your country / Last name / First name**  
e.g. DEU Mustermann Max



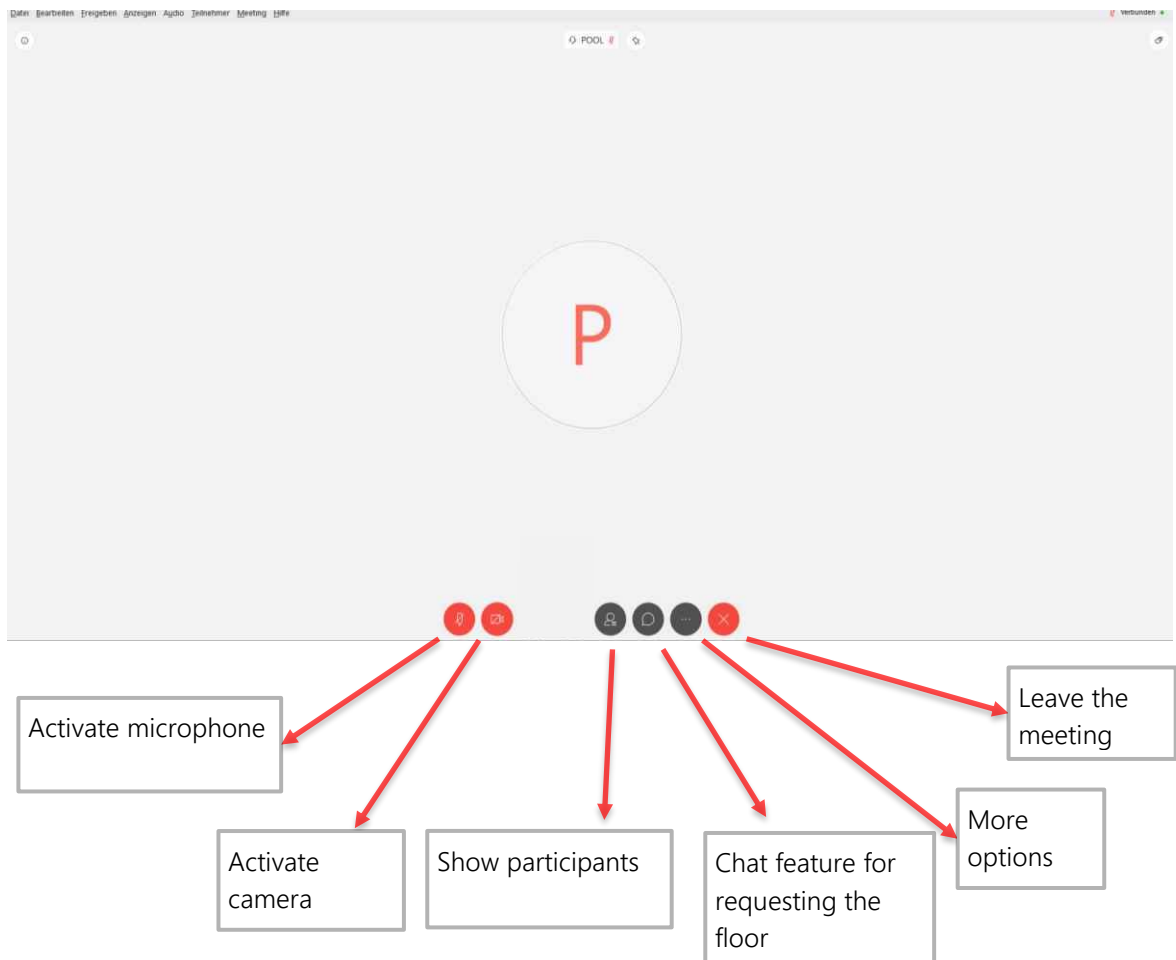
2. Before joining the meeting, please activate your camera and mute your microphone.



3. Then click on „Join Meeting“.



### Webex features during the video conference



#### 4. Using the chat feature to request the floor:

- You should only use the chat feature to request the floor – please direct your contentual questions via direct chat message to us.
- Please do not use the chat feature for any other communication. If, for instance, you need technical support please call the technical hotline (see below).

##### **How to request the floor:**

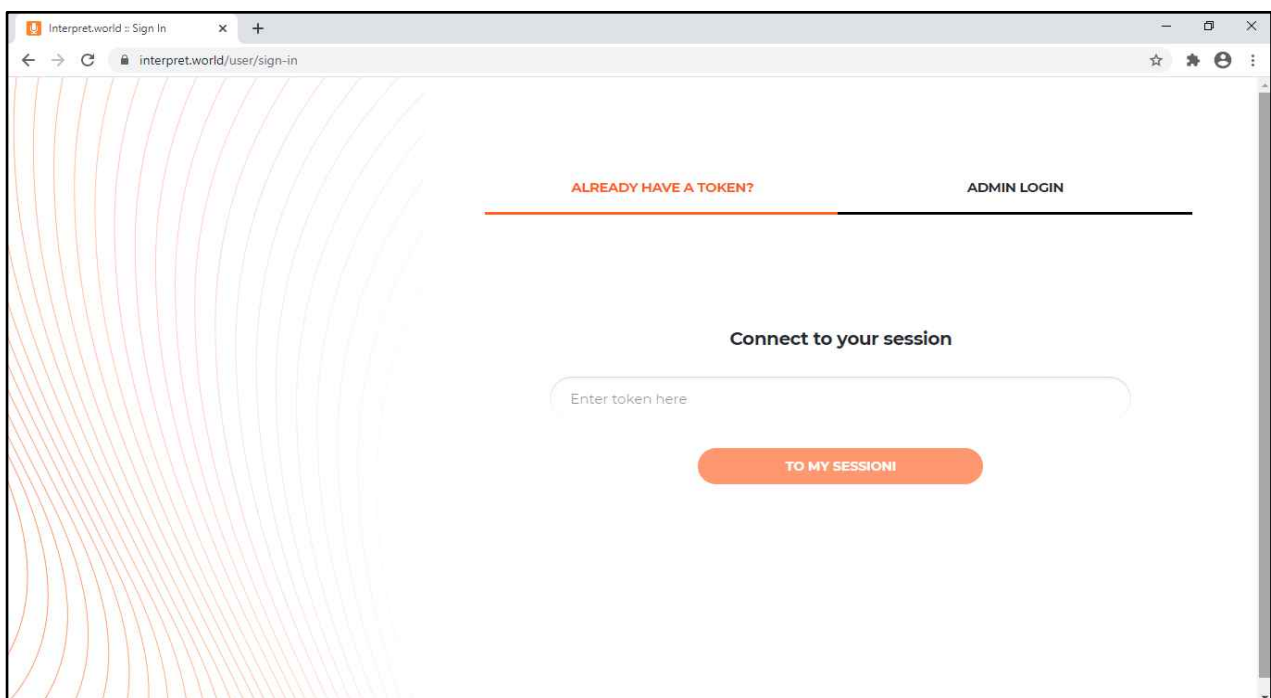
- Enter your three-digit country code, your last name and the language you will be speaking and send it to the chat.
- You will receive a private message that you are up next whilst the speaker before you is still speaking.
- Wait until you are given the floor by the chair of the meeting.
- Once you have been given the floor, please activate your microphone.
- Speaking time is limited to two minutes. The chair reserves the right to shorten or lengthen this speaking time, depending on how many participants are requesting the floor.
- Once you have finished speaking, please do not forget to mute your microphone again.

#### 5. Using Interprefy from your web browser to listen to the simultaneous interpretation

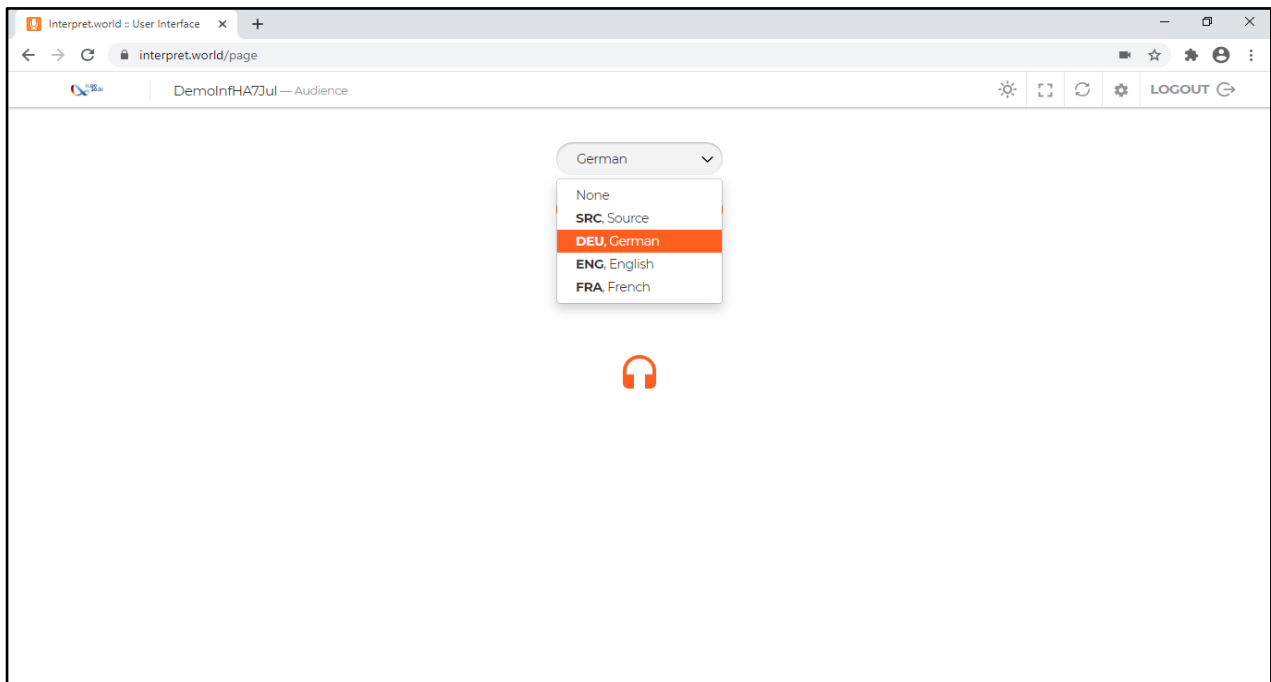
We recommend you use the Google Chrome browser and a wired internet connection for this.

Use the link: <https://interpret.world/user/sign-in>

Participants using Interprefy receive a separate e-mail with an event access token allowing them to log in.  
Enter your token → Press „To my session!“ → Plug in your headset → Choose a language







## Help in the event of technical problems

- If you have any technical questions or difficulties, please contact either [support.bundestag@pool.de](mailto:support.bundestag@pool.de) or +49 2572 920 164.
- For any other questions relating to the conference please contact either [secg2020@bundestag.de](mailto:secg2020@bundestag.de) or +49 30 227 33766.



If you have any technical questions or difficulties, don't hesitate to contact us at the following e-mail address or on our hotline: [support.bundestag@pool.de](mailto:support.bundestag@pool.de) or +49 2572 920 164

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## IPC SECG on 12 October 2020

### Introduction

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#### 1. Great challenges to be tackled

The fifteenth meeting of the conference established by Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union is held at a time of great challenges.

The COVID-19 pandemic has profoundly restricted every aspect of people's lives and has triggered an economic downturn of historic scale. The member states initially responded with national aid programmes, which were accompanied by fiscal stimuli provided on an unprecedented scale by the European institutions through instruments such as the multiannual financial framework, the Next Generation EU programme, the SURE programme, measures taken by the European Stability Mechanism and by the European Investment Bank and the emergency bond-buying programme of the European Central Bank (ECB).

The effort to overcome the pandemic poses fundamental challenges for monetary and fiscal policy. In addition, the ecological and digital transformation of national economies requires resolute joint action, too. The decarbonisation of the economy and the use of new technologies will entail additional disruptive changes. This makes it all the more essential to ensure that citizens become included, especially when they voice criticism. Only by debating competing interests in a transparent way can one avoid the danger that those with dissenting views will be radicalised and that the debate is held in other fora and different ways. Disinformation fuels extremist views and undermines the credibility of institutions.

Hence, more than ever, interparliamentary cooperation becomes particularly important. The general rule that times of crisis are the times of governments has proven true during the coronavirus pandemic. At the same time, in our democracies serious measures initiated by governments have to stand the test of time and the review by parliaments. That is and will remain an essential dictate of democracy and the rule of law.

Therefore, members of national parliaments and of the European Parliament have a particular responsibility to cooperate with a view to tackle the present crisis and to find ways of ensuring sustainable economic recovery and social cohesion in all member states of the Union. Against this background, the purpose of the SECG Conference is to promote parliamentary discussion on the priorities of the European recovery process, the role of the ECB in the context of the interplay between monetary and fiscal policy and how the European fiscal rules can be made sustainable.

## 2. Proceedings

The following conference sessions are scheduled:

- **Session I: New partnership: will monetary policy now receive the requested fiscal support?**

This session will focus primarily on the interplay between monetary and fiscal policy in the Economic and Monetary Union (EMU). The intention is to shed more light on questions regarding ECB's expansive monetary policy, on current national and European fiscal stimuli and on the EMU's architecture and its possible design flaws. Details of the European recovery plan Next Generation EU and of the Recovery and Resilience Facility will be addressed in Session III.

- **Session II: The future of the European fiscal rules: are they still constructive?**

Given the historic economic downturn in the wake of the COVID-19 pandemic, there is a need to reach consensus on the road map for a return to budgetary consolidation and, in the long term, to sound finances. The purpose of this session is to engage in a discussion on mechanisms for effectively ensuring sustainably sound public finances and sustainable growth, avoiding macroeconomic imbalances, promoting convergence of member states' economic performance and ensuring closer coordination of economic policies in the euro-zone.

- **Session III: Europe in recovery: what are the next steps?**

Against the background of the current economic developments, this session shall focus on the Next Generation EU recovery plan and the forthcoming multiannual financial framework as well as its implementation in the member states. Intertwining the Recovery and Resilience Facility with national initiatives and the role and participation of national parliaments and the European Parliament are also on the agenda for this session.

In the attached memos you will find factual content on the thematic background for each session and a range of topics that might be worth discussing. The most important factor, however, will be your own personal contribution. We hope for lively participation and fruitful debates.

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## IPC SECG on 12 October 2020 – Session I

### Memo: New partnership: will monetary policy now receive the requested fiscal support?

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#### Potential topics:

- Between price stability and supporting economic policy: the ECB's tools and limitations.
- Between budgetary discipline and economic stimuli: Fiscal policy's tools and tasks.
- What has changed since the financial and sovereign-debt crisis?
- Next Generation EU: beginning to complete economic and monetary union through common fiscal policy?
- Expansive fiscal policy and expansive monetary policy: can the two work together in the long run?

#### 1. Coordinated fiscal and economic policy responses to COVID-19 (selection)

- In response to the deep recession in the EU resulting from the COVID-19 pandemic, the **general escape clause in the Stability and Growth Pact**, introduced in 2011, was activated for the first time in March 2020 for the purpose of enabling member states to take the essential fiscal action.
- The member states then introduced **comprehensive discretionary fiscal stimulants**. Given the varying degrees of scope for fiscal manoeuvre and varying COVID-19 infection rates, the scale and form of these stimulant measures differ widely between member states.
- Other responses designed to alleviate the recession in the wake of COVID-19 were coordinated within the EU; these include the temporary **relaxation of the state-aid framework** ([🔗 Link](#)), **capital relief for banks** to safeguard lending, the establishment of an ESM credit line (Pandemic Crisis Support, [🔗 Link](#)), the SURE (Support to mitigate Unemployment Risks in an Emergency) programme ([🔗 Link](#)), the EIB's Pan-European Guarantee Fund (EGF, [🔗 Link](#)) and the temporary recovery programme **Next Generation EU** (NGEU) as well as extensive **special monetary measures**.

#### 2. Current approach to monetary policy

- Since May 2019, the annual **rate of inflation** in the euro area has been constantly below 1.5% and is currently showing a further downward trend. According to the Eurostat flash estimate, it stood at **minus 0.2% in August 2020**, compared with +0.4% for the whole EU. The period from August 2013 to December 2016 had already been marked by an unbroken sequence of low inflation rates, which dipped below zero in 2015. **Since March 2016, the base interest rate has been at 0%**, while the interest rate for the deposit facility has been below zero since June 2014 and currently stands at minus 0.5%.



- In response to the subdued development of inflation, the European Central Bank announced an **expanded asset purchase programme** ([Link](#)) in January 2015. In so doing, the ECB extended the asset-backed securities programme (ABSPP) and the third covered bond purchase programme (CBPP3), which had been launched towards the end of 2014, to include sovereign bonds (public sector purchase programme – **PSPP**). In March 2016, the corporate sector purchase programme (CSPP) was added. Since November 2019, the asset purchase programme has had a monthly purchase pace of EUR 20 billion.
- In response to the COVID-19 pandemic, an additional EUR 120 billion was added to the asset purchase programme envelope. This was followed by the temporary pandemic emergency purchase programme (**PEPP**, [Link](#)) with an envelope of EUR 750 billion, which has since been increased to EUR 1,350 billion, corresponding to about **11% of total eurozone GDP**. Purchases will be conducted in a flexible manner to allow for fluctuations in the distribution of purchase flows over time, across asset classes and among member state jurisdictions and will be continued in the PEPP framework until at least the end of June 2021 and in any event until the Governing Council of the ECB judges that the COVID-19 crisis phase is over. The maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2022.
- At the present time the **securities held** by the ECB for reasons of monetary policy have a total value of some EUR 2,940 billion, equivalent to **about 25% of total eurozone GDP**. Together with the other instruments, such as targeted long-term refinancing operations (TLTRO III), a **very expansive monetary policy** is currently being pursued.

### 3. Interplay of monetary and fiscal policies

- While **monetary policy** has been **communalised** in the eurozone, **economic and fiscal policy remains a national responsibility**. The competence of the Union in this area is limited to the coordination of national economic and fiscal policies (Article 126 TFEU).
- This is described by some as a **design flaw of economic and monetary union**. According to these observers, this restricted competence has caused the ECB to grow considerably in importance in recent years, which has led to legal and economic disputes as to whether the

Bank's policy of **purchasing sovereign bonds** contravenes the **prohibition of the purchase of sovereign debt instruments** in Article 123 TFEU, creates **disincentives for member states** and jeopardises **financial stability**.

- Some, moreover, fear what they call the **fiscal dominance** of central banks by member states, which would mean that the essential normalisation of monetary policies could fail to materialise, even if inflation were to rise, because of member states' concerns about harsher borrowing conditions. This would create a risk of creeping inflation and jeopardise the independence of central banks.
- Others believe that a **European fiscal policy**, supplementing national economic and financial policies, is needed to remedy the EMU design flaw and to **relieve pressure on the ECB**.
- When exogenous shocks like the COVID-19 pandemic occur, they argue, there must be a means of injecting **fiscal stimuli** throughout the entire currency area to **stabilise national economies** in the event of an economic crisis or a severe slump in economic activity – particularly where there is little room for national fiscal manoeuvre. Otherwise the eurozone economies are liable to drift further apart.
- The importance of greater **competitiveness** and closer **convergence** in the euro area has been re-emphasised by the COVID-19 pandemic. There is still a high degree of divergence between member states; for example, their scope for fiscal action varies, partly because of differing growth rates over recent years and disparities in growth potential.
- In these circumstances, the **temporary European recovery plan** Next Generation EU (NGEU) is interpreted by some as a significant **step towards the integration of financial policies**, since borrowing is to be done by the EU as a whole, some of the raised funds are to be issued in the form of non-repayable grants, and the instrument is to be linked with the country-specific recommendations of the European Semester.
- Deployed together with the initial support package for the European economy, comprising the ESM credit line, increased lending capacity for the EIB and the SURE programme, the NGEU is the first instrument to inject **European fiscal stimulus** on a large scale; this stimulus is intended to boost the pursuit of common goals in the member states, such as resilience, competitiveness and digital and environmental transitions, and to ease the pressure on monetary policies.
- Others emphasise the **uniqueness** of the NGEU as a special response to the pandemic or warn that common indebtedness and transfers may create **disincentives for member states**. Injecting fiscal stimuli, in this view, is the sole prerogative of the member states.

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## IPC SECG on 12 October 2020 – Session I

### Curricula vitae: speakers and chair

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#### Dr Isabel Schnabel

Member of the Executive Board of the ECB

**2007–2015**

Professor of Financial Economics, University of Mainz

**2014–2019**

Member of German Council of Economic Experts

**since 2015**

Professor of Financial Economics, University of Bonn (on leave)

**since 2020**

Member of the Executive Board, European Central Bank (ECB)



Source: ECB

#### Olaf Scholz

Federal Minister of Finance

**1998–2001, 2002–2011**

Member of the German Bundestag (SPD parliamentary group)

**2007–2009**

Federal Minister of Labour and Social Affairs

**2011–2018**

Mayor of Hamburg

**since March 2018**

Federal Minister of Finance



Source: Photothek / Thomas Koehler

## Dr André Berghegger

Member of the German Bundestag

### **2006–2013**

Mayor of the town of Melle

### **since 2013**

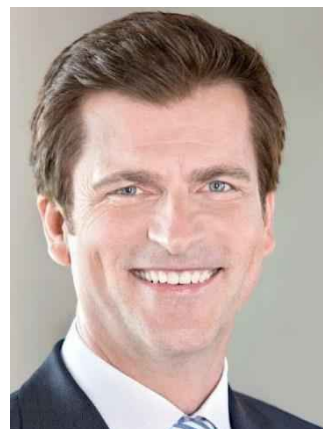
Member of the German Bundestag (CDU/CSU parliamentary group)

### **since 2013**

Member of the Bundestag Budget Committee

### **since June 2018**

Head of the Bundestag delegation to the IPC SECG



Source: DBT / Thomas Trutschel



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## IPC SECG on 12 October 2020 – Session II

### Memo: The future of the European fiscal rules: are they still constructive?

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#### Potential topics:

- Do the European fiscal rules still pass a reality test? Are the rules still relevant today?
- How to return to the rulebook?
- Necessity to change methods, indicators and rules on expenditure (moving away from structural deficit, golden rule for investments, Stability and Growth Pact, review of the Six-Pack and Two-Pack)?
- Shaping this democratically: how can the national parliaments and the European Parliament be involved to a greater extent?

#### 1. Introduction

- The purpose of the Stability and Growth Pact is to ensure that member states have sound national finances so as to guarantee their ability to act and their resilience in crises, particularly within the single currency area. The common rules are supplemented by the commitment made by 25 member states in the Fiscal Compact to sustainable budgetary consolidation and uniform national debt limits.
- At the start of this year, the European Commission presented its economic governance review on the application of the budgetary and fiscal provisions of the Two-Pack and Six-Pack legislative packages ([📄 Link](#)). This appraisal was to serve as the prelude to a consultation process, currently on hold, designed to identify potentially consensual options for a possible new step in the development of the surveillance framework for economic and financial policies.
- In its report, the European Commission re-emphasised the constructive contribution made by the common surveillance framework to the correction of macroeconomic imbalances and to the reduction of public debt **until after the start of 2020**. The high levels of public debt that had continued into 2020 in some member states came in for criticism, as did the fact that finance policies were often **pro-cyclical**. The structure of public finances, said the Commission, had **not become any growth-friendlier** either, because member states across the board had revealed a preference for increasing current expenditure rather than protecting investment. A key criticism of the common rules in general remained their steadily growing complexity, deriving from the fact that the framework had to cater for a wide variety of evolving circumstances in the context of divergent national aims. This complexity, said the Commission, had resulted in the framework becoming **less transparent and predictable**, which hampered communication and political buy-in.

#### 2. Effects of the COVID-19 pandemic on the European fiscal rules

- Because of the drastic slump in economic activity, the general escape clause of the EU budgetary framework was temporarily activated in March 2020. Its application provides scope to deviate from the normal budgetary requirements as a means of dealing with the economic consequences of the pandemic.
- The public-debt-to-GDP ratio in the euro area at the end of the first quarter of 2020 amounted to **86.3%**. The second quarter was marked by comprehensive spending packages that weighed heavily on national budgets. At the same time, GDP contracted quarter-on-quarter by **12.1%**. Debt-to-

GDP ratios are therefore being squeezed up from both directions, with rising public spending increasing the debt numerator and falling output reducing the GDP denominator.

- This applies especially to the aim prescribed by the Treaties of **limiting public debt to 60% of GDP** and to the **structural deficit** criterion. The high levels of public debt, low interest rates and permanently low growth potential raise the question whether the limits that were set some 30 years ago are still a good fit.
- The effects of the pandemic underline the need for a debate on more strongly **anti-cyclical fiscal policies**. This relates particularly to the issue of the balance between investment and consumption expenditure within the constraints of the debt rules. The challenges posed by the environmental and digital transitions and the huge associated investment requirement provide reasons to discuss a new ‘golden rule’ as part of the Stability and Growth Pact and to revisit the stipulations in the Fiscal Compact regarding national debt brakes in the form of restrictions on the use of loans to fund net capital formation.

### 3. Revision of the framework

- During the sovereign debt crisis in the euro currency area, weak points in the architecture of economic and monetary union were brought to light. In order to remedy these, the member states reformed the Stability and Growth Pact in several respects. The new framework that took effect some ten years ago was designed to ensure that more budgetary discipline was not only demanded but was also enforced in practice.
- In the context of the historic economic collapse in the wake of the COVID-19 pandemic, a common consensus is needed on the route map for a return to budgetary consolidation and, in the long term, to sound finances. This requires answers to the question of the mechanisms that can be used to effectively ensure durably robust public finances and sustainable growth, to avoid macroeconomic imbalances, to promote the convergence of member states’ economic performance levels and to ensure closer coordination of economic policies in the euro area.
- Some member states are already calling for a complete overhaul of the framework. On 22 September 2020, Clément Beaune, the French Minister of State for European Affairs, emphasised that “We cannot imagine reactivating the same Pact”. After the crisis, he said, member states’ debt levels would be “very different throughout Europe from those we knew in the world of a few years ago”.
- When the budgetary framework was suspended at the start of the pandemic, the member states remained unreservedly committed to complying with the Stability and Growth Pact. The experience of the crisis has offered an opportunity to reflect on the existing budgetary and fiscal surveillance framework. At the meeting of the Ministers for EU Affairs in September 2020, Klaus Regling, Managing Director of the European Stability Mechanism, urged that the present break be used to reach agreement on reforms to the rules.
- Reflection on the effectiveness of the common rules is closely linked with their frequently criticised complexity. On the one hand, this impairs their transparency for citizens. On the other hand, a complex framework with wide scope for interpretation is more vulnerable to political influence.
- Common rules need sufficient binding force, oversight and enforcement. This requires discussion of the need and scope for a ‘depoliticisation’ of compliance monitoring, for example through an independent institution, for closer coordination of economic and fiscal policies and for extensive ‘rights of intervention’ with regard to national budgets.

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## IPC SECG on 12 October 2020 – Session II

### Curricula vitae: speakers and chair

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#### Klaus Regling

Managing Director of the ESM

##### 2001–2008

Director General for Economic and Financial Affairs of the European Commission

##### since June 2010

CEO of the European Financial Stability Facility (EFSF)

##### since June 2012

Managing Director of the European Stability Mechanism (ESM)



Source: ESM

#### Paolo Gentiloni

European Commissioner for Economy

##### 2001–2019

Member of the Chamber of Deputies, Parliament of Italy (Ulivo / L'Unione / Partito Democratico parliamentary group)

##### 2006–2008

Minister of Communications of Italy

##### 2014–2016

Minister of Foreign Affairs and International Cooperation of Italy

##### 2016–2018

Prime Minister of Italy

##### since December 2019

European Commissioner for Economy



Source: European Commission

## Dr (h. c.) Hans Michelbach

Member of the German Bundestag

### **1982–1994**

Mayor of the town of Gemünden am Main

### **since 1994**

Member of the German Bundestag (CDU/CSU parliamentary group)

### **since 2002**

Member of the executive committee of the CDU/CSU group

### **since 1994**

Member of the Bundestag Finance Committee



Source: Hans Michelbach / Tobias Koch

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## IPC SECG on 12 October 2020 – Session III

### Memo: Europe in recovery – what are the next steps?

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#### Potential topics:

- Which future topics are addressed by the new Multiannual Financial Framework? Which are not?
- How can Next Generation EU's substantial resources be allocated rapidly and targetedly?
- How can national and European recovery initiatives be interconnected and coordinated?
- What will be the roles of national parliaments and the European Parliament in establishing recovery and resilience plans?
- How can Member States return to budgetary stability and sustainable growth after the crisis?

#### 1. Background

- Following the comprehensive containment measures taken in the spring of 2020 with a view to prevent the unabated spread of the COVID-19 pandemic, **economic activity in all member states was severely restricted**.
- The provisional gross domestic product (GDP) data published by Eurostat on 31 July 2020 show the following figures for the second quarter of 2020:

	Change compared to 1st quarter 2020	Change compared to 2nd quarter 2019
<b>Eurozone</b>	-12.1%	-15.0%
<b>EU</b>	-11.9%	-14.4%

- In its latest forecast, released on 10 September 2020, the **European Central Bank (ECB)** expects **strong growth** of 8.4% in the euro area **for the third quarter of 2020** compared to the previous quarter.
- For the full year 2020, the ECB predicts an 8.0% decline in GDP, an upturn of 5.0% in 2021 and further growth of 3.2% in 2022. Compared to the last forecast prior to the Corona-virus outbreak in December 2019, the real GDP would, by the end of the projection period, fall short of the then predicted figure by 3.5%.
- In its summer forecast of 10 July 2020, the European Commission (COM) made the following predictions:

GDP	Summer 2020, provisional forecast			Spring 2020 forecast		
	2019	2020	2021	2019	2020	2021
<b>Eurozone</b>	1.3	-8.7	6.1	1.2	-7.7	6.3
<b>EU</b>	1.5	-8.3	5.8	1.5	-7.4	6.1

- In the forecast it published on 16 September 2020, the **OECD** predicted a 7.9% slump for the euro area in 2020, which was a **slightly lower** than COM's projection (-8.7%), followed, however, by a more modest upturn (+5.1%) in 2021 compared to COM's prediction (+6.1%). According to the OECD forecast, the declines will vary significantly between member states (e.g. -5.4% in Germany, -9.5% in France and -10.5% in Italy).
- While at the beginning of the COVID-19 pandemic there was hope **that the economic crisis would take the form of a V-shaped curve**, with a sharp slump followed by an equally sharp recovery, the expected upturn is flattening out to an increasing extent. Hence, pre-crisis levels will be reached in most member states at the earliest by 2022.
- It is to be expected that the COVID-19 pandemic will **reinforce and accelerate** some trends that were already foreseeable (e.g., shifts from stationary / local to online trading), while other trends might be **reversed** (e.g., re-nationalisation of supply chains). Further, there are new developments, such as an increased use of teleworking and telemedicine. In due course, the **impact on the real economy** is likely to **filter through to the financial system** (e.g., increasing defaults on consumer and commercial loans for properties such as office buildings, hotels and shopping centres).

## 2. EU support measures

- While most of the aid programmes were initially established by member states (for an overview, see [Link](#) and [Link](#)), the EU has now come up with a collective response, comprising the following elements:

### *The multiannual financial framework (MFF), 2021 to 2027, and Next Generation EU (NGEU)*

- The agreement reached by the European Council on 21 July 2020 provides for an allocation of resources for commitments amounting to **EUR 1,074 billion** at constant 2018 prices to the **MFF for 2021 to 2027**. The temporary recovery programme **NGEU**, covering the years 2021 to 2024, has a volume of **EUR 750 billion** – EUR 360 billion for loans and EUR 390 billion for grants and guarantees. The core element of NGEU is the **Recovery and Resilience Facility (RRF)**, which is to be allocated **EUR 672.5 billion** at 2018 prices.
- Compared to the initial COM proposal, **a larger percentage of the funds was devoted to the RRF**, and the ratio of loans to grants was increased. The amounts earmarked in the NGEU programme to top up Horizon EU, Invest EU and the Just Transition Fund were considerably lower than those proposed by COM. Increases for the EU4Health programme, the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the Solvency Instrument were scrapped altogether.
- For the distribution of RRF funds, member states draw up national **recovery and resilience plans**, describing their reform and investment agenda for the years 2021 to 2023. The plans are assessed by COM and must be approved by the Council, acting by a qualified majority.



- For the funding of the NGEU programme, the Commission shall, on the basis of a new own-resources decision, be authorised to incur debt up **to a maximum of EUR 750 billion** on behalf of the EU. The corresponding bonds shall become due by 2058 at the latest. To guarantee these bonds, **the own-resources ceiling is to be raised temporarily by 0.6 of a percentage point to 2.0%.**
- The agreement provides for the **introduction of new own resources.** As early as 1 January 2021, a new source of EU resources is to be introduced in the form of national contributions, based on the member states' respective volumes of non-recycled plastic waste. For the first half of 2021, COM has been asked to present proposals for a **carbon border adjustment mechanism** and for a **digital tax** as basis for further own funds sources.
- In the **current negotiations with the European Parliament (EP)**, the main focal points are the cuts in future oriented programmes, the total overall volume of the MFF, which EP regards as too low, an effective rule-of-law mechanism, a mid-term review and the introduction of new own funds resources.

#### *Other EU measures*

- On 19 March 2020, the Commission adopted a **Temporary Framework** ([📄 Link](#)), designed to enable member states to make full use of the state-aid rules's leeway with a view to supporting their economies following the COVID-19 outbreak. Since then, the Temporary Framework has already undergone several adjustments; it applies until 31 December 2020, and its chapter on recapitalisation measures applies until 1 July 2021.
- As a first step in a European response to the COVID-19 pandemic, the EU member states adopted a package with a total value of **EUR 540 billion** comprising an **ESM credit line**, the **SURE programme** and a European Investment Bank (EIB) **Guarantee Fund**.
- The **ESM credit line** (Pandemic Crisis Support, [📄 Link](#)) provides for up to **EUR 240 billion** in low-interest loans with a maximum maturity of ten years. Until 2022, each member state can apply for support of up to 2% of the value of its GDP. The funds must be used for direct or indirect health costs arising from the COVID-19 pandemic. Following a decision taken by the ESM Board of Governors on 15 May 2020, the credit line is operational.
- As the second element of the first crisis response package, the **SURE programme** (*Support to mitigate Unemployment Risks in an Emergency*, [📄 Link](#)) was introduced. SURE is a new temporary instrument designed to support national unemployment insurance and short-term work schemes. The Council adopted the SURE Regulation on 19 May 2020. With a volume of **EUR 100 billion**, funded through EU bonds backed by guarantees from member states, the programme makes low-interest loans available. As of 25 August 2020, support for 16 member states totalling EUR 87.3 billion had already been approved by COM. Italy (EUR 27.4 billion) and Spain (EUR 21.3 billion) were the recipients of the largest loans.
- The EIB established the **Pan-European Guarantee Fund** (EGF, [📄 Link](#)) with a volume of EUR 25 billion. Through the EGF, the EIB Group states that, in partnership with local lenders and national promotional institutions, it can mobilise up to **EUR 200 billion** for small and medium-sized businesses and other undertakings in the real economy. Once member states accounting for at least 60% of EIB's total capital provided corresponding guarantees, the EGF became operational.
- In addition, the **Pandemic Emergency Purchase Programme** (PEPP, [📄 Link](#)) is another important crisis response instrument. The purchase programme, having a volume of EUR 750 billion in its initial design, was topped up at the June 2020 meeting of the ECB Governing Council to **EUR 1,350 billion**

### *Coordination of national and European programmes*

- On 17 September 2020, the Commission published a set of questions and answers ([📄 Link](#)) relating to the draft Regulation on the RRF ([📄 Link](#)) and presented a working document designed specifically to assist member states with their recovery and resilience plans (Guidance Document, [📄 Link](#)).
- Member states are to present their recovery and resilience plans by no later than 30 April 2021. Besides consistency at the EU level, particularly as regards compliance with the objectives of the RRF, there will also be a need for **coordination with the national programmes** so as to ensure efficient use of resources. The fact that large amounts of finance will be mobilised within a relatively short time span makes this coordination all the more essential.

### **3. Parliamentary monitoring of the recovery and resilience plans**

- **National parliaments** and the **EP** should **be involved** in establishing and adopting the recovery and resilience plans. COM's guidance document shares this view by encouraging member states to publish their recovery and resilience plans at an early stage with a view to enabling the EP, the other member states, COM and the general public to have an overview of what the recovery and resilience plan intend to achieve. In addition, member states are invited to describe institutional processes in their plans, including the role of national and/or regional parliaments.

### **4. Return to budgetary stability and sustainable growth**

- It is not yet foreseeable when and how the COVID-19 pandemic will come to an end. This will depend to a great extent on the further infection process, the quest for a vaccine and its subsequent availability. In the medium and long term, however, the economy and the broader society will have to become less reliant on government programmes as they are at present. At the same time, member states and the EU will have to repay the debt incurred.
- Should this coincide with the ECB terminating its asset purchase program, financial pressure on member states could increase. Hence, the question how to return to budgetary stability becomes a particularly urgent issue. It also highlights the connection with the national recovery and resilience plans, which should be designed with a view to generate sustainable growth.



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## IPC SECG on 12 October 2020 – Session III

### Curricula vitae: speakers and chair

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#### Peter Altmaier

Federal Minister for Economic Affairs and Energy

**since 1994**

Member of the German Bundestag (CDU/CSU parliamentary group)

**2012–2013**

Federal Minister for the Environment, Nature Conservation and Nuclear Safety

**2013–2018**

Head of the Federal Chancellery and  
Federal Minister for Special Tasks

**since March 2018**

Federal Minister for Economic Affairs and Energy



Quelle: BPA / Steffen Kugler

#### Valdis Dombrovskis

Executive Vice-President of the European Commission

**2002–2004**

Minister for Finance of Latvia

**2004–2009**

Member of the European Parliament (EPP political group)

**2009–2014**

Prime Minister of Latvia

**2014–2019**

European Commission Vice-President for the Euro and Social Dialogue and (2016-2019) for Financial Stability, Financial Services and Capital Markets Union

**since December 2019**

European Commission Executive Vice-President for An Economy that Works for People and (*ad interim*) Commissioner for Trade



Quelle: Europäische Kommission

## Oliver Wittke

Member of the German Bundestag

### **1995–1999, 2007–2010, 2012–2013**

Member of State Parliament of North Rhine-Westphalia

### **2005–2009**

Minister of Building and Transport of the State of North Rhine-Westphalia

### **seit 2013**

Member of the German Bundestag (CDU/CSU parliamentary group)

### **2018–2019**

Parliamentary State Secretary at the Federal Ministry for Economic Affairs and Energy

### **seit 2019**

Member of the Bundestag Committee on the Affairs of the European Union



Quelle: Oliver Wittke / Jan Kopetzky