EEB position on the EU Economic Governance Framework

Summary of key messages & recommendations

The EU needs a new governance framework that promotes an alternative political-economic system. one that is resilient, just, and explicitly prioritises the wellbeing of people and planet over economic growth and profits. Science has demonstrated that continuous economic growth makes it impossible to reduce emission, pollution and resource use at the scope and pace needed.[1] We have already crossed four out of nine planetary boundaries and are on a dangerous path towards breaching all the other five. The strict fiscal limits (notably 3% annual fiscal deficit to GDP ratio/60% debt to GDP ratio) under the current EU Economic Governance Framework are pushing us in the wrong direction.

The current crisis such as the terrible war with all its consequences, the climate and biodiversity crisis as well as health and social crisis coinciding with the Review of the EU Economic Governance provides a unique opportunity to replace the outdated and harmful Stability and Growth Pact (SGP) with a timely and constructive Sustainability and Wellbeing Pact.

We, therefore, demand the European Commission and European Governments to:

- Put environmental, social and gender justice goals at the heart of EU economic governance to enhance the wellbeing of the planet and current and future generations and incentivising and allowing spending in a just transition with broader environmental action and a strong social justice angle while respecting national democratic processes.
- Ensure that the EU agrees on new rules before the general escape clause is deactivated to avoid austerity and increase the flexibility of the use of the escape clause to facilitate the transition and to deal with the crises.
- Replace the Stability and Growth Pact (SGP) with a Wellbeing and Sustainability Pact in the long-term including replacing the arbitrary rules on government debt and deficit spending with more flexible fiscal standards that take into account the specific national contexts
- Exempt green and social investment from the rules of the SGP to ensure a socially just transition and ban support of environmentally harmful activities. Strong measures against corruption and misuse of public money are a precondition.
- Create a new framework that is simpler, more transparent and more democratic to increase accountability of the framework and stronger inclusion of the European Parliament and other stakeholder groups.

[1] D'Alessandro, S., Cieplinski, A., Distefano, T., & Dittmer, K. (2020). Feasible alternatives to green growth. *Nature Sustainability*, *3*(4), 329-335.

Why does a reform of the EU economic governance framework matter for the transition towards a wellbeing economy?

The terrible war in Europe, the pandemic and ongoing environmental crises have exposed the deep flaws of our economic system. This threatens our future and that of future generations. Fiscal rules were designed to achieve macroeconomic stability and to lower the burden of future generations. Today this means to invest in the just transformation of our economies and societies to keep global warming below 1.5°C and to operate within all planetary boundaries.

Europe is far from achieving its environmental objectives.[2] It did not achieve those set for 2020 and is not on track to achieve those set for 2030 and even 2050. Besides, the EU fails to achieve its social aims as indicated by the EU's Social Scoreboard – for example, in terms of unmet healthcare needs or the gender gap in employment.[3] Leading institutions such as the European Environmental Agency (EEA) have urged governments to move beyond their narrow focus on Gross Domestic Growth (GDP) to make our economies resilient and sustainable to deal with the climate and biodiversity and social crises we face.

To achieve this, the EU needs massive and coordinated public investment far beyond the constraints of the Stability and Growth Pact (SGP). Using the general escape clause does not address the fundamentally wrong direction that the SGP is pushing us towards. We cannot repeat the mistakes made following the 2008-2009 economic recession and allow for governments to attempt to balance budgets through austerity measures that undermine long-term sustainability nor massive unsustainable investments such as in fossil fuel-based infrastructure. Instead of rebuilding a broken system using a failed set of rules, we must consider the policies that deliver on climate, environmental and social goals.

Fiscal policy should be an enabler of a just transition towards a wellbeing economy, not the chain that holds economies back. An enhanced EU level budget alone will not be enough to meet these goals, national fiscal policy must be empowered too. The annual green investment gap was recently assessed by the European Commission at 520 billion euros for the EU to achieve the objectives of the European Green Deal- and other estimations are much higher. According to a study from FEPS additional investment needs amount to €855 billion annually.[4] This will not be filled by only private sector investments as often proclaimed by supporters of orthodox economic theories. The past decade has shown us that the private sector failed to make investment decisions that steer the economy towards a system that puts the environment and our wellbeing first. The private sector might invest

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[2] SDG Watch Europe (2020). Time to reach for the moon The EU needs to step up action and lead the transformation to sustainability. Brussels: SDG Watch Europe. Available at: https://www.sdgwatcheurope.org/documents/2020/09/time-to-reach-for-the-moon.pdf/

[3] Eurostat (2019). Sustainable development in the European Union – Monitoring report on progress towards the SDGs in an EU context. https://ec.europa. eu/eurostat/de/web/products-statistical-books/-/KS-02- 19-165

[4] Foundation for European Studies (2021). Is a €10 Trillion European Climate Investment Initiative Fiscally Sustainable?. https://www.feps-europe.eu/attachments/publications/211022%2010%20trillion%20european%20climate%20final.pdf

where there are direct short to medium term financial incentives but, to deeply transform our economies, public interventions and funding is urgently needed.

With the ongoing review of the EU economic governance framework, there is one-time window of opportunity to radically reform the fiscal rules to put environmental and social goals at the heart of EU economic governance while ensuring Member States debt sustainability.

Reasons why the current framework is unfit to fight climate change and support the transition towards a wellbeing economy

1. **The EU fiscal framework is based on a flawed economic model that dates back to the 1990s and does not fit the political and economic context anymore.**

The focus of the EU's economic governance is based on the old paradigm of indiscriminate economic growth, failing to be receptive to social and environmental challenges and foster systemic transformation. Assumptions and references values have been challenged and disproved both by theory and by empirical evidence.[5]

It further relies on the promise of ''green growth'' that environmental pressures can be decoupled from economic growth, which has been debunked[6]. Empirical evidence shows that decoupling is not achievable to the scale and at the speed required to achieve Paris agreements. Reasons such as rising energy expenditures, rebound effects, the limited potential of recycling are all trends that provide reasons to be sceptical about the potential of decoupling.[7]

Going back to high GDP growth rates in Europe is neither possible nor desirable. We are already overproducing in a lot of sectors with a lack of demand[8] on the one hand and excessive consumption on the other hand. Europe's material footprint – the total amount of fossil fuels, biomass, metals and minerals consumed, including in imports – is double a sustainable level. [9]

[5] De Angelis, F. and Mollet, F. (2021). Rethinking EU economic governance: The Stability and Growth Pact. Brussels: European Policy Centre. Available at: https://www.epc.eu/content/PDF/2021/Stability_and_Growth_Pact_PB_v4.pdf

[6] D'Alessandro, S., Cieplinski, A., Distefano, T., & Dittmer, K. (2020). Feasible alternatives to green growth. *Nature Sustainability*, *3*(4), 329-335.

[7] European Environmental Bureau (2019). Decoupling Debunked. Available at: https://eeb.org/wp-content/uploads/2019/07/Decoupling-Debunked.pdf

[8] Mayrhofer, J. and Wiese, K. (2020). Escaping the growth and jobs treadmill: a new policy agenda for post-coronavirus Europe. Brussels: European Environmental Bureau, European Youth Forum. Available at https://www.youthforum.org/news/escaping-the-growth-and-jobs-treadmill-a-new-policy-agenda-for-post-coronavirus-europe

[9] Bringezu, S. (2015). Possible target corridor for sustainable use of global material resources. *Resources*, *4*(1), 25-54.

Hence, transforming towards a ''green economy'' will neither be enough to drastically reduce emissions nor to enhance gender and social justice if it strongly relies on technological fix and green consumption without overall reduction of throughput and lifestyle changes.

2. **The framework is unfit to tackle the climate and other environmental crisis and to secure a just transition of our economies towards a wellbeing economy.**

As previously mentioned, the current economic governance framework fails to respond to the challenges ahead. One reason is that it is indifferent to the quality of spending and 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.

It further 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. Climate change impacts due to floodings, wildfires etc. will pose substantial risks on our economies and national budgets. Fiscal risk will vary between countries, sectors and regions. For example, according to the JRC, the countries with already higher levels of debt are likely to experience higher impacts of climate change.[10] This could exacerbate existing macroeconomic and fiscal divergence between Member States but also their ability to adapt and mitigate climate change.

3. **The SGP has led to rising social and gender inequality and contributed to constraining public spending and investments in several Member States before the COVID-19 pandemic with a disproportionate impact on the most vulnerable in our societies.**

Following the financial crisis of 2008, the EU rules limited the ability of Member States to fully recover. Enforced austerity programmes have led to cuts in social spending that led to increased socio-economic inequalities within Europe.[11] 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".[12] Austerity measures, due to the fiscal constraints imposed by the current rules, had further a disproportionate impact on women and other vulnerable groups as cutting back on public services often falls back on women, as they are expected to take on the bulk of the care work.[13]

[10] Joint Research Centre (2021). PESETA IV. https://ec.europa.eu/jrc/en/peseta-iv

[11] For example, unemployment rates in many EU countries (e.g. Spain, Portugal, Italy, Netherlands) increased as jobs were cut back due to austerity. Source: Cohen, S., Guillamón, M. D., Lapsley, I., & Robbins, G. (2015). Accounting for austerity: the Troika in the Eurozone. *Accounting, Auditing & Accountability Journal*.

[12] Clancy, E. (2020). Discipline and Punish, End of the road for the EU's SGP? Brussels: Martin Schirdewan. Available at: https://braveneweurope.com/emma-clancy-discipline-and-punish-end-of-the-road-for-the-eus-stability-and-growth-pact

[13] European Womens Lobby (2012). The price of austerity - The impact on women's rights and gender equality in Europe. Available at: https://www.womenlobby.org/IMG/pdf/the_price_of_austerity_-_web_edition.pdf

Austerity measures have not only exacerbated socio-economic inequalities but also contributed to the underfunding of the healthcare sector.[14] The consequences of this had been felt throughout the COVID-19 pandemic. The economic impact of the pandemic was again hardest on women and marginalised groups as they are overrepresented in ''invisible'' low-paid and service jobs (such as retail, hospitality, body care etc.) that were heavily affected by lockdown measures.[15] Women have also been at the forefront of fighting the virus, as they are overrepresented in most of the so-called essential work and make up the majority of frontline workers. Around 76% of health and social care workers and 86% of personal care workers are women.[16] Women also took on the bulk of the additional unpaid care work that resulted from lockdown measures.[17]

We also see a disproportionate impact on young people in most crises, including the covid-19 pandemic: young people tend to have more precarious contracts, are the first to be let go, and suffer from various forms of discrimination (Moxon, Bacalso and Șerban, 2021)[18].

Last but not least, studies show that austerity measures go hand in hand with anti-EU sentiments and populism, thus posing a risk to EU stability.[19]

4. 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 spillovers from excessively high deficits, which could undermine price stability in the Economic and Monetary Union and affect the effectiveness of monetary policy. Developing rules to ensure debt sustainability in a Monetary Union is legitimate. However, there is no scientific evidence that a one-size-fits-all optimal debt-to-GDP ratio guarantees debt sustainability over time. Public debt is not inherently "good" or "bad" and debt sustainability[20] depends on a wide range of different factors (e.g. maturity of debt stock, building up of fiscal risks including climate-related financial risks).[21] Hence, the absolute size of debt-to-GDP proves a poor metric of debt

[14] Hafele, J., Bertram, L., Korinek, L., Temory, F., Dirth, E., & Barth, J. (2021): Fiscal Policy for a Thriving Europe: Feasibility and Impact Analysis of Fiscal Policy Reform Proposals. ZOE-Institute for Future-fit Economies: Cologne.

[15] European Union, European Commission, DG Justice and Consumers. (2021). 2021 report on gender equality in the EU. Brussels: European Commission

[16] European Union, European Commission, DG Justice and Consumers. (2020). European equality law review. European network of legal experts in gender equality and non-discrimination. Available at: https://www.equalitylaw.eu/downloads/5300-european-equality-law-review-2-2020-pdf-1-446-kb

[17] Krentz et al. (2020). Easing the COVID-19 Burden on Working Parents
, https://www.bcg.com/publications/2020/helping-working-parents-ease-the-burden-of-covid-19

[18] Moxon, D., Bacalso, C, and Șerban, A (2021), Beyond the pandemic: The impact of COVID-19 on young people in Europe. Brussels. European Youth Forum

[19] Ibid.

[20] Debt sustainability refers to whether a country can service the costs of debt over time. So in the case of unsustainable debt, the burden of debt repayment can overwhelm a country's finances, which in turn can lead to default (such as in the case of the Greek debt crisis) or lead to macroeconomic imbalances (which is essentially the same as an unsustainable debt).

[21] Sutter-Sorel, L. (2022). Breaking The Stalemate Upgrading EU economic governance for the challenges ahead. Brussels: Finance Watch. Available at: https://www.finance-watch.org/wp-content/uploads/2022/02/V2-breaking-the-stalemate-final.pdf

sustainability. 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.

5. **The architecture of the EU fiscal framework is overly complex and intransparent.**

The decision-making procedures under the current fiscal framework are secretive and thus far away from being a democratic process. First of all, European economic decisions about public spending to deal collectively with climate change, digitalisation and social inequality need to be fully inclusive and allow the participation of communities, workers, trade unions, civil society organisations and young people

Secondly, the rules do not apply equally among Member States. When it comes to implementation of the SGP and MIP 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.

Lastly, 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[22], accessible to an open and democratic debate and support the transition towards a new economic system that prioritises wellbeing of people and the planet.

Policy demands for a new economic governance framework focused on wellbeing

Long term demands

1. A Sustainability and Wellbeing Pact for Europe

The suspension of the current fiscal rules as an emergency response to the COVID-19 pandemic health, social and economic crisis 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."[23]

A return to austerity as soon as there is a slight recovery would be socially detrimental 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 (TFEU) 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.

[22] See some suggestions in our recommendations sections

[23] European Commission (2020). COMMUNICATION FROM THE COMMISSION TO THE COUNCIL on the activation of the general escape clause of the Stability and Growth Pact. COM(2020) 123 final, Brussels

2. **Replace arbitrary rules with more flexible fiscal standards**

The arbitrary numerical values of 3% and 60% could be replaced with fiscal standards as opposed to rigid (but not respected) rules. Such standards could be based on country-specific assessments using debt sustainability analysis led by independent fiscal councils.[24] Debt sustainability analysis could further form the basis of country-specific debt pathways to be complemented with green and social investment pathways to incentivize investments into a wellbeing economy. Pathways are hence not only about reducing debt stocks but also complying with the EU's commitment to limit global warming to 1.5 degrees in the Paris Agreement while taking into account national contexts as well as specific social and green investment needs.

Short term demands

1. **Put environmental, social and gender justice goals at the heart of EU economic governance**

The SGP focuses almost exclusively on macroeconomic factors such as GDP growth, budget deficits, debt levels etc, failing to promote investments into a green and just transition and preventing EU Member States to deal with ongoing crisis such as COVID-19. The focus needs to be reoriented towards social, gender, environmental and climate goals that enhance the wellbeing of the planet and current and future generations while respecting national democratic processes.

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[25] and the Porto declaration of May 2021[26] and the recently adopted 8th Environmental Action Program, which for the first time ever was agreed by all three institutions. These provide much more solid bases for economic governance and policies than the current arbitrary 3% and 60% rules.

Hence, we demand to replace current targets with methods of measuring the wellbeing, human rights, tackling inequalities based on gender and other social and economic discrimination, and protecting of the environment and climate. There is already a wide choice of wellbeing indicators to choose from such as the Doughnut Economic Framework[27], the Sustainable Development Goals Indicators[28], European Youth Forums Youth Progress Index[29].

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[24] See e.g. Blanchard, Alvaro Leandro and Jeromin Zettelmeyer, 'Redesigning the EU Fiscal Rules: From Rules to Standards',

[25]Council of the EU (2019). Employment, Social Policy, Health and Consumer Affairs Council (Employment and social policy), 24 October 2019, https://www.consilium.europa.eu/en/meetings/epsco/2019/10/24/

[26] European Council (2021). The Porto Declaration, https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/

[27] Barth, J., Lavorel, C., Miller, C., & Hafele, J. (2021). A compass towards 2030: navigating the EU's economy beyond GDP by applying the Doughnut Economics framework. ZOE Institute for Future-fit Economies: Bonn

[28] UN Statistical Commission (2017). Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development. A/RES/71/313, New York

[29] European Youth Forum (2021). Youth Progress Indicator, https://www.youthforum.org/topics/youth-progress-index

2. No return to austerity

Going back to austerity rules would threaten the social stability in Europe making the just transformation of our economies that the climate crisis calls for impossible. With the activation of the general escape clause, rules are currently suspended but are likely to come back into force in early 2023. As the legislative process on the review of the Economic governance framework is likely to take longer than a year, austerity might be the direct consequence.

That is why the EEB demands that the EU agrees on new rules before the deactivation of the general escape clause to avoid a return to austerity. While a deeper reform of the framework and Treaty Change are needed, which might take time, a first improvement to the framework would be 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.

3. Include social and green investments rules in the Stability and Growth Pact

The suspension of the current fiscal rules was needed and must be maintained but as the Commission clearly states "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 Sustainability and Wellbeing Pact in place, we demand 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.

Just allowing investments is not enough, the future framework needs to incentivize public investments in green transformative spending and discourage harmful ones. Care must be taken to ensure that the "do-no-harm rule" of the European Green Deal, the "precautionary principle" and the "polluter pays principle" are consistently taken into account and that no exceptions are made (as in the case of nuclear and gas in the taxonomy, for example). We need measures to ban and prevent harmful subsidies. In addition, measures to avoid corruption and misuse of public funds need to be tightened and enforced.

4. Promote the Greening of the European Semester

Current efforts such as the integration of the Sustainable Development Goals (SDGs) into the European Semester have failed and it remains short-term focused. 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 Member 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.

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 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.

5. Progressive tax reform

While the Commission's Green Deal Communication explicitly acknowledged the key role of tax reform and of the greening of national budgets in driving the transition to a more sustainable and just economy[30], this remains so far largely unrealised. It is now urgent to translate this political commitment into practice and to streamline environmental tax reform in the rules governing the European macroeconomic sphere.

A profoundly reformed EU economic governance framework must fully recognise and promote the potential of environmental taxation. This will be instrumental not only to drive a bolder implementation of the polluter pays principle but, equally important, as a significant source of revenues for national budgets to fund welfare policies and the green transition.

As highlighted by the European Environment Agency: "the revenues from environmental taxes could support the transition to a climate-neutral economy by 2050"[31]. The significant untapped potential of environmental taxation is however demonstrated by the fact at EU level their share has been declining over the last years (from 6.6.% in 2002 to 5.9% in 2019)[32].

The reform of the EU economic governance framework must play a catalyst role in building future-proof fiscal systems supporting the social welfare systems and the green transition, by effectively

[30] European Commission (2019). COMMUNICATION FROM THE COMMISSION. The European Green Deal, COM(2019) 640 final, Brussels

[31] European Environment Agency (2022), The role of (environmental) taxation in supporting sustainability transitions, https://www.eea.europa.eu/publications/the-role-of-environmental-taxation

[32] Ibid.

promoting fiscal readjustment in a coordinated way across the different national budgets. Specifically, the structural reforms promoted by the EU as part of the European Semester must focus on the remodulation of the fiscal burden by reducing labour costs while increasing taxation of resource use and activities leading to environmental pollution, climate change, biodiversity loss.

The urgency and significance of these fiscal reforms becomes even more evident when looking at how to ensure the financial sustainability of the European welfare states in a post-growth environment while addressing the growing environmental, social and economic challenges linked to climate change.

An additional source of budgetary revenues to fund the just transition of the European economy will have to be the rapid and resolute phasing out of all existing environmentally harmful subsidies both at the EU and national level. The coordination of Member States' fiscal policies can and must also play a more decisive role in this regard.

At the same time, 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 in revenues. The value of losses caused due to tax avoidance and evasion in the European Union amounts to €163bn per year according to a recent study.[33] 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 harmonise taxation policy at the EU level building on the Common Consolidated Corporate Tax Base.

6. Improve transparency and democracy

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 role of the European Parliament Committee on Economic and Monetary Affairs should be strengthened with special information rights and scrutiny responsibilities and the whole 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. All this calls for revising the current one-fits-all approach.

[33] Tax Justice Network (2020). The State of Tax Justice 2020: Tax Justice in the time of COVID-19. Available at: https://taxjustice.net/wp-content/uploads/2020/11/The_State_of_Tax_Justice_2020_ENGLISH.pdf

In addition, 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 organisations and young people. More specifically, there needs to be involvement of civil society in the European Semester process both at the EU as well as at 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. Consultation needs to be meaningful, there needs to be a right to be consulted, and accountable follow up to input from civil society.

Finally, 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.

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