IN-DEPTH ANALYSIS

# Implementation of the 2022 euro area recommendations

*This note provides an overview of the implementation of the 2022 recommendation on the economic policies of the euro area proposed by the Commission and agreed by the Council. It makes use of public information and proxies such as on how the Eurogroup has integrated euro area recommendations' concerns in their "thematic discussions" and work programmes. This note will be updated in light of relevant developments.*

The Euro Area Recommendations (EAR) assesses the economic policy of the euro area as a whole with the goal of providing orientations to Member States on issues of "common concern" relevant for the functioning of the entire economic and monetary union (e.g. common fiscal stance, completion of the Banking Union).

A part of the "Autumn Package" of the European Semester, the EAR is issued by the Council on proposal of the Commission (under Articles 136 and 121(2) of the Treaty of the Functioning of the European Union, TFEU). Notwithstanding the coordination at European level, most of the actions are implemented by Member States at national level. Euro area countries are thus expected to reflect the EAR in their Stability Programmes and National Reform Programmes, in the implementation of their country-specific recommendations (CSRs) and, more recently, in their national Recovery and Resilience Plans (RRPs).

While the Commission, the Council and the Eurogroup can be seen as responsible for the monitoring of the enforcement of the EAR, the European Parliament exercises its scrutiny mandate particularly through Economic Dialogues, but also through resolutions or regular requests for external research papers on the European Semester process.

At euro area level, while there is no body formally responsible for the implementation of the EAR nor there exists any mechanism to ensure enforcement, the Eurogroup (EG) has an important role by being the *de facto* coordinating body for economic policies in the euro area. It thus takes into account the EAR both in the definition of its work programme as well as in its "thematic discussions". Therefore, as proxies to understand what has been done following the adoption of the EAR, the main public sources today are (a) publicly available information on EG discussions and (b) Commission's staff analyses relating to the Semester. For a separate overview of the institutional role of the EAR, please see separate EGOV document.

The following two sections present how the Eurogroup discussions reflect the 2022 EAR (section 1) and how the Commission assessed implementation of the same 2022 EAR (section 2). Please refer to Box 1 for an overview of the 2022 EAR.

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**Box 1: Overview of the 2022 EAR**

The 2022 EAR addresses mainly five areas: (a) fiscal policies and fiscal stance; (b) deepening of the internal market (addressing taxation, labour markets, education, training and collective bargaining), (c) business environment, (d) national institutional frameworks, and (e) financial markets. The 2022 EAR focuses on:

***Fiscal policies*** **(EAR 1)**, asking for a continued coordination of fiscal policies to underpin a sustainable and inclusive recovery; suggesting a moderately supportive fiscal stance in 2022 across the euro area, taking into account national budgets and RRF funding and keeping fiscal policy agile. The Council proposes to pivot fiscal measures towards investments that promote a sustainable and inclusive recovery, to differentiate fiscal policies taking into account the state of the recovery, promoting fiscal sustainability while enhancing investment;

***Structural policies*** **(EAR 2)**, focusing notably on tax issues (fight against aggressive tax planning, tax evasion and limiting harmful tax competition), on lowering the tax wedge on labour and promoting a shift-from labour taxation towards less distortive taxes. EAR 2 also recommends transitioning from emergency to recovery measures in labour markets (through effective active labour market policies, labour market integration of young people, women and vulnerable groups and convergence towards practices that increase economic and social resilience) and to strengthen inclusive quality education and training systems. Lastly, this EAR suggests ensuring the effective involvement of social partners in policy making, strengthening social dialogue and collective bargaining;

***Internal market*** **(EAR 3),** recommending a shift towards targeted support for viable companies and increase the capacity of insolvency frameworks. The Council also recommends progressing on the Capital Markets Union (CMU) as an instrument to foster the single market;

***National institutional frameworks*** **(EAR 4),** focusing on strengthening national institutional frameworks as instruments to reduce bottlenecks and facilitate absorption of EU funds; recommending further efforts on digitalisation of the public administration, on green budgeting and spending reviews;

***Macro-financial stability*** **(EAR 5),** focusing notably on maintaining credit channels to the economy, reducing non-performing loans and monitoring asset quality. The Council also recommends to continue working on completing the Banking Union, "*through a step-wise and time-bound work plan*". It also addresses strengthening the international role of the euro and continuing exploratory work on the possible introduction of a digital euro.

## 1. Eurogroup's discussions

To find out how the EARs 2022 have been implemented, an indirect instrument is constituted by the summaries and conclusions of the debates held in the EG and addressing the various policy areas covered by the EAR, taking into account the EG programme of work. The Annex comprises the most relevant of such summaries and conclusions as published by the Eurogroup; the main elements are summarised below.

The EG adopted its work programme for the first half of 2022 on December 2021 and for the second half of the year in June 2022 (see box 2 below).

**Box 2: Eurogroup work programme for 2022**

The **Eurogroup** work programme until June 2022 focused on the following priorities:

**Economic and fiscal policies to support recovery and long-term growth**, including monitoring of the macroeconomic situation, fiscal and price developments in the wake of the pandemic, coordination of policies to prevent and correct macroeconomic imbalances (notably housing markets developments). The Eurogroup also discussed euro area relevant aspects of economic governance review to foster consensus.

**Strengthening the Banking Union**, with the Eurogroup continuing working on seeking a consensus on a step-wise and time-bound work plan on all outstanding elements needed to complete the Banking Union.

**The euro as a digital currency**, with topics for discussion including (i) trade-offs in the design of a digital euro between privacy and other EU policy objectives; (ii) potential impacts of a digital euro on the financial system and the use of cash; and (iii) business models of public and private participants in the digital euro ecosystem.

**International role of the euro**: it sought to foster high-level policy debates and exchange of views with international partners to deepen the relations in the economic and financial spheres. It also continued to monitor the plans and actions of non-euro area Member States relating to the introduction of the digital euro and stood ready to offer support and guidance, as necessary.

The priorities for the second half of 2022 were heavily shaped by the change in macroeconomic circumstances following the outbreak of the war in Ukraine, the energy crisis and inflation:

**Economic and fiscal policies to support recovery and long-term growth**, with a focus on ensuring coordination of fiscal policy to address the spillovers from the war in Ukraine and stimulate recovery. Other fiscal issues discussed include the annual assessment of Draft Budgetary Plans, euro area recommendations and medium-term fiscal stance. The quality of public investments and sustainability of public finance featured among the key priorities. Finance ministers discussed coordination of structural reforms and investments to increase EMU resilience and convergence while pursuing the green and digital transitions. Other areas of focus include post-programme surveillance as well as discussions on the euro area aspects of the economic governance review.

**The euro as a digital currency,** with the Eurogroup continuing on the path of the first half of the year and focusing on the political dimension, with a view of developing conclusions to inform the upcoming Commission proposal.

**Deepening EMU,** including contributions to the reform of the European bank crisis management framework and to achieve a Capital Markets Union. The Eurogroup worked on how to embed lessons learnt during the pandemic into further euro area policy coordination as well as to define positions in international fora, such as the G7, to ensure a stronger international euro. As part of this area, the Eurorgroup continue to support work on the enlargement of the euro area.

**Box 3: Eurogroup work programme for the first semester of 2023**

The Eurogroup priority areas for 2023 are broadly in line with those identified in the second half of 2022. As such, according to the work programme, in the first half of 2023 the Eurogroup will focus on:

**Economic and fiscal policies to tackle economic challenges:** The Eurogroup will closely monitor economic and financial developments of the EA economy in light of the current geopolitical and economic landscape and its strong spill-overs and cross-cutting effects as a consequence of the outbreak of the Russian war of aggression against Ukraine. It engage constantly to deliver a determined and agile economic policy response to achieve close coordination of national policies on appropriate fiscal policy in the EA and particularly via its reflections on the 2023 euro area recommendations in January. Based on the EC Communication on the economic governance review in November EG will further engage, in cooperation with the Council Presidency, in discussions on the relevant aspects for the euro area to support building broad-based consensus amongst Member States and institutions. Furthermore, EG will closely assess the inflation development and paying attention to the uneven impact of the energy price shocks in the EA aiming to address the energy price shock in a coordinated manner.

**Deepening EMU:** The Eurogroup will continue working towards the preparation of a stepwise and time-bound work plan on all outstanding elements needed to complete the Banking Union and deepening the Capital Markets Union allowing European financial markets to operate in an integrated and transparent manner. Based on the EG statement adopted in June 2022 the group will discuss the impacts of the forthcoming Commission legislative proposals on the review of the framework for bank crisis management and national deposit guarantee schemes.

**The euro as a digital and international reserve currency:** The EG will revert to this topic regularly as the project advances towards the decision whether to proceed to the implementation phase by the end of 2023. In full respect of the institutional roles and mandates of all actors, it will regularly take stock of the ongoing work of the investigative phase by the ECB and on the future legislative proposals by the Commission and to monitor the plans and actions of non-euro area Member States' relating to the introduction of the euro and offer its support and guidance if appropriate.

This usual bi-annual adoption of work programmes better caters for evolving conditions. Given the change in the economic outlook in early 2022, this allowed to reprioritise work in the second half of the year to address the energy shock, inflation and spillovers from the war in Ukraine. The EG work programme explicitly recognised the EAR as the channel to provide its views on the adequate policy mix in the current macroeconomic environment. The EG work programme for the first six months of 2023 continues to focus on the priorities identified for H2 2022 (see box 3).

The implementation of the 2022 EAR was derailed by to the outbreak of the Russian war in Ukraine in February 2022 and the ensuing negative implications for the euro area economy (see Table 1 below).

The EG has discussed intensively **fiscal measures** to address the economic challenges posed from inflation and rising energy prices, while the conclusions where quite general, at least in the early days of energy price crisis. In this context, the finance ministers progressively focused on the mitigation of the impact of the crisis on vulnerable households and corporates. The green transition can also be seen as a key area of their elaborations throughout 2022, particularly with a view of ensuring the achievement of energy efficiency and independence. The EG has also continued to follow up on ***ex post* surveillance** of previous financial assistance programmes (Greece, Portugal, Cyprus, Spain, Ireland; considered under EAR 1).

On the contrary, issues such as taxation and the **fight against financial crime** (EAR 2) as well as **national institutional frameworks** (EAR 4) seem to have merited less attention from euro area finance ministers.

The work of the EG extensively covered **financial market recommendations** (EAR 5), particularly in the area of the Banking Union and of the digital euro:

- The **Banking Union** has dominated discussions in the first half of the year due to the political commitment to agree on *a "step-wise and time-bound work plan on all outstanding elements"*, as identified in EAR 5 2022 EAR5. Following an acceleration in the spring, EG President Pascal Donohoe presented a multiphase blueprint to achieve progress on four work streams: (1) the review of the bank crisis management framework; (2) common protection for depositors; (3) home-host integration; (4) regulatory treatment of sovereign exposures. At the June meeting, however, the EG recognised the lack of consensus to agree on such a work plan, mandating instead the Commission to table proposals only in the area of bank crisis management and deposit guarantee schemes (CMDI) to be negotiated in the current legislative cycle. The failure to agree on an extensive roadmap has thus led to a re-drafting of the Banking Union recommendation for EAR5 in the 2023 version[1].

- The EG continued to hold its bi-annual exchange of views with the Chair of the ECB's Supervisory Board, Andrea Enria, and with the Chair of the Single Resolution Board (SRB), Elke König.
- The discussions on the **digital euro** show a different outcome. Finance ministers have engaged throughout the year in debates on the design options as well as on the policy objectives of a European Central Bank Digital Currency (CBDC). The most concrete outcome of this discussions is a statement issued on 16 January 2023 that signalled the EG's intention to remain involved in the debate. The statement indicates that: *"The Eurogroup will continue to play an active role in discussing the key political issues underlying a digital euro"* showing the willingness of euro area Member States to be actively engaging on this project, despite not being in the driving seat of the ongoing exploratory work. As such, the digital euro will remain a priority area also for the rest of the year.

**Table 1**: Overview of EAR discussions in the Eurogroup in 2022

| | Eurogroup discussions in 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug[2] | Sep | Oct | Nov | Dec |
| Fiscal policies | X | X | X | X | X | X | X | | X | X | X | X |
| Green and digital agendas | | | | X | | | X | | | X | | X |
| National frameworks and institutions | | | | | | | | | | | | |
| Tax issues | | | | | | | X | | | X | | |
| Education, training and labour markets | | | | | | | | | X | X | | X |
| Social policies | | | | X | | | X | | X | X | | X |
| Internal market and divergences | | | | | | | X | | | X | | X |
| Banking Union | X | | X | X | X | X | | | | | X | |
| Financial stability | X | | | X | | | | | | | X | |
| Fraud, corruption and AML | | | | X | | | | | | | | |
| CMU | X | | | | | | | | | | | |
| EMU and int'l role of the euro | X | X | X | X | | X | X | | X | X | | X |

*Source: EGOV (see Annex 1 for additional details). A database covering EAR will also be made available.*

*Note:* A green cell implies that a discussion was held at the corresponding Eurogroup meetings. The reference date for Eurogroup action is January 2022 to December 2022; nevertheless, the final reference date for the 2022 EAR is April 2022 (date of publication

[1] For a more detailed overview on the progress on the Banking Union, please see separate EGOV document.

[2] No Eurogroup meetings were held in August

in the Official Journal - OJ C 153, 7.4.2022). The split of EAR in subcategories aims to better categorise Eurogroup action and is based on EGOV assessment, taking into account the various subjects reflected in each EAR. Eurogroup meetings in inclusive format are also taken into account.

Overall, the picture that emerges from the EG's work in 2022 is clear. Finance ministers were called to address new challenges brought by the Russian war in Ukraine. The surge in inflation and the energy crisis, in tandem with the need to cushion their impacts on citizens and companies alike, led to a re-shuffle in policy priorities. The novelty and the urgency of these new hurdles derailed the work on less pressing areas, providing a new momentum around energy independence, protection of living standards and safeguarding financial stability. This reprioritisation of priorities to deal with the new shocks to the euro area's economy ultimately meant that the EG already started to take action on those very same priorities that would have then fed into the 2023 draft EAR rather than focusing on the full implementation of the 2022 EAR.

## 2. Analysis by the Commission services

From 2014 to 2016, the Commission used to provide a quantitative grid, similar to that used for the CSRs, to assess progress with the EAR. Such assessment - even if complex due to the specific design and role of the EAR - may be seen as crucial for the effectiveness and legitimacy of the instrument (see Table 2 below). In its 2016 assessment, the last one where the Commission adopted a quantitative grid, the Staff Working Document stated "*A fuller assessment, based on individual country's progress with the CSRs flagged as relevant for the implementation of the 2016 EARs, will be presented in the country reports of Spring 2017*".

Since 2017, the Commission has not published such grid. Nevertheless, the Commission follows up on the previous year EAR in the recitals for the new EAR and in the SWD that accompanies the new cycle-EAR. Such elements provide a background analysis of developments in the euro area and constitute the underpinning of the new cycle-EAR. Insofar the recommendations on deepening the EMU and Banking Union refer to European policies, there is still a European interest (and rationale) for the Commission to assess progress on a yearly basis, despite the fact that most EAR are to be implemented through national policies.

As a novelty to these proceedings, the Commission provided, together with the presentation of the draft EAR for 2020, in its SWD, a *specified qualitative* assessment of the implementation of the 2019 EAR[3,4]. In the same SWD, the Commission signalled that the following assessment (accompanying the proposal for the 2021 EAR) would provide a more complete review of progress in implementing the EAR, based on a methodology to be elaborated and discussed with the euro area Member States and institutions in the relevant committees. The review would provide an overview of progress for the EA as a whole in implementing previous year's EAR. Contrary to this intention, the SWD accompanying the 2021 draft EAR does not make such assessment. No public information is either available on discussions with the Member States over a methodology to assess implementation of previous EAR. The COVID-crisis may have had an impact on Commission's intentions but, nevertheless, for transparency, accountability and ownership purposes, a more granular and in-depth assessment would support the effectiveness of the EAR.

The SWD accompanying the 2022 EAR maintains the same qualitative approach as in the previous year. Notably, the document highlights how national RRPs are contributing to addressing the 2021 EAR, including by showing how euro area Member States' RRPs are contributing to the implementation of the EAR.

The SWD accompanying the 2023 EAR proposal evaluates developments in the euro area and implementation of the 2022 EAR. The assessment remains qualitative, with the Commission showing the

[3] The assessment is based on reforms undertaken at national and European levels and takes into account policy outcomes at euro level and available assessments at country level. If a specific recommendation is addressed to a number of Member States, only those addressees are considered for the purpose of assessing implementation.

[4] For further information see box 3 in the SWD.

degree of implementation of different recommendations in a table. Overall, the SWD notes that in spite of progress in the implementation of recommendations, this varies across policy areas:

- On fiscal policy (EAR 1), the SWD remarks "good progress" but laments significantly lower levels of implementation with regards to the sustainability of public finance;
- Labour market, social policy and tax reforms (EAR 2) remain some of the areas with lower implementation, possibly in light of the longer time-horizons associated to their implementation;
- Reforms on corporate support (EAR 3), especially in the form of liquidity assistance to SMEs, are described as "well implemented" despite having been introduced only in few Member States;
- Implementation of business environment measures (EAR 4) remains slower;
- Implementation of reforms in the area of financial stability (EAR 5) is described as "moderate".

Annex 2 in the SWD accompanying the 2023 EAR proposal also looks at the role of the RRF in implementing the EAR and addressing euro area priorities. Overall, the SWD notes that the national recovery and resilience plans (RRPs) are well covering recommendations on fiscal policy and structural reforms (EAR 1, EAR 2). Member States' plans are also addressing a number of recommendations on the business regulatory environment (EAR 4). The least satisfactory contributions of the RRF is with respect to private indebtedness, insolvency frameworks (EAR 3) and financial stability (EAR 5), where the Commission notes that RRPs do not sufficiently cover these areas. The contribution on solvency support (EAR 3) is also limited, but mostly because of measures being introduced already before the submission of RRPs.

The table below provides a schematic overview of the Commission's assessments over time.

**Table 2**: Implementation of EAR

| | European Semester Cycle | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| **Number of Sub-EAR** | *7* | *6* | *6* | *4* | *4* | *5* | *5* | *5* | *5* | *5* | *5* | *5* |
| **Progress in implementation** (full/substantial progress) | *Qualitative assessment within SWDs (no assessment grid)* | | | **1** (25%) | **1** (25%) | - | *Qualitative assess. within SWD* | | | *Specified qualitative assess. in SWD* | *Qualitative assess. within SWD* | *Qualitative assess. within SWD* |
| (some progress) | | | | **3** (75%) | **2** (50%) | **4** (75%) | | | | | | |
| (limited/no progress) | | | | - | **1** (25%) | **1** (25%) | | | | | | |

*Source: EGOV based on the Commission SWDs accompanying the proposals for EAR.*

*Notes: (1) For the sake of presentation, the assessment grid shown in the table is composed of three rather than five categories typically used by the Commission, namely **'full/substantial progress'**, **'some progress'** and **'limited/no progress'**. (2) Based on the Commission assessment of actions taken (rather than outcomes that may materialise with variable lags); assigning identical weights to all recommendations, within and across cycles, irrespective of their institutional and political sensitivities.*



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This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

# Annex: An overview of Eurogroup policy actions as regards the 2022 euro area recommendations

| | 2022 Council Recommendation | Eurogroup relevant discussions |
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| **Fiscal policies** | (1) Continue to use and coordinate national fiscal policies across Member States to effectively underpin a sustainable and inclusive recovery.<br>(1) Maintain a moderately supportive fiscal stance in 2022 across the euro area, taking into account national budgets and the funding provided by the Recovery and Resilience Facility.<br>(1) Gradually pivot fiscal measures towards investments that promote a sustainable and inclusive recovery, consistent with the green and digital transitions, paying particular attention to the quality of budgetary measures.<br>(1) Reflecting the degree of uncertainty, keep fiscal policy agile in order to be able to react to the evolution of the COVID-19 pandemic.<br>(1) Differentiate fiscal policies taking into account the strength of the recovery, ensuring fiscal sustainability and enhancing investments, while bearing in mind the need to reduce divergences. | In January, ministers discussed the fast recovery from the pandemic due to their coordinated policy response. They confirmed the well-performing nature of the draft budgetary plan processes and the role of economic coordination in the pandemic.<br>In February, the EG discussed the Greek early repayment of the IMF and GLF loans.<br>In March, the EG discussed the Commission's Communication on fiscal guidance for 2023 and the recent monetary policy decisions, committing to keep fiscal policy agile. Ministers discussed the economic uncertainty deriving from the war in Ukraine and how to address the spike in energy prices. They committed to further policy coordination and recognised the need for differentiated fiscal measures, with a view of reaching a balanced aggregate fiscal stance in the euro area and promote public investments (see also this statement).<br>In April, the EG underlined the commitment to continue to coordinated economic and fiscal policies to respond to the new economic challenges.<br>On 23 May, the EG discussed the Spring Package and reiterated the need to undertake targeted and temporary measures to address the energy crisis while also pursuing fiscal sustainability. According to President Donohoe, euro area finance ministers remained committed to achieve a neutral fiscal stance in 2023. He also called the Commission's decision to maintain the general escape clause of the Stability and Growth Pact activated until end-2023 an important development.<br>In June, the EG adopted the work programme for the second half of 2022, which would focus on supporting the recovery and long-term growth.<br>In July, the EG reiterated the need to continue to pursue coordinated policy responses to ongoing economic challenges. It also reverted to discussions on the fiscal stance for 2023 noting that "*supporting overall demand through* |

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| | | *fiscal policies in 2023 is not warranted"*. Finance ministers underlined their commitment to meet reform and investment targets while highlighting that fiscal measures adopted in response to the energy crisis should remain targeted, temporary and focused on the most vulnerable. They also agreed on a statement on fiscal policy orientations for 2023. The statement highlights the need for fiscal policy to support growth and remain differentiated across Member States due to their situation. The statement further calls for income measures rather than price measures.<br><br>In September, the EG reiterated its preference for targeted income measures as well as close coordination in fiscal measures.<br><br>In October, the EG once again reiterated its preference for "strong policy coordination". Ministers also issued a statement on the fiscal policy response to rising energy prices and inflationary prices. The statement recognised the rapid deployment of measures, with an impact on national budgets and energy demand. It also outlines the goal of focusing on cost-efficient, temporary and targeted measures while laying out the intention to avoid measures that would further fuel inflationary pressures.<br><br>In November, the EG once again highlighted the need to strengthen fiscal policy coordination.<br><br>In December, the EG issued a statement on draft budgetary plans for 2023. The statement recognises the effectiveness of policy measures in driving a strong recovery from COVID-19 while recognising the swift emergency actions undertaken to respond to the new macroeconomic challenges. The statement reiterates the focus on coordination as well as the reflections on the introduction of two-tier energy pricing models. It also calls on Member States to gradually withdraw emergency measures as energy price pressures fade away while warning that additional energy support measures could render the euro area fiscal stance expansionary in 2023. The statement further recalls the differentiation of fiscal policy between highly-indebted and low/medium debt Member States, with a view of ensuring that national budgetary plans are aligned with Council recommendations. |

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| **Green and digital agendas** | (1) Gradually pivot fiscal measures towards investments that promote a sustainable and inclusive recovery, consistent with the green and digital transitions, paying particular attention to the quality of budgetary measures.<br>(4) Strengthen the effectiveness and digitalisation of public administration. | In April, the EG "emphasised the importance of promoting investments to increase the resilience of our economies, in particular in view of the challenges related to the energy transition and our green objectives".<br>In its July statement on fiscal policy, the EG calls for the implementation of structural reforms and investments for the twin transitions, as well as calling for diversification of energy supplies, achievement of energy independence and adoption of the REPowerEU facility. The statement calls for a shift from fiscal compensation to investments in energy efficiency as well as the "development of environmentally sustainable local sources of energy".<br>In October, the EG underlined the role of REPowerEU to respond to the challenges of the energy crisis. In its statement on fiscal policy, the EG emphasised the importance of reducing reliance on Russian fossil fuels and investing in "energy efficiency and interconnectivity of energy networks, the diversification of energy sources, the development of low-carbon energy production, and well-functioning energy markets". The RRF is identified as the platform to accelerate the green and digital transition.<br>In its December statement on draft budgetary plans for 2023, the EG highlighted again the need to reduce energy dependency from Russia and to boost the decarbonisation of the economy. It underlined the importance of investing in renewables, energy efficiency and "futureproof energy infrastructure". The statement, while underlying the role of the RRF in driving an upward trend in investments in most euro area economies, still recognises the need to further increase expenditures for the green and digital transition, including through REPowerEU. |
| **National frameworks and institutions** | (4) Continue to strengthen national institutional frameworks and pursue reforms to address bottlenecks to investment and reallocation of capital, and ensure the efficient and timely use of Union funds.<br>(4) Strengthen the effectiveness and digitalisation of public administration.<br>(4) Reduce the administrative burden for firms and improve the business environment. | |

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| | (4) Improve public financial management, including through green budgeting and by improving the effectiveness of public investment management frameworks, and make use of spending reviews to improve the composition and quality of public finances, in particular quality of public investments and investment in people and skills, and to better focus public expenditure on recovery and resilience needs. | |
| **Tax issues** | (2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems.<br>(2) Work to limit harmful tax competition including through the implementation of the global consensus-based solution to address the tax challenges arising from the digitalisation and globalisation of the economy.<br>(2) Lower the tax wedge on labour and promote a shift-from labour taxation towards taxes that are less distortive. | In its July statement on fiscal policy, the EG noted that fiscal measures "such as general reductions of taxes and excise duties" adopted in response to rising energy prices should remain temporary and increasingly more targeted towards vulnerable groups.<br>In its October statement on fiscal policy, the EG underlined the need to refrain from harmful tax adjustments in the context of the energy crisis. The statement also floats the idea of measures to ensure that companies benefitting from higher energy prices contribute "their share in solidarity with the rest of society" through their windfall revenues. |
| **Education, training and labour markets** | (2) Transition from emergency to recovery measures in labour markets by ensuring effective active labour market policies: (i) supporting job transitions, in particular towards the green and digital economy, (ii) combining measures tackling skills shortages, strengthening upskilling and re-skilling, providing targeted hiring incentives and (iii) enhancing the capacity of public employment services to address labour market mismatches.<br>(2) Strengthen inclusive quality education and training systems.<br>(2) Promote labour market integration of young people, women, and vulnerable groups, ensure adequate working conditions and address labour market segmentation, develop and adapt where needed social protection systems and strengthen access in order to address challenges emerging from the COVID-19 crisis and those related to the green and digital transitions.<br>(2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience. | In September, the EG outlined its preferences for measures that prevent a wage-price spiral, further fuelling inflation. This was further reiterated in the October statement on fiscal policy.<br>In its December statement on draft budgetary plans for 2023, the EG recognised that the labour market has benefitted from short-term work schemes, such as SURE, and structural reforms implemented in the past 10 years. |

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| **Social policies** | (2) Promote labour market integration of young people, women, and vulnerable groups, ensure adequate working conditions and address labour market segmentation, develop and adapt where needed social protection systems and strengthen access in order to address challenges emerging from the COVID-19 crisis and those related to the green and digital transitions.<br>(2) Ensure the effective involvement of social partners in policy making, strengthen social dialogue and collective bargaining.<br>(2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience. | In April, the EG noted that many Member States were implementing policies to cushion the impact of the war in Ukraine on the most vulnerable population groups. Finance ministers also discussed recent developments in the euro area's housing market, with a focus on affordability: "We recognised the importance of appropriate supply-side policies, whilst being aware of the need for such policies to be aligned with the green transition".<br>In July, the EG emphasised "the need to protect the most vulnerable" also in the context of the current energy crisis.<br>In September, the EG highlighted how euro area Member States have adopted measures to support household and corporates in the current economic environment.<br>In October, the EG reiterated the commitment to "measures aimed at mitigating the impact of the energy crisis on vulnerable households and businesses". Similarly, in its statement, the EG reiterated the focus on vulnerable groups.<br>In October, in the context of the EG meeting with the US Secretary to the Treasury, EG President Donohoe emphasised the work undertaken to protect living standards and employment.<br>The focus on vulnerable households and businesses for the purposes of support measures was also reiterated in the EG's December statement on draft budgetary plans for 2023. |
| **Internal market and divergences** | (1) Differentiate fiscal policies taking into account the strength of the recovery, ensuring fiscal sustainability and enhancing investments, while bearing in mind the need to reduce divergences. | In July, the EG adopted a statement on fiscal policy orientations highlighting that in all Member States fiscal policy should preserve debt sustainability.<br>In its October statement on fiscal policy, the EG reiterated the need to continue to preserve debt sustainability. The statement also underlines the need to coordinate to "preserve the level playing field and the integrity of the single market". The statement further emphasises that policy measures should not distort the single market. Similar remarks were reiterated in the EG's December statement on draft budgetary plans for 2023. Furthermore, the statement acknowledges the "need to accelerate fiscal-structural |

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| | | reforms which would strengthen potential growth, competitiveness and debt sustainability". |
| **Banking Union** | (5) Continue to work on completing the Banking Union, by means of a step-wise and time-bound work plan on all outstanding elements needed and with the same level of ambition, and on strengthening the international role of the euro. | In January, in its inclusive format, the EG emphasised the political commitment to finalise a blueprint for the completion of the Banking Union, with ministers seeing "a window of opportunity in the coming months to agree on a work plan". The ratification of the revised ESM Treaty, with the backstop to the SRF, also featured in the discussions.<br>In March, during the EG meeting in inclusive format, President Donohoe outlined his proposal for a phased approach on Banking Union completion to ministers, committing to present a draft work plan in the following weeks. During this meeting, ministers reiterated the need to advance in the project. As outlined in the letter to the President of the European Council, Charles Michel, the EG agreed to work across 4 pillars: (1) banks crisis management framework, (2) common protection for depositor, (3) a single market for banking (home/host integration), (4) regulatory treatment of sovereign exposures. The letter outlines the goal to agree on a roadmap by mid-2022.<br>In April, the EG discussed recent resolution cases and the effectiveness of the EU resolution framework with SRB Chair Elke König, who called for the completion of the Banking Union. The SRF and the ESM backstop were also addressed during this meeting.<br>On 3 May, the EG in inclusive format held an extraordinary videoconference to discuss President Donohoe's proposals for a stepwise and time-bound roadmap for Banking Union completion. Each of the four work streams would be divided in two phases, with the second one being allowed to start only upon a political checkpoint and through Member States' consensus. The plan suggested a review clause upon completion of the second phased. Ministers underlined the importance of reaching an agreement in June. Discussions continued on 23 May during the EG in inclusive format, taking into account the work of the High Level Working Group on EDIS.<br>In June, the EG in inclusive format issued a statement on the review of the European bank crisis management and deposit insurance (CMDI) framework. While the EG did not agree on a comprehensive roadmap on the |

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| | | Banking Union completion, it called upon the European Commission to table a proposal on the CMDI review and invited co-legislators to conclude the legislative process by the end of the current institutional cycle in early 2024. Only later, the EG would relaunch discussions on consensual measures to tackle the outstanding elements of the Banking Union.<br>In November, the EG discussed with SRB Chair Elke Konig progress on resolution planning, the implementation of the resolution framework, state of play on the SRF and ratification of the revised ESM Treaty. |
| **Financial stability** | (3) Monitor the effectiveness of policy support packages for companies, focus on a more targeted support for the solvency of viable firms that have come under stress during the COVID-19 crisis, and make greater use of equity-type instruments.<br>(3) Increase the capacity of insolvency frameworks to deal effectively and in a timely manner with bankruptcy and debt restructuring, maximise the preservation of value and promote an efficient allocation of capital in the real economy and cross-border investments.<br>(5) Ensure macro-financial stability, and maintain the credit channels to the economy, continuing to address non-performing loans through, amongst others, monitoring asset quality, timely and pro-active engagement with distressed debtors, in particular viable ones, and the further development of secondary markets for non-performing loans. | In January, the EG note the resilience of the euro area during the pandemic, underlying that the fears for a wave of insolvencies did not materialise. However, ministers committed to continue to help restructuring the economy in light of "risks stemming from high corporate debt, especially for SMEs". They also underlined the need of "improving insolvency frameworks, facilitating debt restructuring and promoting equity finance".<br>In April, the EG discussed the outlook of the euro area banking sector and the priorities in banking supervision with the Chair of the ECB's Supervisory Board, Andrea Enria.<br>In November, the EG held an exchange of views with Andrea Enria on the outlook for the euro area banking sector. Enria highlighted that the legacy of NPLs continued to decline and that banks had robust capital and liquidity levels. He has however warned of financial markets' volatility and underlined the importance of continuous monitoring of risks and caution from banks. |
| **Fraud, corruption and AML** | (2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems. | In April, in the context of the discussions on the digital euro, the EG underlined how it should contribute to "preventing money laundering, illicit financing and tax evasion, and counteracting the use of a digital euro for unwarranted purposes". |
| **CMU** | (3) Make swift progress in deepening the Capital Markets Union, on which the Commission has made legislative proposals with a focus on supporting the financing of the economy, enhance investment opportunities for firms and individuals, and remove unwarranted cross-border barriers to investments in the single market. | In January, in its inclusive format, the EG called for deepening the CMU, also in light of financing the recovery and the twin transitions. |

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| **EMU deepening and international role of the euro** | (5) Continue to work on completing the Banking Union, by means of a step-wise and time-bound work plan on all outstanding elements needed and with the same level of ambition, and on strengthening the international role of the euro.<br><br>(5) Continue to support exploratory work on the possible introduction of a digital euro. | In January, the EG discussed the euro area aspects of the review of the economic governance framework. EG President Donohoe shared a work plan for discussion on a number of EMU priorities, including the economic governance review, the Banking Union and the digital euro with the EG in its inclusive format.<br><br>In February, the EG continued to discuss the economic governance review, focusing on the euro area dimension of the macroeconomic imbalance procedure (MIP), emphasising its importance for the EMU. Ministers called for further enhancing its forward-looking nature and some underlined the role of the EG itself as a potential platform to strengthen ownership. They underlined the potential to better link the MIP to other surveillance policies, including in the EAR. The EG also reiterated the importance of a digital euro and adopted a statement on the key issues to be discussed in this domain.<br><br>In March, the EG reiterated its engagement on the economic governance review.<br><br>In April, the EG once again discussed the digital euro focusing on the trade-off between privacy and other policy objectives in the area of financial crime. Among others, the EG indicated that full anonymity could not be warranted, emphasised the support for a risk-based approach and interest in exploring offline functionalities.<br><br>In June, the EG recommended that Croatia entered the euro area as of 1st January 2023. Ministers also adopted the work programme for the second half of 2022, focusing on the digital euro and EMU.<br><br>In July, the EG emphasised the importance of the review of the economic governance framework. It also discussed the implications of the digital euro for the financial systems and for the use of cash, recognising the role of potential holding thresholds as ways to limit risks. It also reiterated that the digital euro should be a complement to cash.<br><br>In September, the Eurogroup in inclusive format continued to engage on the digital euro, reverting on the issues of privacy and financial stability as well as addressing developments of central bank digital currencies (CBDCs) outside of the euro area. |

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| | | In October, the EG underlined the role of RRPs in addressing EAR. In the same meeting, finance ministers continued to address the digital euro discussing the role of public and private participants in the ecosystem, possible distribution models, interoperability with other private solutions and CBDCs.<br>In December, the EG reverted to the review of the economic governance framework, with President Donohoe underlying the broad agreement on the need for an effective architecture and on the need to move forward the debate. |

*Source: EGOV, based on Eurogroup summing up letters, press releases and press conferences available on the Council homepage (see here).*

The reference date for Eurogroup action is January 2022 to December 2022; nevertheless, the final reference date for the 2022 EAR is April 2022 (date of publication in the Official Journal - OJ C 153, 7.4.2022). The split of EAR in subcategories aims to better categorise Eurogroup action and is based on EGOV assessment, taking into account the various subjects reflected in each of the EAR. Numbers in parentheses refer to the number of the relevant EAR as published in the Official Journal.