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# RRF Working Group

**RRF** – Lessons learned for future EU economic architecture and governance

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22 March 2022

# Lessons learned from the application of the SGP

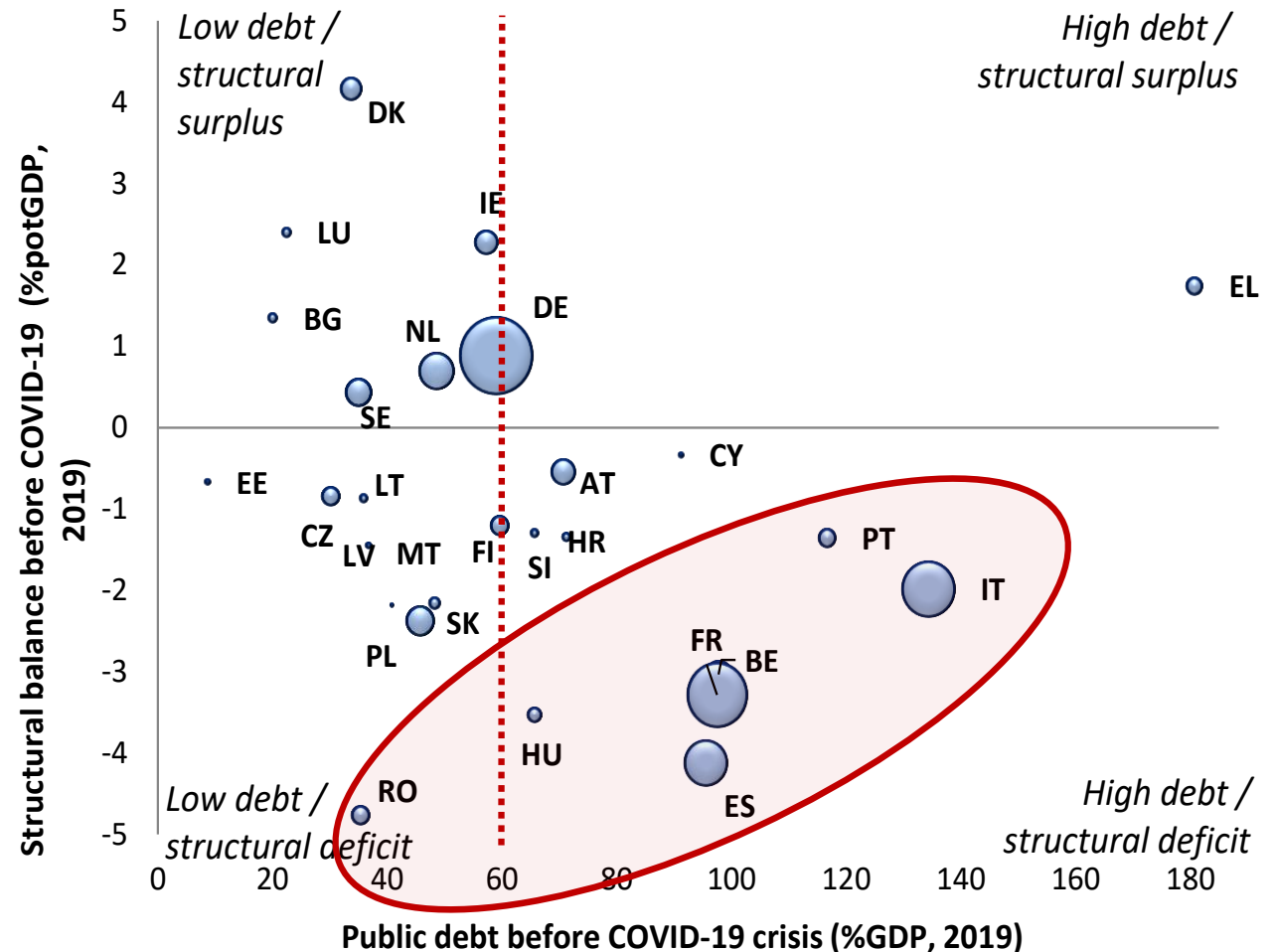
# Lessons learned from SGP: fiscal sustainability

**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

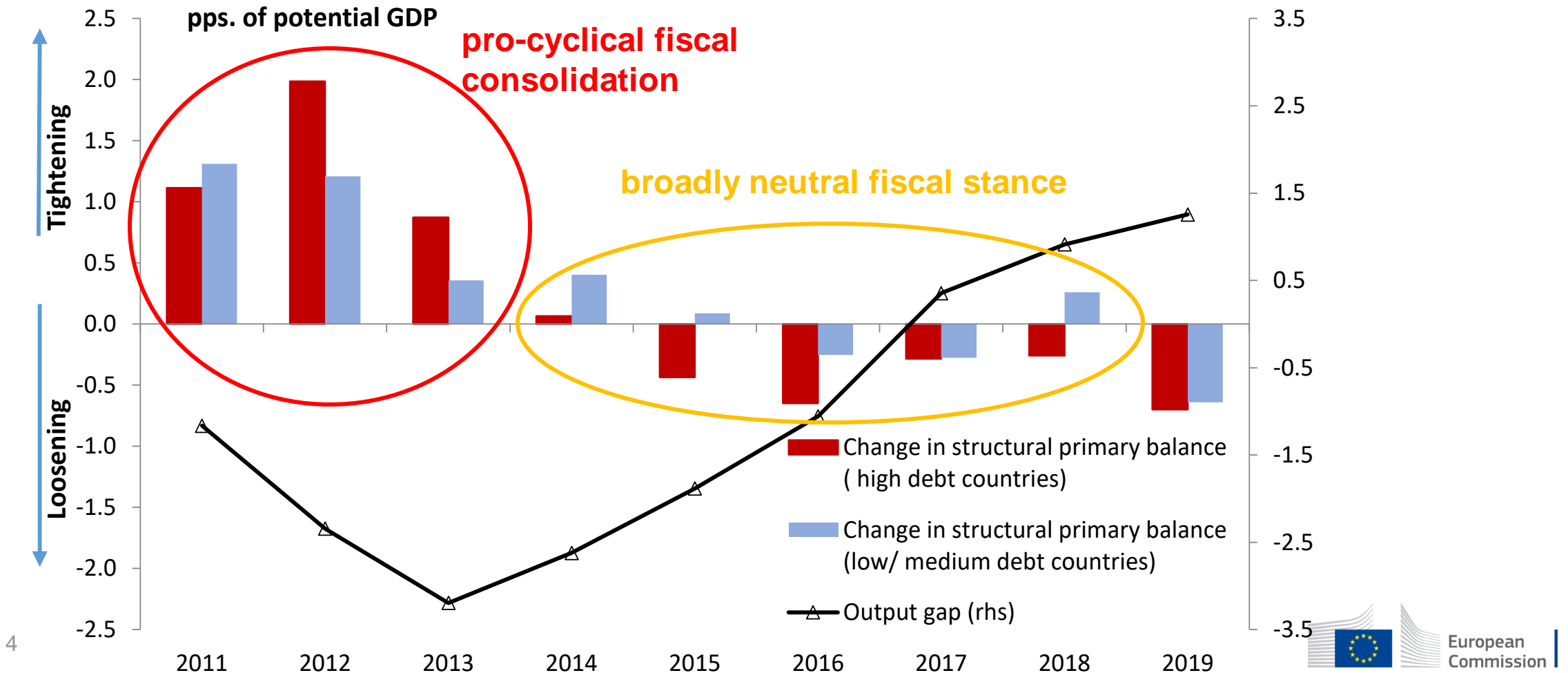
**Preventive arm:** lack of traction in some MS.

Fiscal and debt positions pre-COVID19 crisis



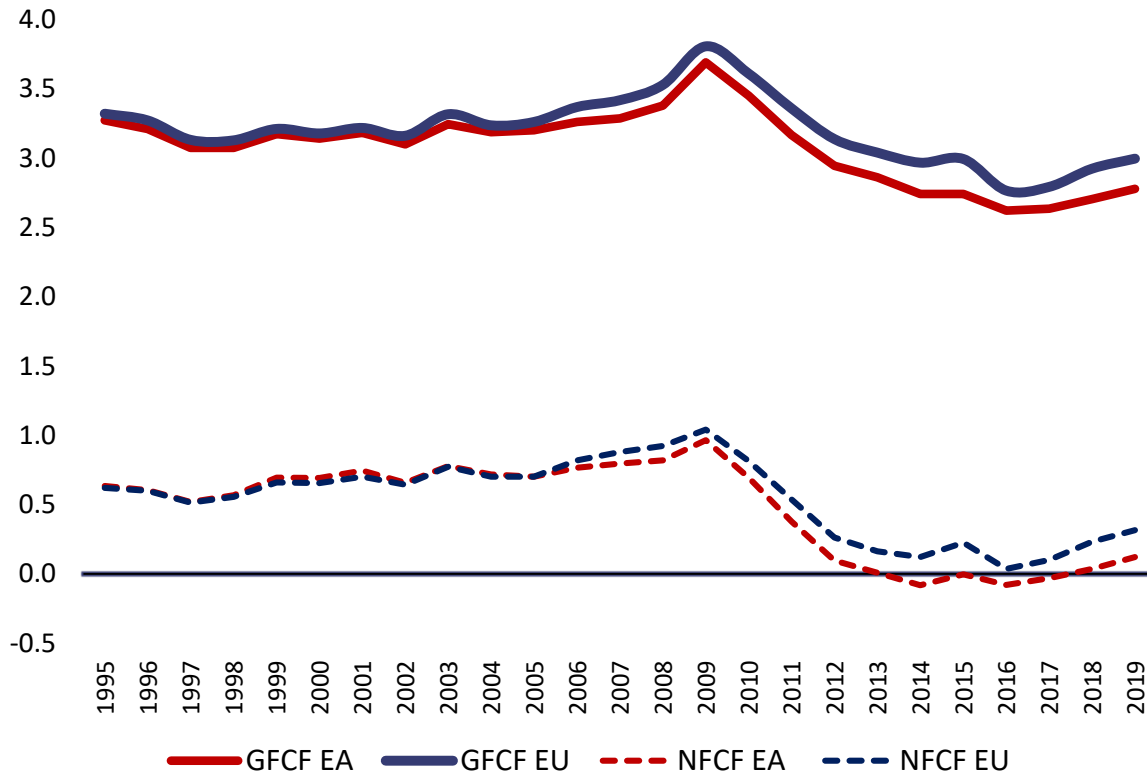
# Lessons learned from SGP: pro-cyclical policies after GFC

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

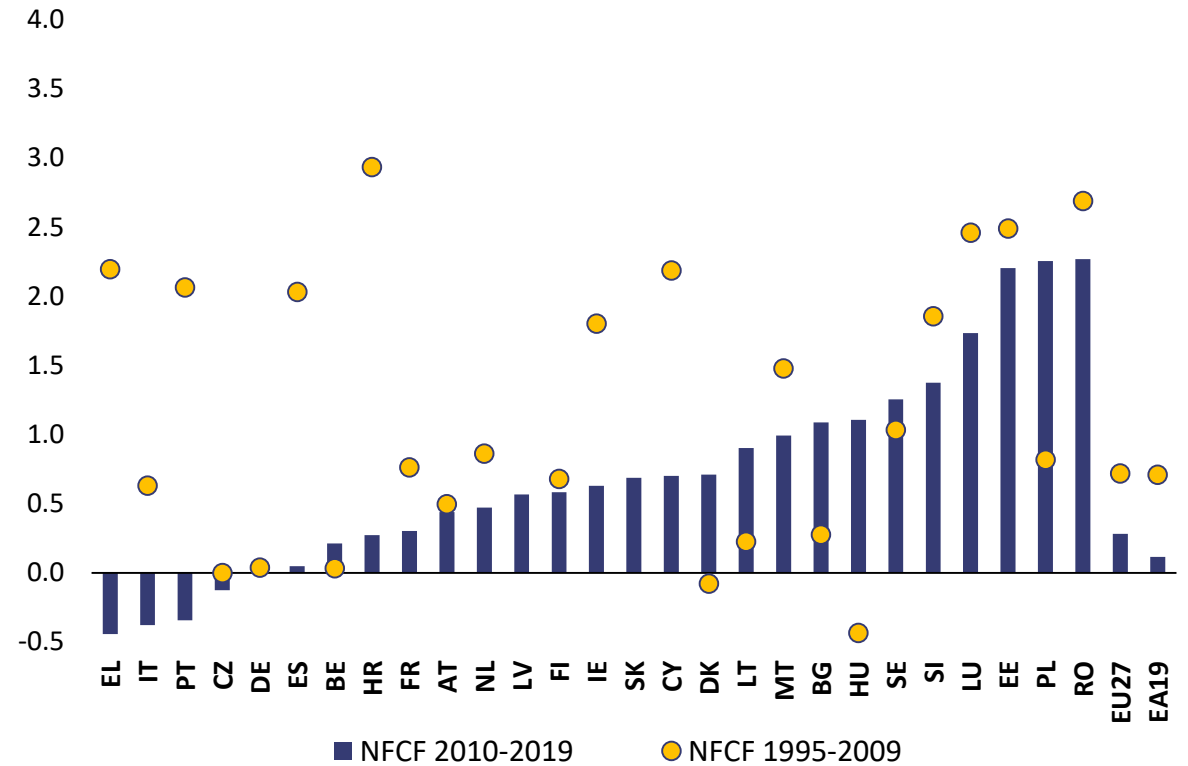


# Lessons learned from SGP: decline in public investment

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



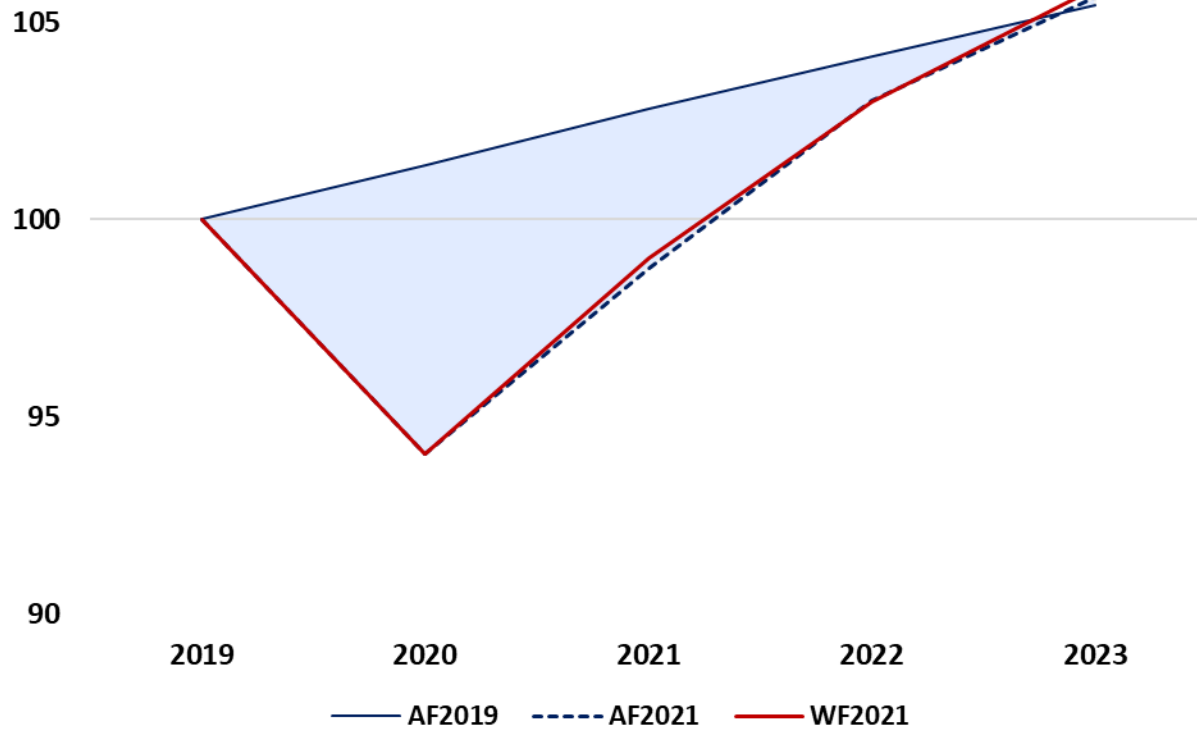
## Net public investment by Member States (2010-2019 vs 1995-2009, % of GDP)



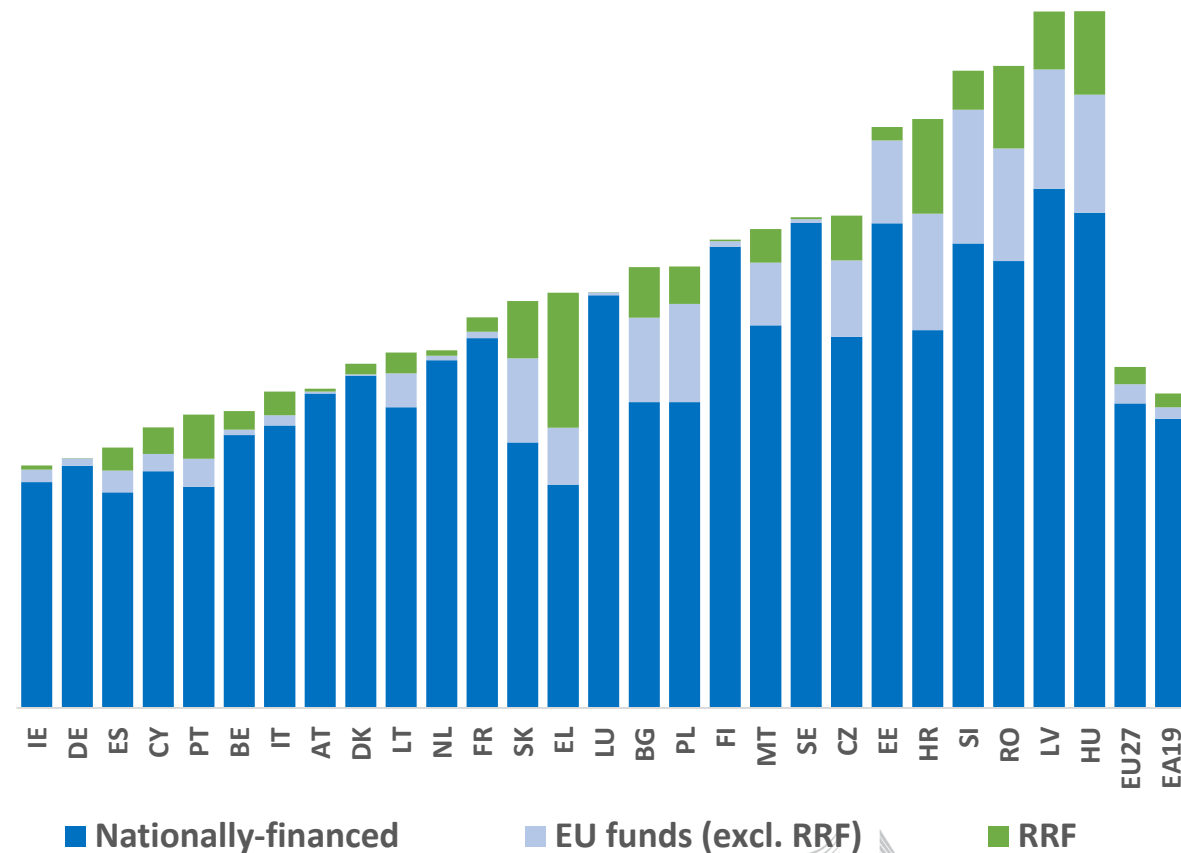
# Lessons learned from the application of the RRF

# 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<sup>8</sup>

**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)**

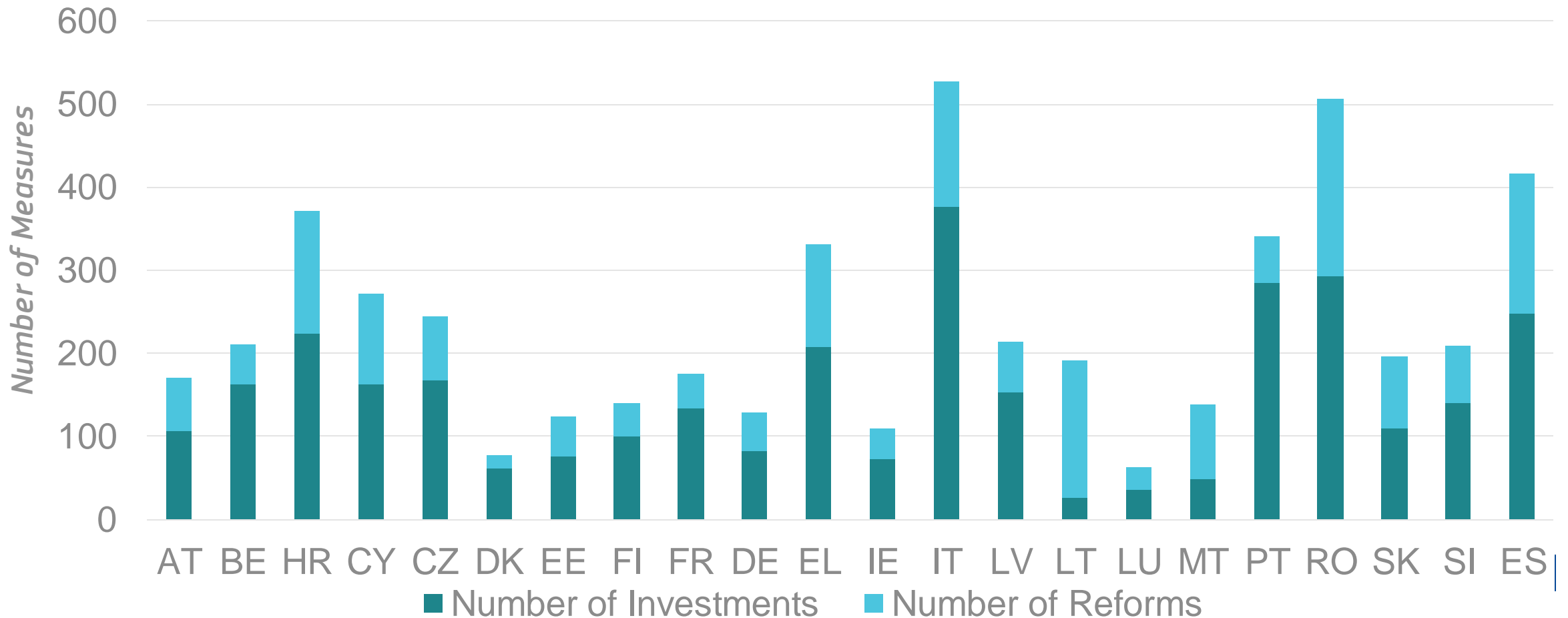
Sector	2011-2020	MIX scenario <sup>16</sup> 2021-30	Difference
<b>Supply side</b>	<b>47</b>	<b>103</b>	<b>+56</b>
Power grid	13	44	+31
Power plants, incl. boilers and new fuels	34	59	+25
<b>Demand side</b>	<b>612</b>	<b>948</b>	<b>+336</b>
Industrial sector	10	25	+14
Residential	88	180	+92
Tertiary	40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

*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 RRP. **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**