

Thematic Digest: “The role for the European Semester in the recovery plan”



At the request of the ECON Committee, four papers were commissioned to external experts on the linkages between the Recovery and Resilience Facility (RRF) and the European Semester (ES), as well as on the role of the European Parliament in the the RRF. In particular, experts were asked to assess whether and how the ES constitutes a suitable governance framework for the recovery measures, notably on:

- the identification of the EU priority areas;
- the analysis, the adoptions and the monitoring of the national recovery plans; and
- the performance of the European Parliament (EP) scrutiny and accountability role.

The authors of the papers are Thomas Wieser, Ben Crum, Jacob Funk Kirkegaard and Manuela Moschella and this note - written by EGOV - provides a summary of their arguments.

In [July 2020](#), the EU heads of State or Government agreed on the main elements of the [Commission recovery plan](#) and of the multiannual financial framework for 2021-2027. The [Recovery and Resilience Facility](#) (RRF) is part of such agreement and aims to enhance cohesion and resilience in the EU Member States following the COVID-19 pandemic. The facility would enable the provision of funds (up to €360 billion in loans and up to €312.5 billion in grants, in current prices) based on national recovery and resilience plans (NRRP) to be agreed at national and at EU level. These NRRP should be consisted with the latest (2020 and 2019) Country Specific Recommendations as adopted by Council within the European Semester and should support reforms and investments to be defined in the RRF-Regulation.

The regulation establishing the RRF is currently undergoing inter-institutional negotiations (for an overview of the state-of-play, see this [EGOV document](#); developments in the legislative file can be followed [here](#)).

On [17 September](#), the Commission set out its strategic guidance for the implementation of the RRF, including how it would fit into the 2021 European Semester Cycle. The Commission proposes that some of the Semester procedures would be replaced in 2021 by the RRF.



What Role for the European Semester in the recovery plan? T. Wieser

The proposals put forward by [Thomas WIESER](#) mostly evolve around furthering the dialogues between the Members of parliament, the EU institutions and Member States on RRF matters. Such dialogues would require specific reference in the legal texts, currently under negotiation. The author proposes:

- (a) Regular information dialogues with the Commission and Council around the NRRPs and their possible amendments;
- (b) "Implementation dialogues" with Member States, when implementing NRRPs appears problematic;
- (c) Dialogues with the Presidents of the Commission, of the European Council and the Head of State or Government of Member States, when the Commission has made a positive assessment of a NRRP implementation, but Member States were unable to agree at the Economic and Financial Committee; and
- (d) A dialogue at the occasion of a stopped disbursement.

Such proposals build on the Authors' reflexions around the RRF and its links to the Semester being a "game changer" for the economies of Member States and their link to common EU objectives. The Author argues that *"Good politics, good policy and good governance are the basis for sustainable growth, employment and inclusive societies"*, on the back of the conclusion that *"current economic policy coordination processes of the European Union are not effective/sufficient to incentivise national measures."*. The Author argues that the Semester would need changes beyond 2021 and proposes to have CSRs more focused than in the past, to reinforce auditing of national implementation through "enhanced and time bound role of national Courts of Auditors" and to involve the *"services of DG REFORM of the Commission (...) into the work streams that lead from RRP to project preparation, submission, evaluation and implementation."*, with a "crucial" role being recognised to the Technical Support Instrument.

The Author further argues that country specific recommendations (CSRs) are often ignored and that experience can be gained from European Structural and Investment Funds financed projects where stronger accountability and a higher degree of transparency could help mitigate overlooking CSRs. WIESER recommends *"to adopt CSRs each year, including in 2021, so as to make explicit the main objectives of the RRP of each Member State, thereby also ensuring coherence with the EU objectives set out in the RRF Regulation. In addition, it could be a way to take stock of achievements and, if necessary, provide additional steering to the MS concerned."*.

WIESER also warns of planning and implementation risks at national level and during the assessment stages of the NRRPs in the Commission and the Council. To mitigate such risks, the Author proposes to increase the political price of bad planning and implementation at the national level, of misguided approvals of NRRPs by the Commission, and of Member States withholding disbursements for projects that are on track. The Author argues that such political prices should be dealt through transparency delivered by the European Parliament.

How to provide political guidance to the Recovery and Resilience Facility? B. Crum

[Ben CRUM](#) proposes to redefine the involvement of EP around three axes: on defining the political priorities, on reviewing the national Recovery and Resolution Plans (NRRPs) and on monitoring the implementation and adaptation of the NRRPs. Most of CRUM proposals would need to be provided for in the regulation. As possible legislative amendments, CRUM proposes to:

- (a) Ensure well-specified political guidance to the political objectives of the RRF;
- (b) Incorporate political guidelines about the kind of policy mix (among supply-side measures, demand-side support, public sector investments) that is considered most appropriate from an EU perspective;
- (c) Explore opportunities to privilege investments with an EU-wide scope;
- (d) Insert a review clause allowing the revision of the EU-wide priorities;
- (e) Review the fund's allocation formula to ensure appropriate balance between providing funds to all Member States and to those most in need;
- (f) Provide for the use of delegated acts (for the adoption of the NRRP and for allowing the financial disbursements) and use that power to secure access to all relevant documents, allowing the EP to scrutinise RRF implementation, whilst committing to speedily decide on Commission's assessments of NRRPs;
- (g) Foresee that NRRPs be approved in national parliaments,
- (h) Increase the frequency of Commission reporting on implementation of the RRF and maintain an annual political review,
- (i) Incorporate possible revisions of the NRRPs in the Semester cycle.

Reflecting CRUM proposals would allow Parliament to deploy instruments that are currently used to scrutinise the European Semester, namely, hearings, dialogues and exchanges of views with relevant institutions and bodies.

The Author's proposals are framed around the belief that RRF is an *"unprecedented initiative for the European Union"* and its links to the European Semester involve *"a fundamental change of the European Semester, from a non-binding structure for policy coordination to a vehicle for the transfer and investment of a major economic impetus through funds collected at EU-level."* As such, the Author argues the position of the EP needs to be *"proportionate to the EU-wide dimension of the RRF"* and *"recognize the extent to which individual NRRPs remain (and need to remain) subject to national democratic procedures."*

What role for the European Semester in the recovery plan? J.F. Kirkegaard

[Jacob Funk KIRKEGAARD](#) approaches the subject from a slightly different angle. KIRKEGAARD argues that the impact and the consequences of COVID-19 are so devastating that the priority is to ensure that funds are disbursed quickly enough to effectively assist the economic recovery. Such urgency clashes with legitimate bids to implement robust oversight of new EU fiscal instruments and embed them within the European Semester process: *“ensuring that commonly raised RRF resources are spent in line with detailed European economic priorities and promoting long-standing structural reform needs”* will be sacrificed in the adoption process of the RRF regulation. Therefore, he argues that Parliament’s attempt *“to try to establish a robust governance check on the use of RRF funds through the European Semester process is likely to fail, and would as such represent a misuse of Parliament’s time and political capital.”*

The Author also argues that anchoring the RRF in the Semester will not reinforce reforms’ implementation, even if large amounts of funds are associated, in accordance with the RRF, to CSRs implementation. KIRKEGAARD signals that the Commission will feel compelled to disburse funds: *“ensuring that all RRF funds are disbursed in a timely manner is more important than ensuring that many long overdue economic reforms are finally implemented.”* He also proposes a range of critical issues: the broad range of policies covered by the definition of “investments” and “reforms” underpinning the RRF, the very abstract drafting of the 2020 CSRs and the circumstance that individual Member States cannot block distribution of funds under the RRF.

Against this background, his policy advice is to insist in introducing in the RRF strong rule of law and anti-fraud provisions and working with the Commission and Member States to secure a credible path for the reintroduction of a reformed Stability and Growth Pact (SGP), especially considering the post-pandemic economic outlook, characterized by historically low potential growth rates, low inflationary expectations and hence extremely low interest rates for the foreseeable future. Such circumstances weaken the relevance of the SGP’s numerical debt and deficit targets fixed in the early 1990s, as the debt burden that member states can sustainably carry has grown and the current reference values hold less relevance.

KIRKEGAARD notes that *“Given how the EU and euro area economies today face a post-pandemic economic outlook characterized by historically low potential growth rates, low inflationary expectations and hence extremely low interest rates for the foreseeable future, deemphasizing the SGP’s numerical debt and deficit targets fixed in the early 1990s is sound economic policy. In these macroeconomic circumstances, the debt burden that member states can sustainably carry has grown and the current reference values hold less relevance.”*

The Author proposes to ask Member States to implement a set of relevant structural reforms to avoid the short-term fiscal consolidation provided for in the SGP. Such “exchange” would mitigate the risk of imposing countercyclical policies embedded in the SGP’s provisions.

Furthermore, the Author proposes *“requiring the Commission to publicly consult Parliament as part of designing an alternative reform policy path. Requiring the Commission to appear at Parliamentary hearings to lay out its conclusions regarding member states’ ex post reform implementation record could also be considered.”*

What role for the European Semester in the recovery plan? M. Moschella

[Manuela MOSCHELLA](#) considers the RRF and the ES to be mutually beneficial, as the latter may provide important informational and signalling advantages for the preparation of recovery and resilience plans, whilst the former offers important implementation benefits for the policy advice issued under the ES. The Author also argues that the RRF can *“potentially reinforce the EU Semester by enhancing domestic ownership and providing the financial incentives for reforms.”*

MOSCHELLA considers, nevertheless, that the potential synergies between the Semester and the RRF are not fully exploited on implementation, ownership, and accountability towards the EP. In particular, the Author argues that the issues require further attention:

- The frequency of Member States’ reporting are not clearly incorporated into the ES cycle;
- The potential advantages of the RRF for domestic ownership require to ensure that domestic stakeholders can effectively engage with the design of the NRRPs;
- The incorporation of the RRF into the ES requires rethinking how to integrate fiscal and structural advice, as the economic advice currently provided under the ES to the RRF process is extensive and not sufficiently prioritised;
- The EP role in fostering transparency and accountability of the RRF is not sufficiently in line with its role in the ES.

Against this background, MOSCHELLA recommends:

- To use the Country Reports to provide an interim assessment of implementation efforts of NRRPs in 2022, with the view to provide guidance to Member States as well as to signal areas that would need amendments or urgent actions.
- To reduce the reporting requirements for Member States under the RRF from a quarterly to a biannual basis, to align Member States reporting under the Semester and RRF.
- To include in the template for submitting NRRPs an ad hoc section highlighting the input of domestic stakeholders to the identification of the reforms and investments included in the NRRP.
- To incorporate in the fiscal recommendation under the ES the complementarities and spillover effects of policies supported by the RRF.
- To set up official visits of Commission officials to national capitals in the run-up to the April 2021 deadline for submitting NRRPs, in order to foster a frank exchange of views between the Commission and Member States on the content of NRRPs and between the Commission and domestic stakeholders.
- To extend ES economic dialogues to the RRF, and scale up Commission’s reporting requirements to the EP.

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