EESC gives European Parliament, Commission and Council fresh input for improving economic governance in the EU

At its October plenary session, the EESC adopted a package of three opinions on EU economic governance, providing European decision-makers with new input for the ongoing discussions on deepening Economic and Monetary Union (EMU) and the next European Semester exercise.

In its opinions on EMU the Committee endorses the European Commission's proposals to establish a Reform Support Programme (RSP) and a European Investment Stabilisation Function (EISF) for the new multiannual EU budget (2021-2027). The RSP and the EISF are designed to support structural reforms and public investment in the Member States. The idea to anchor them in the EU budget is, in the EESC's view, a welcome step towards improving economic integration and governance at EU level.

In its opinion on the RSP, the EESC recommends **monitoring the social impact** of structural reforms carried out with the support of the new instrument and **extending the programme** to projects of pan-European importance.

In the Committee's view, the success of the RSP will depend on **fine-tuning** a number of issues that remain open: *"The definition of structural reforms, the procedures for their evaluation and therefore the conditions for disbursement of funds must be further clarified"*, said the rapporteur for the EESC opinion, **Petr Zahradník**. Moreover, the EESC feels that a programme that provides **retrospective payment** will not give Member States enough of an incentive to carry out major structural reforms on a voluntary basis.

Synergies between the programmes in the EU budget 2021-2027 and **cooperation amongst Member States** could make funding from the RSP more efficient, says the EESC. In this connection, it calls for the development of a practical manual for beneficiaries and for the creation of a cooperation platform for matters relating to the form and nature of structural reforms.

The EESC opinion on the EISF notes that the financial crisis revealed the Member States' difficulties in maintaining stability in public investment when faced with an economic downturn. This had spill-over effects in other Member States. The proposed EISF would therefore be a useful supporting tool. It aims to make national fiscal policies more resilient to asymmetric shocks, helping to stabilise public investment and support economic recovery. Nevertheless, the **EESC is concerned about the size of the facility**, which might be insufficient in the event of shocks affecting two or more Member States.

The Committee also believes that having unemployment as the sole **criterion**

for the activation of support may reduce the timeliness and effectiveness of the tool. The EESC rapporteur, **Philip von Brockdorff**, said in this regard: *"Other complementary criteria, like the change in exports of goods and services or the change in the level of inventories, can indicate an impending large shock even earlier than the unemployment indicator. Considering these criteria will allow us to trigger support at an initial stage before large shocks happen."*

In addition, it is important to develop the instrument further and look into how a **union-wide insurance mechanism** that acts as an automatic stabiliser amidst macroeconomic shocks could operate. *"Such a tool would be more effective than the proposed EISF, which represents something of an interim solution"*, added the EESC co-rapporteur, **Michael Smyth**.

The third opinion of the EESC's economic governance package is about the euro area economic policy 2018. Based on previous opinions on the issue, it calls for a **positive aggregate fiscal stance** by the euro area. This is justified both by external factors such as the foreseeable effects of trade protectionism and global geopolitical risks, and by internal factors such as the end of ECB's expansionary monetary policy, the alarming investment deficit which leads to low productivity growth and the existence of excessive current account surpluses in major states. Greater investment spending in surplus countries would be an economic policy necessity – for the countries themselves, for the euro area and for the EU as a whole.

Finally, the opinion, drawn up by rapporteur **Javier Doz Orrit**, emphasises with regard to the issue of **wage growth** that wages must be determined by the social partners and that the European Semester must strengthen collective bargaining. Creating **favourable environments for business investment and innovation** should be a priority for economic policy, as should be **reducing job insecurity, poverty and inequality**.

The three economic governance opinions which were adopted at the EESC's October plenary session will now be forwarded to the decision-makers – European Parliament, Council and Commission – in a bid to present the consensual views of organised civil society and thus facilitate the on-going political debate in this field. The Commission is expected to come up with the next draft recommendation on the euro area economic policy in November, while the strategic issues of EMU deepening have been featuring high on the agendas of the latest Eurogroup and Euro Summit meetings. **For more information on the related EESC activities please click here.**