Lessons learned from the application of the SGP
Corrective arm: effective tool for reducing and maintaining government deficits below the 3% threshold

Public debt declined on average but remained high in some Member States

Preventive arm: lack of traction in some MS.

Lessons learned from SGP: fiscal sustainability
Lessons learned from SGP: pro-cyclical policies after GFC

Change in structural primary balance (MS grouped by debt level) and output gap 2011–2019

- Pro-cyclical fiscal consolidation
- Broadly neutral fiscal stance

Change in structural primary balance (high debt countries) and (low/medium debt countries) vs. output gap (achts in potential GDP)

Lessons learned from SGP: decline in public investment

Gross and net public investment in the EU/EA (1995-2020, % of GDP)

Net public investment by Member States (2010-2019 vs 1995-2009, % of GDP)
Lessons learned from the application of the RRF
Lesson 1: value of coordinated response

Real GDP in the EU
2019-2023 (index. 2019=100)

Financing of public investment in 2022
(% of GDP)
Lesson 2: importance of investments

- Additional ‘investment’ needs around EUR 650 billion per year up to 2030 compared to 2011-2020, of which: 80% ‘green’ and 20% ‘digital’

- ‘Green’ transition needs additional 2.9 pps of GDP:
  - climate and energy policy: 2.1 pps (or EUR 392 billion, see Table 1)
  - environmental policy: 0.8 pps

- To be financed by private and public sectors

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Table 1: Average total and additional annual investment needs for the climate and energy policy, baseline scenario 2011-2020, and 55% policy scenarios 2021-2030, (EUR 2015, bn)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011-2020</th>
<th>MIX scenario (^{16}) 2021-30</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply side</td>
<td>47</td>
<td>103</td>
<td>+56</td>
</tr>
<tr>
<td>Power grid</td>
<td>13</td>
<td>44</td>
<td>+31</td>
</tr>
<tr>
<td>Power plants, incl. boilers and new fuels</td>
<td>34</td>
<td>59</td>
<td>+25</td>
</tr>
<tr>
<td>Demand side</td>
<td>612</td>
<td>948</td>
<td>+336</td>
</tr>
<tr>
<td>Industrial sector</td>
<td>10</td>
<td>25</td>
<td>+14</td>
</tr>
<tr>
<td>Residential</td>
<td>88</td>
<td>180</td>
<td>+92</td>
</tr>
<tr>
<td>Tertiary</td>
<td>40</td>
<td>94</td>
<td>+54</td>
</tr>
<tr>
<td>Transport sector</td>
<td>474</td>
<td>649</td>
<td>+175</td>
</tr>
<tr>
<td>Total</td>
<td>660</td>
<td>1051</td>
<td>+392</td>
</tr>
<tr>
<td>Total excl. transport</td>
<td>185</td>
<td>402</td>
<td>+217</td>
</tr>
<tr>
<td>Total as % of GDP</td>
<td>5.4%</td>
<td>7.6%</td>
<td>+2.1%</td>
</tr>
</tbody>
</table>

Note: due to rounding, some differences may not add up exactly. Data from SWD(2021)621 final.
Lesson 3: complementarity of reforms and investments

Strong commitment by MS: reforms represent almost a third of all the measures in the 22 approved RRPs. Reforms and investments are both needed and are complementary!
Lesson 4: ownership and dialogue

Design of RRF has led to **strong national ownership**

RRPs are developed through **dialogue**: MS design and decide on their measures, Commission ensures RRF objectives are met

Performance-based nature with **clearly defined M&T** yields **strong commitment and incentive** to implement
Economic Governance Review: Key issues for discussion

- Ensuring debt sustainability
- Promoting sustainable growth through investment and reforms
- More attention to the medium-term
- Lessons from the RRF to be considered
- Simplification, stronger national ownership and better enforcement are key objectives
Thank you