IN-DEPTH ANALYSIS

Council recommendations on the Economic Policy of the Euro Area

This note looks at the 2023 recommendation on the economic policies of the euro area proposed by the Commission and agreed by the Council. The note provides a review of the euro area recommendations from an institutional perspective and includes broad comparisons to earlier recommendations, in order to illustrate how policy concerns have evolved over time. This note is an update on a previous version and will be updated in light of relevant developments.

I. The euro area recommendation: institutional perspective

Within the framework of the European Semester, the Council issues, on the basis of a Commission proposal, annual recommendations on the economic policy of the euro area (the euro area recommendation, EAR), in accordance with Articles 136 and 121(2) of the Treaty of the Functioning of the European Union (TFEU). These recommendations typically cover fiscal, financial and structural issues, as well as institutional aspects of the Economic and Monetary Union (EMU). The EAR aims to provide orientations to euro area (EA) Member States on issues that are relevant for the functioning of the euro area as a whole (and, thus, are to be regarded as a "*common concern*") such as policies related to the euro area fiscal stance and the completion of the EMU. Since the 2015 Semester cycle, and following the recommendations in the Five Presidents' report, the EAR is part of the so-called autumn European Semester package, and precedes the country specific recommendations (CSRs).

At the national level, euro area countries are expected to take the EAR into consideration when:

(1) Drafting their Stability Programmes and National Reform Programmes (to be submitted to the Commission and Council by April), and

(2) Implementing their CSRs.

The Council and the Commission are expected to monitor the implementation of the EAR and take further actions as appropriate. The European Parliament scrutinises the decisions taken at the EU/EA-level during the Semester cycle, in particular by means of Economic Dialogues. Moreover, the ECON Committee regularly requests external research papers on various topical issues relevant for the smooth functioning of the euro area.

At the euro area level, as such, there is (1) no institutional body that bears formal responsibility for the implementation of the EAR and (2) no formal mechanism to ensure its implementation (or enforcement). Nevertheless, the Eurogroup (EG), as the *de facto* coordination body of euro area policies, takes into account the euro area recommendation when drawing up its work programmes and undertakes "thematic discussions" on issues that are relevant from a euro area perspective which are addressed in the EAR.

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In particular, the Council considers the EG as the appropriate forum for Member States to "*take action*", individually and collectively[1], to implement the EAR. Notwithstanding, most of the actions covered by the EAR need implementation at national level (in particular, the EAR covering fiscal and structural issues), even if such actions are coordinated at European level within the European Semester[2].

The Recovery and Resilience Facility (RRF) Regulation confers a specific role to the EAR as one of the elements to be considered by euro area Member States in their Recovery and Resilience Plans (RRPs)[3]. In the context of the RRF, the EG is being called to assess national implementation of EAR through national RRPs, as reflected in a background note prepared ahead of the 3 October 2022[4].

The European Fiscal Board (EFB) also plays a role in advising the Commission and relevant stakeholders on the consistency between the national fiscal stances and the fiscal stance of the euro area as a whole[5] and may, therefore, contribute to the debate on the implementation of the EAR. The EFB regularly appears before the European Parliament for hearings.

The European Economic and Social Committee (EESC) also issues opinions on euro area policies[6].

The International Monetary Fund (IMF) staff also assesses euro area developments as part of their Article IV consultations.

2. The latest Council euro area recommendation

2.1 The Council 2022 euro area recommendation

The 2022 EAR as adopted by the Council (ECOFIN) on 5 April 2022 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;

[1] In fact, the EA recommendations include, after the recitals and preceding the recommendations themselves, a sentence stating that the Council recommends "*euro-area Member States take action within the Eurogroup, individually and collectively*". This seems as a mandate for Member States to reflect the EAR in their economic policies, to consider them as a matter of common concern and points to a coordination and monitoring role by the Eurogroup.

[2] In a paper commissioned by the European Parliament, of September 2016, on "Structural policies for growth and jobs: best practices, benchmarking and the role of the Eurogroup", Henrik Enderlein and Jörg Haas propose "*The role of the Eurogroup in the European Semester would need to be defined ex-ante, not ad-hoc. This would include officially assuming the responsibility for achieving the euro-area CSRs, following up on country-level CSRs and possibly taking up an active role in the MIP*".

[3] The Commission's proposal for a RRF regulation did not contain a specific reference to the EAR[3]. Differently, the Council's adopted mandate for negotiating with the European Parliament established that the RRPs are to be consistent with the *"challenges ... and priorities ... identified in the most recent Council recommendation on the economic policy of the euro area"*. The European Parliament's negotiating mandate contained provisions of similar effect. The final text keeps references to the RRPs being consistent with the challenges and priorities identified in the most recent euro area recommendation (see recital 32 and article 17(3) of the RRF Regulation).

[4] The background note for the 3 October 2022 meeting further recognises the role of the EG in shaping policy priorities for the euro area against the change in the global economic outlook. The note outlines the EG's intention to highlight which priorities should be addressed in the new economic environment and "*feed into the Commission's work on the EAR (...) at an early stage*". The specific "euro area dimension" of the RRF and the role that the Eurogroup plays on it is further underlined in a background note for the 18 January 2021 meeting of finance ministers[4]. The note also signals that the Eurogroup will look into national implementation of agreed reforms and investments[4]. This note clarifies the role EG plays in "monitoring" implementation of EAR at national level.

[5] See specific EGOV paper on the euro area fiscal stance.

[6] For 2023, the EESC issued its latest *Euro area economic policy* opinion on 25 January 2023.

- *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*". The EAR also addresses strengthening the international role of the euro and continuing exploratory work on the possible introduction of a digital euro.

2.2 The Council 2023 euro area recommendation

On 22 November 2022, the Commission published its recommendation for a Council recommendation on the 2023 economic policy of the euro area (EAR), as part of the 2023 European Semester autumn package. This also included a staff working document (SWD) assessing the euro area economy.

ECOFIN approved the 2023 draft Council recommendations[7] on 17 January 2023, paving the way for final endorsement by the European Council in March 2023 and formal adoption in the Council.

The Council 2023 draft EAR, similarly as last year, focuses on five areas: (a) fiscal policies and inflation, (b) structural policies (green and digital transitions, energy resilience and EU's energy independence, implementation of NRRPs), (c) labour markets (loss in purchasing power, promotion social dialogue and investments in skills), (d) internal market (solvency of companies, balancing support in energy crisis with level playing field, CMU), and (e) financial markets. In more detail:

- *Fiscal policies and inflation (EAR 1),* suggesting to avoid a broad-based stimulus to instead focus on targeted policies to cushion the impact of higher energy prices on vulnerable households and firms; promoting a two-tier pricing model for energy. It also recommends to reflect on reducing support once energy price pressures fade away. It calls for continued coordination among Member States' fiscal policies with a view of ensuring debt sustainability and support return to the 2% inflation target in the medium-term;
- *Structural policies (EAR 2),* calling for high level of public investments and encouraging private developments in support of the green and digital transitions, particularly to improve energy efficiency and facilitate the shift towards renewables. It lists REPowerEU as well as national energy and climate plans as the channels to boost the energy transition and achieve energy independence

[7] For a comparison between the Council and the Commission approaches please refer to EGOV "comply or explain" briefing.

at EU level. Finally, it calls for the timely implementation of cohesion policy programmes and RRPs, with a view of *"ensuring the timely delivery of reforms and investments*";

- *Labour markets (EAR 3),* focusing on supporting wage developments to address the loss in purchasing powers, in particular for low-income workers. At the same time, the Council emphasises the need to prevent second-round effects. It recommends further work to adapt social support systems to help vulnerable households address the energy crisis and the twin transitions. Lastly, it calls for further development of skills, effective participation of social partners in policy-making and improved social dialogue;
- *Internal market (EAR 4),* recommending that support for corporates in the energy crisis remains "*cost-effective, temporary and targeted",* offers incentives to transition towards renewable energy and improves energy efficiency. It emphasises the need to avoid competitive distortions in the single market and identifies the Temporary State aid Crisis Framework as a way to maintain a level playing field. The recommendation continues to call for improvements in the efficiency of insolvency frameworks and in the business environment as well as for advancements towards the CMU.
- *Financial markets (EAR 5),* emphasising the need to prevent fragmentation and maintain credit channels. The Council urges to monitor negative developments in the energy sector, vulnerabilities in the real estate market, tightening of financial conditions, possible changes in non-performing assets and private indebtedness levels. It highlights the role of the upcoming proposal on the reform of bank crisis management and deposit insurance framework (CMDI) for the completion of the Banking Union while recommending that Member States continue to engage in the preliminary work for the issuance of a digital euro.

2.3 Comparing the Council approaches in the 2022 and 2023 draft euro area recommendation

The 2023 draft EAR is the first to be issued since the outbreak of the war in Ukraine. Consequently, it distances itself from the previous EARs as it takes stock of the new economic and geopolitical environment, which witnessed a halt of the euro area's recovery from COVID-19 due to several external shocks. The 2023 EAR focuses on novel challenges, such as spikes in energy prices, a cost of living crisis and mounting inflation, while reiterating the need to maintain a level playing field within the internal market. It recognises that the deterioration of the economic outlook following the energy crisis differs from the pandemic shock in its heterogeneity impact, leading to divergences and potential fragmentation across the euro area.

The Annex provides a comparison of Council EAR for 2022 and 2023 (2021 Council proposals are kept for illustrative purposes). At headline level, some of the key themes addressed in previous recommendations, notably taxation and the role of national institutional frameworks, have disappeared in the 2023 version or been relegated to a few words. This leaves room to more pressing recommendations on the adequacy of fiscal policy to tame inflation, respond to the energy crisis and mitigate workers' loss of purchasing power. In more details:

- Fiscal recommendations in 2023 seek to respond to heightened energy prices and inflation rather than continue to support recovery from COVID-19 as per the 2022 EAR. The 2023 draft EAR and the 2022 EAR differ in terms of the recommended fiscal stance. While in 2022 the Council suggested to maintain a "moderately supportive fiscal stance", it is now proposing to refrain from a blanket approach to have instead targeted measures to support vulnerable groups and viable corporates.
- Given the broader focus on addressing the energy crisis, the 2023 draft EAR predominantly focuses on measures to promote energy independence at Union level, including through energy efficiency enhancements and transitioning to renewables. The RRF remains the platform to deliver reforms and

investments whereas REPowerEU is now identified as a useful tool to ensure current challenges are tackled. The energy dimension of the EAR is new, as it emerged after the Russian invasion of Ukraine.

- The 2023 draft EAR focuses its labour market recommendations on managing the cost of living crisis. As such, it calls to strike a balance between supporting positive wage developments for lower-earners and avoiding that increases in wages feed into additional price pressure. This a stark change from the pre-inflationary 2022 EAR, which was instead characterised by a focus on ensuring labour market recovery from COVID-19 in a "low-for-long" environment.
- In the 2023 draft EAR references to improved tax policies have completely disappeared.
- In line with recent debates on the role of state support in the crisis, the draft 2023 EAR highlights that while there should be targeted and temporary support to firms, it is important to maintain a level playing field in the Single Market, including by recurring to the State aid Temporary Framework. This is again a new element of the 2023 draft EAR which spawns from broader reflections at European level on the role of government support to address strains in energy markets and on the Union's industrial policy, more broadly.
- Relative to the 2022 EAR, the 2023 version introduces a number of new elements to be monitored in the area of financial markets, such as the levels of private indebtedness and the build-up of risks in the real estate sector[8]. Differently from the previous year, the draft 2023 EAR explicitly recognises the importance to prevent financial fragmentation within the euro area.
- The draft 2023 EAR does not call for reforms of national institutional frameworks and uses looser languages on the CMU.
- The Banking Union continues to feature in the 2023 draft Council EAR although with less ambitious wording, recognising the Eurogroup's mandate to the Commission for a proposal on the reform of the CMDI framework within the current legislative cycle.

For an overview of the implementation of 2022 EAR, please see separate EGOV document.

[8] In January 2023, the European Systemic Risk Board (ESRB) published a report and recommendation on vulnerabilities in the commercial real estate sector in the European Economic Area calling for stronger monitoring on systemic risks building up in the sector. In line with the 2023 EAR, the ESRB recommendation signal increased political scrutiny on commercial real estate risks, highlighting the sector as potential source of financial instability in the future.

Annex: Council EAR proposals 2021, 2022 and 2023: from COVID recovery to a new economic environment post-Russian invasion of Ukraine

	2021 Council Recommendation	**2022 Council Recommendation**	**2023 draft Council Recommendation**
Fiscal policies	(1) Ensure a policy stance that supports the recovery from the COVID-19 crisis. (1) As the health emergency persists, fiscal policies should remain supportive in all euro area Member States throughout 2021. (1) Adopt policy measures that are tailored to country-specific circumstances and timely, temporary and targeted. (1) Continue coordinating actions to effectively address the COVID-19 pandemic, sustain the economy and support a sustainable recovery. (1) When the epidemiological and economic conditions allow, phase out emergency measures while combatting the social and labour-market impact of the crisis. (1) Pursue fiscal policies that aim to achieve prudent medium-term fiscal positions and to ensure debt sustainability, while enhancing investment (1) Pay particular attention to the quality of budgetary measures. (1) Make use of spending reviews to better focus public expenditure on recovery and resilience needs.	(1) Continue to use and coordinate national fiscal policies across Member States to effectively underpin a sustainable and inclusive recovery. (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. (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. (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. (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.	(1) Refrain from broad-based support to aggregate demand in 2023, while better targeting fiscal measures to address the impact of high energy prices on vulnerable households and viable companies, and maintaining the agility to adjust to the rapidly evolving situation, if needed. (1) Continue to coordinate national fiscal policies across Member States to preserve debt sustainability and raise the growth potential in a sustainable manner, thus also facilitating the task of monetary policy to ensure timely return of inflation to the ECB's 2% medium-term target. (1) Agree on a common approach and, in particular, consider replacing broad-based price measures with a well calibrated cost-efficient two-tier energy pricing model that ensures incentives for energy savings, or other schemes that achieve similar objectives, taking into account national features, as well as reflect on appropriate ways to wind down support as energy price pressures diminish. (1) Define appropriately differentiated medium-term fiscal strategies, through gradual and sustainable consolidation, as well as through investments and reforms, to achieve prudent medium-term fiscal positions.

			(4) Ensure that the support to companies, in particular small and medium-sized enterprises, that come under financial pressure because of the energy crisis is cost-effective, temporary, and targeted to viable firms.
Productivity	(2) Mitigate the risk of further divergence, and enhance economic and social resilience in the euro area by continuing to tackle structural challenges, by implementing reforms that strengthen productivity and employment, ensure a smooth re-allocation of resources and improve the functioning of markets and public administration, by increasing the level of public investment, and by fostering private investment to support a fair and inclusive recovery consistent with green and digital transitions. (3) Pursue and frontload reforms to address bottlenecks to investment and to ensure the efficient and timely use of Union funds, including through the Recovery and Resilience Facility. (3) Reduce the administrative burden for firms and improve the business environment.	(4) Reduce the administrative burden for firms and improve the business environment.	(2) Implement the cohesion policy programmes and recovery and resilience plans, ensuring the timely delivery of reforms and investment, and ensure that updates to the plans are targeted, taking into account the evolving economic situation, while not reducing the overall ambition. (4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.
Green and digital agendas	(2) Mitigate the risk of further divergence, and enhance economic and social resilience in the euro area by continuing to tackle structural challenges, by implementing reforms that strengthen productivity and employment, ensure a smooth re-allocation of resources and improve the functioning of	(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. (4) Strengthen the effectiveness and digitalisation of public administration.	(2) Sustain a high level of public investment and promote private investments, which are needed to boost economic and social resilience and support the green and digital transition, including for greater energy efficiency and for the transition to renewable energy sources.

	markets and public administration, by increasing the level of public investment, and by fostering private investment to support a fair and inclusive recovery consistent with green and digital transitions		(2) Take further steps, including through REPowerEU plan and through national energy and climate plans, to accelerate the energy transition and increase Union's energy independence. (4) The support provided should maintain incentives for energy efficiency and for renewable energy, while preserving the level playing field and the integrity of the single market, including through the State aid Temporary Crisis Framework.
National frameworks and institutions	(1) Pay particular attention to the quality of budgetary measures. (1) Improve public procurement frameworks and public financial management, including in particular investment frameworks and the use of green budgeting tools. (1) Make use of spending reviews to better focus public expenditure on recovery and resilience needs. (3) Strengthen national institutional frameworks. (3) Strengthen the effectiveness and digitalisation of public administration, including justice and health systems, as well as public employment services	(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. (4) Strengthen the effectiveness and digitalisation of public administration. (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.	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.
Tax issues	(2) Continue working within the framework of the Council on a global consensus-based solution to address the tax challenges arising from the digitalisation of the economy within the OECD Inclusive framework on	(2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems. (2) Work to limit harmful tax competition including through the implementation of the global consensus-based solution to address the	

	Base Erosion and Profit Shifting, with the expectation that agreement will be reached by mid-2021 in that forum. (2) Engage in the relevant preparatory work on the way forward in order to address those tax challenges arising from the digital economy, including in the absence of an international consensus by mid-2021. (2) Make further progress to combat aggressive tax planning, lower the tax wedge and support a shift towards carbon pricing and environmental taxation.	tax challenges arising from the digitalisation and globalisation of the economy. (2) Lower the tax wedge on labour and promote a shift-from labour taxation towards taxes that are less distortive.	
Education, training and labour markets	(2) Ensure effective active labour market policies and support for job transitions, in particular towards the green and digital economy. Foster fair working conditions, address labour market segmentation and strengthen inclusion. Ensure the effective involvement of social partners in policy making, and strengthen social dialogue and collective bargaining. (2) Strengthen inclusive education and training systems and investment in skills, addressing skills shortages.	(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. (2) Strengthen inclusive quality education and training systems. (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.	(3) In accordance with national practices and respecting the role of social partners, support wage developments that mitigate the loss in purchasing power of wage earners, in particular for low-income workers, while reflecting medium-term productivity developments and limiting second-round effects on inflation. (3) Further improve active labour market policies and take measures to address skills shortages and promote quality employment.

		(2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience.	
Social policies	(1) Pursue reforms that strengthen the coverage, adequacy and sustainability of health and social protection systems for all.	(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. (2) Ensure the effective involvement of social partners in policy making, strengthen social dialogue and collective bargaining. (2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience.	(3) In accordance with national practices and respecting the role of social partners, support wage developments that mitigate the loss in purchasing power of wage earners, in particular for low-income workers, while reflecting medium-term productivity developments and limiting second-round effects on inflation. (3) Develop and adapt, where needed, social support systems to help vulnerable households deal with the energy shock and the green and digital transition, addressing the increased risk of poverty. (3) Ensure the effective involvement of social partners in policy-making and strengthen social dialogue.
Banking Union	(5) Make progress on deepening the EMU to increase the resilience of the euro area by completing the Banking Union, by continuing to work, without delay, and with the same level of ambition, on all elements, including those discussed in the High Level Working Group on a European Deposit Insurance Scheme, and by deepening the Capital Markets Union, as well as through support for initiatives implementing digital finance, retail finance and sustainable finance policies.	(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.	(5) Continue to work on completing the Banking Union, the next step being the reform of the current Crisis Management and Deposit Insurance framework.

	(5) Work further on solutions for overcoming limitations in the current set-up for liquidity provision in resolution and on strengthening the Union's regulatory and supervisory framework, including by ensuring consistent and effective supervision and enforcement of anti-money laundering rules.		
Credit to the economy; NPLs	(3) Promote concrete actions to increase the efficiency, effectiveness and proportionality of insolvency frameworks, to work out non-performing exposures and ensure an efficient allocation of capital. (4) Ensure macro-financial stability. (4) Maintain the credit channels to the economy and measures to support viable companies as long as necessary during the emergency of the unprecedented COVID-19 crisis. (4) Keep sound bank sector balance sheets, including by continuing to address non-performing loans through, amongst others, the development of secondary markets for non-performing loans.	(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. (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. (4) Reduce the administrative burden for firms and improve the business environment. (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.	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring. (5) Preserve macro-financial stability, maintain the credit channels to the economy and avoid the risk of financial fragmentation. (5) Monitor risks linked in particular to tensions in the energy sector, tightening of financial conditions, non-performing assets, levels of private indebtedness and developments in real estate markets.
Supervisory and regulatory framework	(3) Continue to improve the frameworks for countering fraud and corruption and for	(2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems.	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency

	preventing money laundering and terrorism financing. (5) Work further on solutions for overcoming limitations in the current set-up for liquidity provision in resolution and on strengthening the Union's regulatory and supervisory framework, including by ensuring consistent and effective supervision and enforcement of anti-money laundering rules.	(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.	frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.
CMU	(5) Make progress on deepening the EMU to increase the resilience of the euro area by completing the Banking Union, by continuing to work, without delay, and with the same level of ambition, on all elements, including those discussed in the High Level Working Group on a European Deposit Insurance Scheme, and by deepening the Capital Markets Union, as well as through support for initiatives implementing digital finance, retail finance and sustainable finance policies.	(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.	(4) Contribute to progress towards the Capital Markets Union.
EMU deepening and international role of the euro	(5) Complete the EMU and strengthen the 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. (5) Continue to support exploratory work on the possible introduction of a digital euro.	(5) Continue to actively engage in the preparatory work on the possible introduction of a digital euro.
Single Market	(2) Further improve convergence, resilience and sustainable and inclusive growth. (2) Further integrate the single market for goods and services, including the digital	(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.	(4) Ensure that the support to companies, in particular small and medium-sized enterprises, that come under financial pressure because of the

	single market, by removing unnecessary restrictions, enhancing market surveillance and guaranteeing sufficient administrative capacity.		energy crisis is cost-effective, temporary, and targeted to viable firms. (4) The support provided should maintain incentives for energy efficiency and for renewable energy, while preserving the level playing field and the integrity of the single market, including through the State aid Temporary Crisis Framework.

Source: *EGOV, based on the 2021 and 2022 euro area recommendation by the Council and the draft 2023 euro area recommendation by the Council*
Numbers in parentheses refer to the number of the relevant EAR in the Commission texts; EGOV categorisation of subjects (some EAR subparts are referred more than once, as they fit more than one category).

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