



European Economic Governance European Semester – Ireland

EESC – European Semester Group 11/09/20

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European Commission Representation in Ireland



Structure

- 2020 European Semester
- Country Specific Recommendations (CSRs) for Ireland
- Adapting the Semester to Coronavirus crisis - Recovery & Resilience Instruments and plans

European Semester timeline



2020 Annual Sustainable Growth Strategy

- Longer-term growth agenda: the **European Green Deal** is our growth agenda
- Crucial for the implementation of the **UN Sustainable Development Goals**
- Focused on **key economic and employment policies** in line with legal basis (art 121 and 148 TFEU)
- Means to deliver on the objectives: **structural reforms, investment and differentiated fiscal policies**
- Link with **EU supporting tools** and other governance frameworks (EU Funds, Invest EU, Structural Reform Support Programme)

2020 Annual Sustainable Growth Strategy

AN ECONOMY THAT WORKS FOR PEOPLE & PLANET

- Boosting sustainable investment
- Green taxation
- Carbon neutrality
- Shifting towards a more circular economy

First-Mover Advantage

- Research and innovation
- Digitisation
- Efficient and competitive markets
- Strong industrial base
- Supporting SMEs
- Access to finance
- Favorable business environment
- Deepening the Single Market

Ensuring a Just Transition

- Implementing the European Pillar of Social Rights
- Invest in skills and health
- Fighting poverty
- Gender equality
- Fair taxation
- Social and territorial cohesion
- Job quality



Investment and Reforms

- Completing our Economic and Monetary Union
- Sound public finances
- Stable financial sector
- Preventing domestic and external imbalances
- Structural reforms to boost productivity
- International role of the euro

Inclusive Growth

Ongoing work on EMU in 2020

Work plan for 2020:

- Further work on **Banking Union** and **Capital Markets Union**
- Continued work to strengthen the **international role of the euro**
- **Review of 6/2 pack** (adopted in February)

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Country Specific Recommendations

- Following the Covid-19 outbreak, the CSRs were reoriented to address the shifting socio-economic priorities
- Immediate priorities -> strengthen health system, support workers, save businesses.
- Looking forward -> Recovery strategy

Investment and reforms focused on:

- ✓ green & digital transition
- ✓ promoting employment and social fairness
- ✓ ensuring everybody pays their share (ATP/AML)

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IRELAND - Fiscal CSRs

- Activation of General Escape Clause
 - ✓ temporary departure from budgetary requirements
 - ✓ coordination of budgetary policies
- CSR #1.1: *“In line with the general escape clause, take **all necessary measures** to effectively address the pandemic, **sustain the economy and support the ensuing recovery**. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt **sustainability**, while enhancing **investment**. [...]”*
- CSR #4.1:
“Broaden the tax base.[...]”

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CSR #1 – Health system

“(...) Improve accessibility of the health system and strengthen its resilience, including by responding to health workforce’s needs and ensuring universal coverage to primary care.”

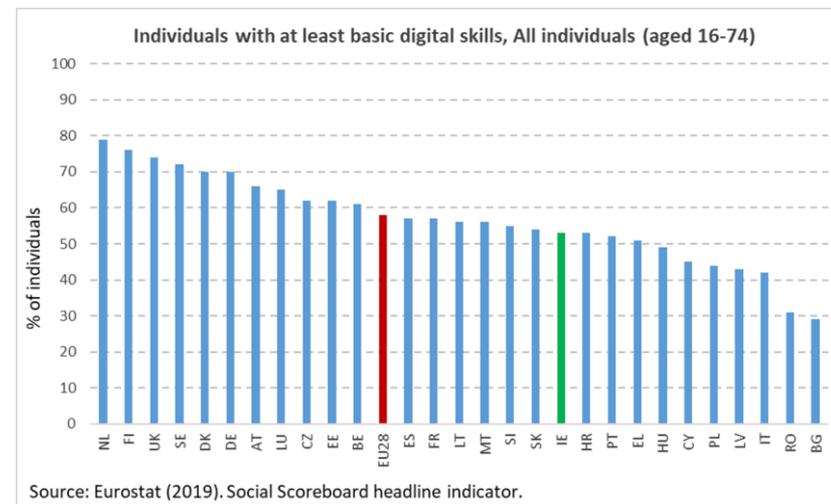
- COVID-19 pandemic: unprecedented pressure on health systems.
- Structural weaknesses of national health systems into the limelight.
- Ireland remains the only western European country without universal coverage for primary care.
- Improve resilience of the system: its capacity to effectively respond to pandemic crises.
- Health Workers needs: challenges regarding recruitment and retention which led to shortages in nursing workforce in certain regions and hospitals, while overall number of nurses is high.

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CSR #2 – Skills, jobs and social housing

“Support employment through developing skills. Address the risk of digital divide, including in the education sector. Increase the provision of social and affordable housing.”

- Creating job opportunities is closely connected to up- and re-skilling of the workforce.
- Skills are a key asset toward a greener & smarter economy.
- Ireland needs to invest more in adult learning & training and basic digital skills.
- The digital divide in education increases inequality of opportunities.
- Shortages in social housing supply remain a significant challenge to inclusion.



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CSR #3.1 - *“Continue to provide support to companies, notably small and medium-sized enterprises, especially through measures **ensuring their liquidity.**”*

- Several recent government schemes aim to **provide liquidity and restructuring solutions to households and businesses in difficulty.**
- These measures should be **well-targeted** and **adequate**, notably:
 - target recipients not facing financial difficulties prior to the onset of the crisis;
 - be sufficient in helping recipients in difficulty back to viability.

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CSR #3.2 - *“Front-load mature public investment projects and promote private investment to foster the economic recovery. **Focus investment on the green and digital transition**, in particular on clean and efficient production and use of energy, sustainable public transport, water supply and treatment, research and innovation and digital infrastructure.” (1/6)*

- Front-load mature public investment projects and promote private investment, including through relevant reforms.
- Advance environmental, climate-friendly, energy and digital infrastructure investment.
- Focus investment on the green and digital transition.

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CSR #4.1:

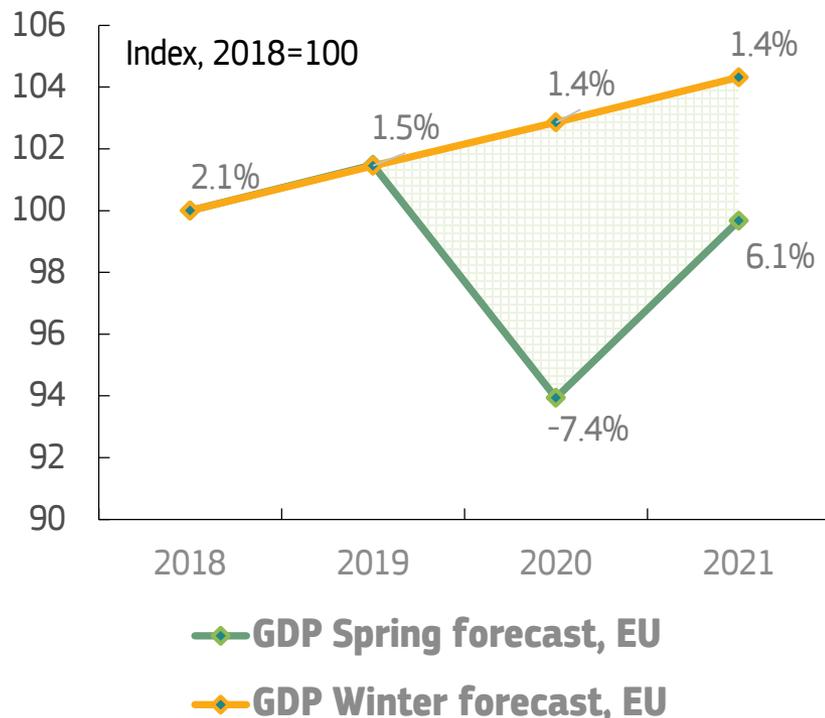
“Broaden the tax base.[...]”

CSR #4.2 - *“Step up action to address features of the tax system that facilitate aggressive tax planning, including on outbound payments.”*

CSR #4.3 - *“Ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services.”*

. Euro area recommendations

Dramatic fall in EU GDP caused by Coronavirus



1. The deepest recession since (at least) the Great Depression
2. An incomplete and uneven recovery
3. Unemployment will rise, though policy measures should limit its rise
4. Necessary policy measures will cause public deficits and debt to rise
5. Exceptionally large downside risks. - 10.5% in 'longer lasting' scenario and -15.5% in '2nd wave' scenario

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MFF and Recovery Instrument: Implications for the European Semester

SURE / ESM Pandemic Crisis Support / EIB Guarantee Fund for Workers and Businesses	€540 billion
Next Generation EU	Temporary reinforcement €750 billion
Multiannual Financial Framework	€1 100 billion

European Recovery and Resilience Facility

- New instrument building on the Reform Support Programme proposed in spring 2018.
- Embedded in the European Semester.



To be used for:

Public sector investments and reforms, including in green and digital transitions.



Mechanism:

Grants and loans by implementing Member States' national Recovery and Resilience plans defined in line with the objectives of the European Semester. No national co-financing.



An investment dimension for all Member States.

Budget:

€560 billion of which **€310 billion** for grants and **€250 billion** for loans.



Distribution key:

Available to all Member States, focus on the most affected countries.

European Recovery Resilience Facility: implementation

General Features

- The Facility can provide both **grants and loans**
- Payment in **instalments, upon fulfilment of milestones and targets**
- Reporting by MS **on a quarterly basis** in the context of the European Semester

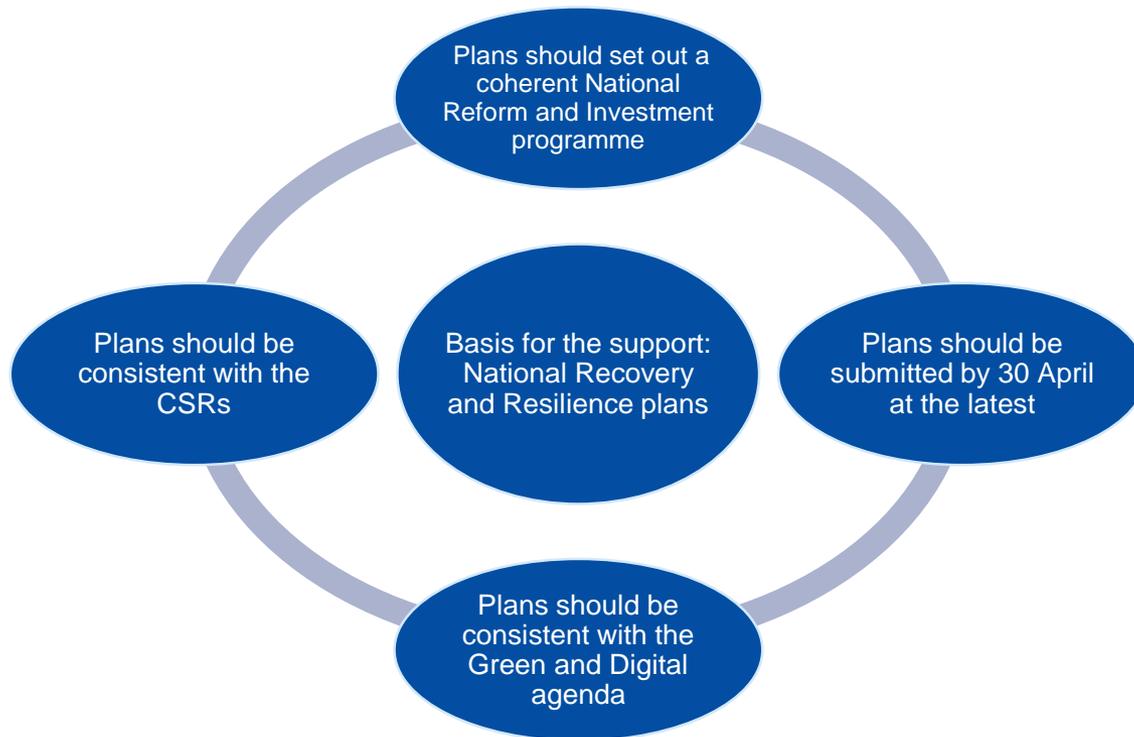
Grants

- Member States have **two years** to submit recovery and resilience plans
- If resources available **after 2021 until 2024, further calls** in line with the European semester calendar

Loans

- Member States can request a loan **until December 2024**, in addition to grant
- Request must be justified by higher financial needs linked to **additional reforms and investments**
- Loans are **capped**

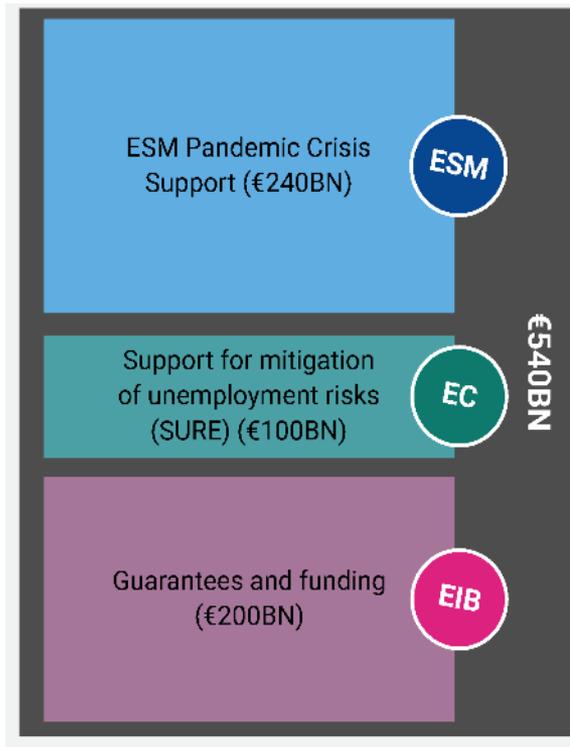
European Recovery Resilience Facility: governance



Thank you

Annex

April package: Supporting works, firms and member states



- The Commission's **SURE** provides loans to member states up to €100 billion to address increases in public expenditure for short-time work schemes and similar measures.
- **EIB** will create a €25 billion Guarantee Fund, with contributions from member states, which will enable the EIB Group to mobilise up to €200 billion in resources for viable firms affected by the crisis.
- The **ESM's** new Pandemic Crisis Support tool offers every euro area member state loan support of up to €240 billion (2% of euro area GDP) to spend on direct and indirect health-related costs.

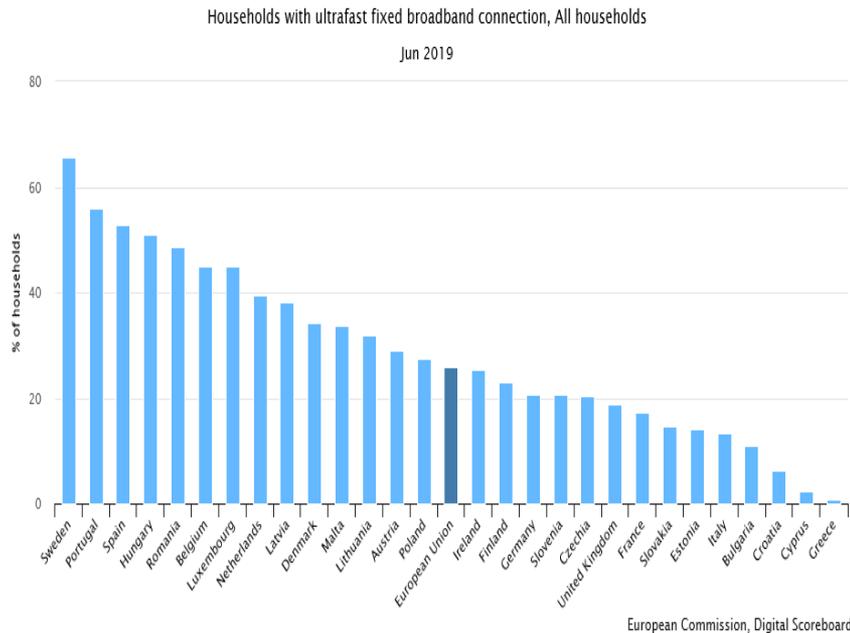
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CSR #3.2 - *“Focus investment on water supply and treatment”* (3/6)

- Ireland still has significant investment needs in the water and wastewater sectors (estimated at around €6 billion in 2019-2024).
- Ireland has a very high leakage rate in its **water supply** systems (44% leakage).
- In 2018 only 42% of the **wastewater** generated by large urban areas was treated at plants complying with the requirements of the Urban Waste Water Treatment Directive.

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CSR #3.2 - “Focus investment on the digital transition and digital infrastructure” (6/6)



- Take up of ultrafast broadband slightly below EU average.
- Coverage gap most prominent in the **highest speed** segment (‘very high capacity networks’) and especially in **rural areas**.
- Timely implementation of public investments under the **National Broadband Plan** to close coverage gap is important