DECEMBER 2021

EEBs submission on the review of the EU Economic Governance Framework

1. Improving the framework

In the light of experience, effective delivery on the objectives of ensuring sustainable public finance positions and avoiding macroeconomic imbalances is key. Effective economic coordination and surveillance is a cornerstone for ensuring resilience in the EU and the Economic and Monetary Union in view of potential negative spillovers resulting from the building up of unsustainable positions. While there has been progress overall in terms of debt sustainability and correction of macroeconomic imbalances, that progress has not always been sufficient, with large differences across Member States. Therefore, an effective framework needs to ensure the sustainability of public debt, including where it is most necessary, and the prevention and correction of macroeconomic imbalances.

Question: How can the framework be improved to ensure sustainable public finances in all Member States and to help eliminate existing macroeconomic imbalances and avoid new ones arising?

Eliminate the arbitrary rules on government debt and deficit spending

The European economic framework strives to deliver objectives on sustainable public finance positions and avoiding macroeconomic imbalances. These are worthy causes, but the outdated 1990s framework is full of flawed assumptions that have been disproved both scientifically and by empirical evidence. We need a fiscal framework and macroeconomic policies that serve social and environmental goals rather than being an end in itself. Besides, going back to high GDP growth rates in Europe is neither possible nor desirable. Absolute decoupling economic growth from environmental pressure has not sufficiently been achieved in the past and is extremely unlikely to do so in the future.[1]

We recommend the framework to adopt a wellbeing economy perspective in line with the adopted conclusions on an Economy of Wellbeing under the Finnish Council Presidency in 2019[2] and the Porto declaration of May 2021[3] and the recently adopted 8th Environmental Action Program, which for the first time ever is agreed upon by all three institutions. Hence, **the first improvement to the framework is to eliminate the arbitrary rules on government debt and deficit spending and adopt more flexible rules and guidelines that take into account specific national contexts.** For example, debt targets could be replaced with country-specific targets to account for country-specific circumstances. **It is also important that the EU agrees on new rules before 2022 to avoid a return to austerity before the deactivation of the general escape clause in January 2023**. Besides, there is the need to rethink the issue of debt altogether.

Debt sustainability is measured in the wrong terms

In its initial design of 1997, with the 3%-of-GDP deficit threshold as the central anchor, the SGP focused on the prevention of spill overs from excessively high deficits, which could undermine price stability in the

[1] https://eeb.org/library/decoupling-debunked/
[2] www.consilium.europa.eu/en/press/press-releases/2019/10/24/economy-of-wellbeing-the-council-adopts-conclusions/&sa=D&source=docs&ust=1638527885533000&usg=AOvVaw1v5MX4ihZS_YG7Jz22Jpij
[3] https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/

Economic and Monetary Union and affect the effectiveness of monetary policy. However, public debt is not inherently "good" or "bad". The numerical ceilings of the Sustainability and Growth Pact – the 60% debt-to-GDP ratio and 3% deficit-to-GDP ratio – may have been based on the prevailing standards of 1997 in the EU, but both thresholds are arbitrary. The main way governments borrow money is by selling bonds. Debt servicing in the future is not a problem as long as interest rates on borrowing remain low, as they currently are. An IMF working paper has found that there is no real limit to debt.[4] Japan, with a gross debt-to-GDP ratio of 237% is a practical example that high debt must not lead to default or even result in excessive macroeconomic instability such as inflation.

Moreover, the way debt sustainability is measured is blind to climate and environmental risks. Climate change impacts due to flooding's, wildfires etc. will pose substantial risks on our economies and national budgets. Financial stability risks also vary between sectors and regions. For example, according to the JRC, the countries with already higher levels of debt are likely to experience higher impacts.[5] This could exacerbate existing macroeconomic and fiscal divergence between MS. **Hence, decisions that determine whether Member States public finances are sustainable should take into account climate-related risks as well as other risks related to insufficient environmental protection.**

When comparing the costs of different scenarios, there needs to be an openness to consider all options. Professor Piketty has serious proposals on how to cancel a lot of debt within the EU, as we are mostly in debt with ourselves. George Soros has serious proposals on the issuing of perpetual bonds, just like the US and UK have done in the past when faced with war. The Eu needs to realise that we are at war: not with the virus, but a struggle for our very survival.[6]

A sustainability and wellbeing pact

The suspension of the current fiscal rules was needed without question and must be maintained. But as the Commission clearly states itself, "the scale of the fiscal effort needed to protect European citizens and businesses from the consequences of this crisis, and to support the economy following the pandemic, requires the use of more far-reaching flexibility under the Stability and Growth Pact."[7] A return to austerity as soon as there is a slight recovery will be detrimental socially and economically unsound, but unavoidable under the current framework. The European Union needs to acknowledge the flaws and detrimental outcomes underlying the current economic structure. **Ultimately, there is a need to amend the Treaty on the Functioning of the EU (FTEU) and to design and implement new flexibility rules and guidelines within a Sustainability and Wellbeing Pact as a replacement of the SGP. Treaty change is ambitious and takes time, but we have to start the process as soon as possible.**

---

[4] https://www.imf.org/en/Publications/WP/Issues/2018/04/11/Interest-Growth-Differentials-and-Debt-Limits-in-Advanced-Economies-45794
[5] https://ec.europa.eu/jrc/en/peseta-iv
[6] https://www.project-syndicate.org/commentary/finance-european-union-recovery-with-perpetual-bonds-by-george-soros-2020-04?barrier=accesspaylog
[7] https://ec.europa.eu/info/sites/info/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf

2. Safeguarding sustainability and stabilisation

Fiscal policy guidance supports Member States in ensuring the long-term sustainability of public finances and in pursuing counter-cyclical fiscal policies to contribute to a better macroeconomic stabilisation in both good and bad times. While an effective framework should aim to be counter-cyclical in good and bad times, it has often not been achieved in practice. An appropriate fiscal effort and debt reduction in good economic times helps to create the space to use fiscal policy in bad times. Appropriate medium-term policy planning, both regarding fiscal targets and structural reforms to promote productivity and investment, and an appropriate policy anchor help in that regard.

Question: How to ensure responsible and sustainable fiscal policies that safeguard long-term sustainability, while allowing for short-term stabilisation?

Reassess what constitutes responsible and sustainable fiscal policies

The European Commission considers *counter-cyclical fiscal policies* as responsible. This often did not work in practice. In fact, the EC's own review finds, "Member States' fiscal policies have remained largely pro-cyclical. Fiscal policy was already pro-cyclical in the mid-2000s when economic times were particularly good and remained largely pro-cyclical during the crisis as consolidation took place in a context of heightened market pressure at a moment of very low growth or even contraction in economic activity."[8]

This assumption is based on the idea that MS only need fiscal space after a crisis already happened. In light of the environmental, social and economic challenges we might face if we don't address climate change now and heavily invest in infrastructure to cut emissions, this assumption can be very dangerous[9]. Environmental and social sustainability are deeply interconnected with long-term fiscal sustainability and responsible and sustainable fiscal policies. A fiscal policy that does not encourage climate action and the fight against (gender) inequality and achievement of social justice cannot be described as responsible. There is a need to reassess what constitutes so-called responsible and sustainable fiscal policy. Fiscal policy needs to serve societal goals and be better aligned with climate action as well as social action outlined in the European Pillar of Social Rights and the transformation of our economies and societies towards an economy that works for people and the planet. **There can be no socially and gender just and green transition without an enabling common fiscal framework.**

End support for environmentally harmful activities

The current EU fiscal framework is indifferent to the quality of spending. It reinforces fiscal policy short-termism by forcing cuts regardless of Member States socio-economic needs, of the importance of quality public investment for sustainability and human rights, and long-term risks, such as climate, social or health crises. For example, It does not make a difference between environmentally harmful and friendly investments. However, the quality of investments is key for the transition and a safe future. For example, the EU and the Member States must end fossil fuel and other environmentally harmful subsidies. At the same time, there need to be stronger rules to avoid corruption and misuse of public funds. **Hence, the EU economic governance framework needs to be designed in a way that ensures that EU and national budgets don't support activities that harm the climate and the environment.**

[8] https://ec.europa.eu/info/sites/default/files/economy-finance/com_2020_55_en.pdf p. 8
[9] https://neweconomics.org/uploads/files/changing-fiscal-rules.pdf

The need to discuss alternatives to our current money system

Fiscal policy is not enough to stabilise the economy. **Instead, we recommend taking the opportunity of the economic governance review to start a public debate about our money system.** One such tool that could be discussed is sovereign money creation (SMC). SMC would be a very effective countercyclical tool when responding to shocks, crises, and recession. The stimulus required for economic recovery would not need to be fully financed by increased government borrowing and would therefore reduce the amount of public sector debt the government was required to take on. Policymakers would no longer be in the catch-22 position of trying to encourage greater bank lending to stimulate a recovery, even though excessive bank lending may have been one of the primary causes of the crisis.

The transition to a low-carbon and wellbeing economy requires massive redirections of financial flows towards sustainable projects. ECBs and central banks have a decisive role to play. There had already been discussions on the enlargement and/or reinterpretation of the ECBs mandate (or central banks in general). Firstly, there is a need to move the ECBs monetary actions/power/tools beyond ensuring price stability towards environmental protection. Secondly, while the European Treaties and the Paris agreement would allow scope for the integration of environmental and any intersecting social objectives in its mandate, the German Court decision on the failure of the ECB to assess the proportionality of its QE programme, has shown that the ECB cannot fully pursue its mandate or is restricted in exercising its powers and tools.[10] The court decision but also the strict monetary financing prohibition rule (in the treaty) blocks the ECB from carrying out its mandate that it has been given.

3. Incentivising reforms and investment

The framework should be consistent with today and tomorrow's challenges. It needs to be discussed what the appropriate role of the EU surveillance framework is in helping to promote a growth-friendly composition of public finances and for Member States to sustain adequate levels of investment. In particular, significant investment will be required to meet the broader ambition of the European Green Deal. This raises the question of the extent to which the fiscal framework can support the investments needed for the transition to a climate-neutral, resource-efficient, and competitive economy, in a manner that leaves no one behind. This includes re-assessing the appropriateness of the current flexibility clauses in terms of their scope and eligibility, in order to facilitate the right type and level of investment while preserving debt sustainability. In addition, thought should be given to the role of the fiscal framework in greening national budgets.

Question: What is the appropriate role for the EU surveillance framework in incentivising Member States to undertake key reforms and investments needed to help tackle today and tomorrow's economic, social, and environmental challenges while preserving safeguards against risks to debt sustainability?

Encourage public investment for a sustainable future

We agree that it is indeed crucial for the EU economic governance framework to incentivise the Member States to undertake key reforms and ensure massive public investments needed to help tackle current and future challenges in both the environmental and social fields. The scale of the public investments needed to achieve the European Green Deal was already impressive and then COVID-19 increased that scale even further. The EU currently lacks the infrastructure required to reduce its greenhouse gas emissions quickly and substantially and to reach the goal of limiting global warming this century to meet the Paris Agreement. The European Commission itself estimates that additional investments expenditure of €350 billion annually is

[10] https://www.positivemoney.eu/2020/05/german-court-treaty-change/

needed to tackle climate change[11] - and this may be a huge underestimation. According to a study from FEPS additional investment needs amount to €855 billion annually.[12] Furthermore, both the climate crisis and the COVID-19 crisis are problems that require economic thinking beyond free-market theory. **The EU fiscal framework should incentivize public investments for the transition towards a wellbeing economy and discourage and even ban the ones that are environmentally and socially harmful.**

Distinguish between investments through a "green and social golden rule"

Indeed, one of the main shortcomings of the Stability & Growth Pact (SGP) is that it generally does not distinguish types of expenditure, which are conducive to societal and environmental wellbeing. As the Commission clearly states itself, "the scale of the fiscal effort needed to protect European citizens and businesses from the consequences of this crisis, and to support the economy following the pandemic, requires the use of more far-reaching flexibility under the Stability and Growth Pact." Executive Vice-President Dombrovskis also specifically mentions a 'green golden rule' as part of the debate. All this makes it clearer than ever before that in the very short term, long before we have a new and final Sustainability and Wellbeing Pact in place, all green investments need to be exempted from the deficit rules. We further acknowledge that a green golden rule must consider the social dimension to allow for a socially just transition. Public investments into the care sector are further an essential part of a wellbeing economy. **As a first step, therefore, we call for the revision of the economic governance review to exempt green and social investment from the rules of the SGP to ensure a socially just climate transition**.

Replace GDP growth as an overall indicator with wellbeing goals

One major shortcoming of the SGP is that it has actively prevented EU member states from tackling the crisis and led to more inequality and paved the way for a more severe impact of Covid-19. This is due to the fact the EU fiscal framework focuses almost exclusively on macroeconomic factors such as GDP growth, budget deficits, debt levels etc. **However, overall GDP growth should not be the objective for its own sake. It needs to be reoriented towards social, environmental and climate goals that enhance the wellbeing of the planet and current and future generations while respecting national democratic processes.**

Promote the Greening of the European Semester

Current efforts such as the integration of the SDGs are not enough, the European Semester remains short-term focused. The process of the Semester should be used to assess progress towards the achievement of these targets by each Member State, reforms and recommendations should focus on what is needed to get Members states to deliver on these targets. Moreover, positive practice in transparently documenting and reforming environmentally harmful subsidies should be encouraged. Targeted country-specific recommendations should be made – for example, to underline the importance of nature-based solutions for national socio-economic priorities, such as rural viability through agroecology, local products and sustainable tourism, employment and ecosystem-based approaches to fisheries management, health benefits from access to Natura 2000 sites and green infrastructure.

[11] https://ec.europa.eu/commission/presscorner/detail/en/AC_21_1322
[12] https://www.feps-europe.eu/attachments/publications/211022%2010%20trillion%20european%20climate%20final.pdf

4. Simplification and more transparent implementation

Whereas the current fiscal surveillance framework has included elements of flexibility and discretion through a complex set of provisions adopted against a background of lack of trust amongst key stakeholders, an effective application of economic judgement within a rules-based framework needs to be done in an objective and transparent manner. This includes, for example, considering whether a clear focus on gross policy errors as set out in the Treaty, based on clearly defined objectives and operational policy targets, could contribute to an effective implementation of the surveillance framework. A simpler framework and implementation could contribute to increased ownership, better communication, and lower political costs for enforcement and compliance.

Question: How can one simplify the EU framework and improve the transparency of its implementation?

Improve transparency and democracy

The decision-making procedures under the current fiscal framework are secretive and thus far away from being a democratic process. First of all, decisions about public spending in particular economies should allow the participation of the people living in those economies and government representatives in the member states. The indicators under the SGP, MIP and 'structural reform' framework have enabled the Commission to engage in significant overreach when it comes to public policy areas that legally fall under the competence of the member states under the TFEU, such as pensions and the provision of healthcare. To make matters worse, the enforcement of the rules is politically biased. The rules do not apply equally among member states. When it comes to implementation of the Stability and Growth Pact and Macroeconomic Imbalance Procedure through the European Semester, the Commission has repeatedly decided against proceeding with the Excessive Deficit Procedure or imposing fines, for overtly political reasons. For example, when Germany and France repeatedly breached the rules from 2001-2005, there were no consequences. Thus, European decision-making regarding economic plans to deal collectively with climate change, digitalisation and social inequality should be fully inclusive of communities, workers, trade unions, civil society organizations and young people. **A reformed economic governance framework needs to be simpler and more transparent.** We want to highlight that we do not understand simplification as stricter enforcement of the one-size-fits-all solutions. Country-specific conditions need to be taken into account.

Moreover, the framework is based on indicators that cannot be directly observed, such as structural deficit and the output gap**. Rules must be based on indicators that are directly verifiable, accessible to an open and democratic debate and support the transition towards a new economic system that prioritizes the wellbeing of people and the planet.**

Democratise the European Semester

Transparency is essential as are good governance rules and the use of the European Semester to monitor progress. Hence, it is important to increase the role of national and European parliaments in the decision-making processes as it is rather limited right now and also hinders effectiveness. For example, the European Parliament Committee on Economic and Monetary Affairs should be strengthened with special information rights and scrutiny responsibilities and the complete European Parliament should be fully involved in the development and monitoring of economic and fiscal policies. There has to be further attention to local and regional dimensions due to regional differences which call for revising a one fits all approach. Furthermore, there needs to be a stronger involvement of civil society in the European Semester process on the EU as well as Member State level. For example, there need to be options for civil society participation (e.g. through consultations) within the Semester such as the country recommendations or the annual sustainable growth survey.

Therefore, we propose to establish an independent (intergovernmental) body to enhance transparency. This body foresees a permanent built-in engagement mechanism for CSOs with the mandate to oversee the process and input in the CSRs and annual sustainable growth strategy. This would simplify the EU framework and improve transparency at the same time. This body foresees to ensure that this body represents various sectors and groups (workers, youth etc.) sortition and or quotas could be used in selecting its members.

Support public about the reform of the EU economic governance

Furthermore, important policy decisions on the reform cannot take place behind closed doors. We urge the Commission to enhance dialogue and meaningful engagement with civil society in all follow-up activities following the public consultation process of the Economic Governance Review.

5. Focusing on pressing policy challenges

Surveillance should be commensurate to the gravity of the situation, with a stronger focus on the most pressing cases and less-intrusive procedures where overall risks are low. Therefore, it is to be considered whether the surveillance framework, in order to be effective, should focus more on 'identifying gross errors' [i.e. on Member States whose policy Cf. Article 126(2) of the Treaty on the Functioning of the European Union.] strategy puts public debt on a potentially unsustainable trajectory or leads to other macroeconomic imbalances. Moreover, a strong policy dialogue with Member States and stakeholders is key, especially in a multilateral setting, but also bilaterally with the Commission.

Question: How can surveillance focus on the Member States with more pressing policy challenges and ensure quality dialogue and engagement?

The current economic governance framework is not designed for and responsive to the challenges ahead. When the rules were designed, current environmental, social and health challenges were not foreseen. Furthermore, the framework even fails to actually respond to an economic crisis such as shown after the financial crisis of 2008. The EU rules limited the ability of Member States to fully recover from the crisis. Enforced austerity programmes have led to cuts in social spending that led to increased socio-economic inequalities within Europe. Country specific recommendations of numerous EU member states and the so-called Macroeconomic Imbalance Procedure, part of the above-mentioned Six-Pack regulation, have focused on suppression of wage growth; increasing pension age; privatising state-owned enterprises and healthcare; promoting longer working hours; demanding a reduction in job security; and cutting funds to social services".[13] It also contributed to the underfunding of the healthcare sector which impacts could be felt during the pandemic.[14] Furthermore, studies show that austerity measures go hand in hand with anti-EU sentiments and popularism, thus posing a risk to EU stability.[15]

The transformation of the EU economy towards a wellbeing economy, centred around care, the green and just transition require large-scale public investments which require the necessary fiscal space. The Semester

[13] https://braveneweurope.com/emma-clancy-discipline-and-punish-end-of-the-road-for-the-eus-stability-and-growth-pact
[14] https://zoe-institut.de/wp-content/uploads/2021/10/ZOE_Policy_Brief_Feasibility_211130.pdf
[15] Ibid.

should be aligned with key climate, social and environmental policy targets of the European Union. The process of the Semester should be used to assess progress towards the achievement of these targets by each Member States, reforms and recommendations should focus on what is needed to get Members states to deliver on these targets. It should pay more attention to progressive gender-just taxation, wider environmental fiscal reform, and support a move away from labour taxation towards taxation on natural resources, pollution, and polluting products. Good practice in green public procurement should be rolled out across the EU. There should be further discussions on how to better use green public procurement as well as fines and fees for non-compliance to improve economic signals and respect the polluter pays principle. The costs of inaction on the climate crisis, biodiversity loss, ecosystem degradation and pollution impacts on health need to be assessed and integrated into economic policy considerations.

6. Lessons from the RRF

The RRF's commitment-based approach to policy coordination, with strong national ownership of policy design and outcomes, is expected to support implementation of agreed reforms and investments. This approach takes into account the complexities that arise from the simultaneous pursuit of various national and EU objectives, in a context of differences in socioeconomic structures and national preferences. It underpins ownership and trust. Rapidly-evolving developments since the start of the pandemic (and even before it) have illustrated the difficulty of designing comprehensive rules that are able to cater for all possible circumstances. Taking into account the lessons from the RRF, the economic governance review should consider how national ownership, mutual trust, the effective delivery of the framework on its key objectives, and the interplay between economic and fiscal dimensions can be best ensured.

Question: In what respects can the design, governance and operation of the RRF provide useful insights in terms of economic governance through improved ownership, mutual trust, enforcement and interplay between the economic and fiscal dimensions?

The EEB is not responding that question.

7. National fiscal frameworks

It has to be considered whether a stronger role for national fiscal frameworks, in particular independent fiscal institutions, would contribute to better compliance with EU fiscal rules and improve ownership of the framework at the same time. Moreover, given that high quality statistics are key for a transparent fiscal framework, it has to be assessed what further improvements in data quality would be needed.
Question: Is there scope to strengthen national fiscal frameworks and improve their interaction with the EU fiscal framework

Unless there is more harmonization between the national and EU fiscal frameworks, then it will be impossible to get rid of the "race to the bottom" effect, where the Member States compete with each other on just how low certain taxes can be for corporations, in a desperate attempt at attracting those corporations, which puts immense pressure on countries which are not rich enough to be able to afford to play that game and also harms those living in vulnerable situations with no or limited access to social protection or social services.

Addressing tax avoidance and evasion

Tax avoidance and evasion not only contribute to social and environmental inequality but also add to the debt burden of countries due to a lack of revenues. The value of losses caused due to tax avoidance and evasion in the European Union amounts to €170bn per year according to a recent study.[16] The discord between EU member states on taxation policy further contributes to a "race to the bottom" in which corporate tax rates in most countries have declined as the result of tax competition, for instance through tax rulings or specialised tax schemes.

One first step to address tax avoidance more stringently in the long-term could be to allocate the recovery funds based on certain criteria such as whether a company is based in a tax haven or engages in tax avoidance practices as identified by independent civil society organisations such as the Tax Justice Network or OXFAM. Eventually, however, the only measure to address tax avoidance and evasion and the "race to the bottom" is to harmonize taxation policy at the EU level building on the Common Consolidated Corporate Tax Base.

Harmonizing debt in a monetary union

That risk is possibly more acute in a monetary union, where governments with very different debt levels share the same currency and the central bank cannot act as a lender of last resort to governments. This confirms the need for a continued focus on ensuring debt sustainability. **At the same time, because monetary policy is increasingly constrained by the effective lower bound on interest rates, the appropriate role of fiscal and economic policy in macroeconomic stabilisation should be assessed.**

8. Effective enforcement

The appropriate balance between pecuniary sanctions and tools incentivising macroeconomic stability and sustainable growth, such as a Budgetary Instrument for Convergence and Competitiveness or the Convergence and Reform Instrument, has to be carefully considered as an element to ensure an effective implementation of the framework.

Question: How can the framework ensure effective enforcement? What should be the role of pecuniary sanctions, reputational costs and positive incentives?

The EEB is not responding to that question.

[16] https://www.taxjustice.net/tag/europe/

9. Interplay between the SGP and MIP

The European Semester successfully aligns the different surveillance strands under one common timeline. It also helps synchronise national procedures and contributes to convergence within the EU. Nevertheless, there may be scope to further strengthen it as a tool for policy coordination in view of a better integrated surveillance and in the context of new emerging challenges. While the individual strands focus on their own objectives, it is to be assessed whether they could be implemented together more effectively when the challenges are interlinked. This can, for instance, be done by making use of the existing links between the MIP and the SGP in cases where public debt sustainability issues are related both to fiscal discipline and structural impediments to potential growth.

Question: Within the context of the European Semester, how can the SGP and the MIP interact and work better together, so as to improve economic policy coordination among Member States?

There seems to be the need to begin discussions by acknowledging the enormous challenges we face collectively in navigating a future threatened by climate disaster; planning for the major changes already unfolding as a result of automation and digitalisation and dealing with the political crisis stemming from rampant and rising social and inequality including youth unemployment, precarious work and energy poverty. The impacts of the current covid crisis are only exacerbating these challenges. It also has become clear how fragile our current system is and the urgent need for our economies and societies to become more resilient. Similarly, the European Union is insufficiently prepared to respond to the climate crisis, especially as we enter the "decisive decade,"[17], where action to reduce greenhouse gas (GHG) emissions and to adapt to immutable climate change impacts, has never been more critical. That is why, the EU governance framework needs to consider key environmental risks such as climate change, biodiversity loss, and health risks from chemicals/air pollution as well as social risks such as energy poverty and ensure future-proofing, focus on minimisation of risks and invest in resilience to be able to face the risks better.

Rather than focusing on the short-term policy coordination, the EU governance framework must allow considering the long-term impacts of policy decisions. **Interaction of different mechanisms under the EU governance framework can be improved by following a broader vision of social and environmental sustainability and wellbeing engrained in the framework of the SDGs as well as other wellbeing frameworks.** As outlined above, economic growth as an overarching policy goal is neither desirable nor actually feasible. Qualitative growth and wellbeing for people and the planet have to be put at the forefront.

It is positive that there are attempts to progress in the process of the implementation of changes in the EU Semester. For example, the replacement of the Annual growth Survey into the Annual Sustainable Growth Strategy (ASGS) can be seen as an important step towards shifting the narrative but has to be matched with concrete actions. Moreover, it's a small step in the right direction to change the Communication for the CSR and add an annexe setting out Member States performance on SDGs, that reiterates the need to keep the Agenda 2030 at the centre of EU policy-making also introducing clear references to combatting inequalities. However, we need a broader vision of progress and wellbeing and to fully integrate and mainstream the Agenda 2030 strategy for Europe into the semester future cycle. There is further currently no clarity on how to integrate the SDG indicators as headline indicators and as such, there must be full harmonisation with the headline indicators set out in the European Pillar of Social Rights Action Plan and the indicators in the Social

[17] https://www.climatechangenews.com/2020/02/24/world-faces-decisive-decade-fix-global-warming-former-un-climate-chief-says/

Scoreboard. Hence, the framework should be aligned to new policy directions and budgets that put the environment and social aspects in the front and are of a more holistic and interdisciplinary nature. Suitable bottom-up wellbeing approaches to complement the SDG framework to consider are, among others, the concept of the planetary boundaries or Kate Raworth's doughnut economics. Latter combines the concept of planetary boundaries with the complementary concept of social boundaries. It aims to balance basic human needs for wellbeing (food, clean water, housing, sanitation, energy, education, healthcare, democracy) with environmental limits that must not be overshot.

10. Euro area dimension

There are a number of concrete links between the economic governance framework and the broader agenda to complete the Economic and Monetary Union. First, both the SGP and the MIP focus exclusively on national policies, in particular on the prevention and correction of high public debt levels and current account deficits. In such a context and in the absence of a central fiscal capacity with stabilisation features, the ability to steer the fiscal stance for the euro area as a whole remains constrained. The introduction of a stabilisation capacity of appropriate size would allow fiscal policy to contribute more to macroeconomic stabilisation at the level of the euro area as a whole. Second, the completion of the financial union (Banking Union and Capital Markets Union), the introduction of a common safe asset and the review of the regulatory treatment of bank sovereign exposures, could – depending on the specific design – facilitate market discipline and allow further simplification of the design of an effective fiscal surveillance framework. Third, a vibrant and resilient Economic and Monetary Union, resting on solid foundations, is the best means to increase financial stability in Europe. It is a prerequisite to strengthening the international role of the euro, which in turn is a tool to enhance Europe's clout in the world and on global markets, thereby helping protect European firms, consumers and governments from unfavourable external developments.

Question: How should the framework take into consideration the euro area dimension and the agenda towards deepening the Economic and Monetary Union?

The EEB is not responding to that question.

11. New challenges due to the COVID-19 crisis

Question: Considering how the COVID-19 crisis has reshaped our economies, are there any other challenges that the economic governance framework should factor in beyond those identified so far?

Besides the challenges previously mentioned, the EU Economic Governance framework has to take into account gender and social justice and intersectional aspects:

The COVID-19 pandemic affected everyone in Europe, but the economic impact of the crisis was hardest on women and marginalised groups as they are overrepresented in ''invisible'' low-paid and service jobs (such as retail, hospitality etc.) that were heavily affected by lockdown measures.[18] Women have also been at the forefront of fighting the virus, as they are overrepresented in most of the so-called essential work

[18] https://ec.europa.eu/info/sites/default/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2021_en.pdf

and make up the majority of frontline workers. Around 76% of health and social care workers and 86% of personal care workers are women.[19] Women also took on the bulk of the additional unpaid care work that resulted from lockdown measures. Studies drawing on data from Germany, France, the UK, the USA and Italy showed that women contributed on average 15 hours more to unpaid care work than men.[20] Moreover, at the current rate of progress, it would take another 60 years to achieve gender equality in Europe, according to the latest Gender Equality Index.[21]

Austerity measures, due to the fiscal constraints imposed by the current rules, had further a disproportionate impact on women and other vulnerable groups. Cutting back on public services often falls back on women, as they are expected to take on the bulk of the care work.[22]

This makes it all the more essential that there will be targeted funds and measures that address inequalities and the intersections between them. Sustainable jobs in an ecofeminist wellbeing economy include all jobs that contribute to preserving or enhancing the wellbeing of people and nature. National governments must also invest heavily in care infrastructures and workers, **which are key to advancing both the green transition, social justice and gender equality alike.** Care and education are two particularly female-dominated sectors that contribute to the wellbeing of our societies and the transition towards a low-carbon future given their high labour intensity. In addition, research suggests that climate change and environmental degradation, in particular widespread pollution, will put more pressure on health and care in addition to the increasing needs created by an ageing population in Europe. T**hat is why we urge the EC to recognise paid and unpaid care work as central components of both the economy and natural systems and to support the transition towards a wellbeing economy centred around care.**

[19] https://www.equalitylaw.eu/downloads/5300-european-equality-law-review-2-2020-pdf-1-446-kb
[20] https://www.bcg.com/publications/2020/helping-working-parents-ease-the-burden-of-covid-19
[21] https://eige.europa.eu/news/gender-equality-index-2020-can-we-wait-60-more-years
[22] https://www.womenlobby.org/IMG/pdf/the_price_of_austerity_-_web_edition.pdf