Towards a more resilient Europe post-coronavirus

Options to enhance the EU's resilience to structural risks

STUDY

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Options to enhance the EU's resilience to structural risks

The coronavirus crisis has underlined the need for the European Union to devote greater efforts to anticipatory governance, and to attempt to strengthen its resilience in the face of risks from both foreseeable and unforeseeable events. This paper builds further on an initial 'mapping' in mid-2020 of some 66 potential structural risks which could confront Europe over the coming decade, and a second paper last autumn which looked at the EU's capabilities to address 33 of those risks assessed as being more significant or likely, and at the various gaps in policy and instruments at the Union's disposal. Delving deeper in 25 specific areas, this new paper identifies priorities for building greater resilience within the Union system, drawing on the European Parliament's own resolutions and proposals made by other EU institutions, as well as by outside experts and stakeholders. In the process, it highlights some of the key constraints that will need to be addressed if strengthened resilience is to be achieved, as well as the opportunities that follow from such an approach.

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with the Directorates-General for Internal Policies (IPOL)
and External Policies (EXPO)

SUMMARY

In April 2020, the participants in the inter-institutional European Strategy and Policy Analysis System (ESPAS), which aims to identify and analyse medium- and long-term global trends facing the European Union, were invited by the Vice-President of the European Commission responsible for foresight to offer 'food for thought' on issues arising from the coronavirus pandemic, with a view to helping refine collective thinking on how to increase the long-term resilience of the Union over the coming decade. In this context, this paper, the third in a series, follows on from 'An initial mapping of structural risks facing the EU' (July 2020), which set out some 66 potential structural risks confronting the European Union in the aftermath of the coronavirus crisis, and 'Capabilities and gaps in the EU's capacity to address structural risks' (October 2020), which looked at those risks from the mapping which were considered as more immediate and significant, and considered ways in which the EU and Member States could address them, either with existing capabilities or through filling gaps in policies and instruments. The present paper drills down deeper in 25 areas presented in the previous papers, looking in greater detail at possible action by the EU and highlighting proposals from various quarters, including the European Parliament itself, and at potential or actual constraints that might hinder action in these fields.

The present paper builds on a shorter version presented as a draft for discussion at the European Parliament's management Innovation Day on 15 January 2021.

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Foreword

Today, as Europe continues to grapple with the coronavirus pandemic, Members of the European Parliament (MEPs) are acutely aware of the importance of thinking strategically about the challenges and opportunities that confront the European Union in an increasingly complex and uncertain world. They want and expect the Parliament to be centrally involved in EU policy-making and law-making, at every stage of the policy cycle, and they expect to do that on the basis of the best possible analysis and understanding of the issues involved.

In order to meet this need, the secretariat of the European Parliament produces not just a wide range of briefing material on all key EU policies and legislation, it also assists Members in trying to get ahead of the curve by looking at up-coming issues and longer-term trends. By this means, the Parliament can be a central player in the whole policy cycle of the European Union – from policy inception and agenda-setting, through law-making, to the oversight and scrutiny of policy outcomes.

The various shocks and surprises of recent years – the sovereign debt crisis, the migration crisis, Brexit, the Trump presidency, and now the huge impact of coronavirus – have greatly increased the importance of foresight and analysis of global trends, and they have underlined the general need for a higher degree of 'anticipatory policy-making' at European level.

Working on the basis of the Parliament's established policy positions, we have recently intensified our research and analysis specifically of the systemic risks and challenges that now confront the Union, as well as of the capabilities that the Union has at its disposal to address these risks, of the weaknesses or gaps that still need to be filled in meeting them, and of the various ways that we can build a generally more resilient Union.

The process of building greater resilience within the system dovetails neatly with the current debates about the desirability of strategic autonomy and European sovereignty: indeed greater resilience is a practical precondition for making such autonomy or sovereignty real. Fortunately, in recent years, the Parliament has generated many ideas for how EU policies can be made stronger, more coherent and more effective, filling the policy gaps that have been revealed by events in the last decade – or which might yet be revealed by events in the future. Some of these proposals have already been taken up, or are being taken up, by the European Commission.

In spring 2020, I invited the European Parliamentary Research Service (EPRS), DG Internal Policies (IPOL) and DG External Policies (EXPO) within the Parliament's administration to undertake detailed work in the fields of risks, capabilities and resilience. So far, this exercise has generated three substantive sets of papers.

The first set of papers offered a detailed **'mapping' of structural risks facing the Union**, taking account of their potential significance and likelihood. It identified and assessed 66 such risks, 33 of which were considered to be risks requiring special attention because they were of potentially general impact and of higher, rather than lower, probability. This work was published jointly by DGs EPRS, IPOL and EXPO in July 2020.

The second set of papers provided a detailed **analysis of capabilities and gaps in the EU's capacity to address structural risks**, looking at each of the 33 priority risks identified in the first volume to a much higher degree of precision, and identifying apparent shortcomings or gaps in capabilities where the Union may wish to strengthen its operational and policy capacity in each field. The 'pyramid' approach set out in this analysis explained how the various levels of governance in Europe – at European, national and regional/local levels – have distinctive roles to play in addressing these issues and how their contributions can complement one another. This work was published jointly by DGs EPRS, IPOL and EXPO in October 2020.

The third set of papers is contained in this current volume, which offers a detailed assessment of various **options to enhance the EU's resilience to structural risks**. It takes 25 of the risks identified in the previous papers and looks at specific options for strengthening public policy, so that the Union can become more resilient and coherent in each field, and enjoy a higher degree of strategic autonomy as necessary. The analysis works on the basis of positions advocated by the European Parliament in recent years and also looks at suggestions tabled by outside experts and stakeholders where useful.

An initial assessment of how to enhance the EU's resilience to structural risks in 15 policy fields was discussed at the most recent Innovation Day of the EP administration, held in January 2021, and the extended version now being published covers ten more policy fields, as well as incorporating insights shared in the course of the Innovation Day.

The material contained in this volume, as in previous ones, is designed to offer 'food for thought' as EU decision-makers reflect on the implications of both the current crisis and wider international context, and as they work together to build a more resilient Union that can better address the multiple challenges of the years ahead.

Klaus Welle

Secretary-General of the European Parliament

April 2021

Introduction

The purpose of this volume – 'Towards a more resilient Europe post-coronavirus: Options to enhance the EU's resilience to structural risks' – is to explore how in practice the European Union can strengthen its operational capacity to address and withstand a number of potentially serious policy challenges over the years ahead. The 25 policy areas chosen for inclusion flow from a series of 33 'structural risks' to the Union which were identified – in an initial mapping exercise by the European Parliament's administration some nine months ago – as being both urgent and of general impact, and thus worthy of the special attention of EU policy-makers. The initiative was prompted by a growing awareness, especially in the aftermath of the outbreak of the coronavirus crisis, of the potential vulnerability of the Union to sudden, unexpected shocks, and the corresponding need to think more deeply and more clearly about the potential for disruption in the future.

The papers that follow seek to identify some of the key issues facing the Union in each of these 25 areas, to look in detail at various concrete initiatives that could be taken by the EU institutions to strengthen the Union's resilience in each field – drawing both on established policy positions of the European Parliament and relevant current thinking of think tanks and stakeholders – and to examine potential points of blockage which might inhibit progress. The papers end with synoptic tables that show, in traffic light form, how far various options and ideas for strengthening resilience are already being considered or acted upon within the EU system.

Some of the challenges analysed in this volume – such as forestalling future health crises or strengthening multilateralism through diplomacy – depend in large part on constructive engagement with partners globally. Other challenges – such as developing a stronger common economic policy in Europe, building a genuine capital markets union or improving the sustainability of social protection systems – essentially require effective domestic action within the EU. A third group of challenges – like reducing energy dependency, building greater food security or strengthening external border management – share both characteristics, in that they need concerted domestic action, but would evidently benefit from close cooperation with like-minded jurisdictions outside the Union.

The analysis set out in the pages that follow draws upon the concept of 'cooperative federalism' between the different layers within the 'multi-level system of governance' which characterises today's European Union. The basic idea is that each level of government has its own distinctive powers, capabilities and experience that give it the lead role in the delivery of certain aspects of policy. But if the various levels of government can work together cooperatively, each is potentially stronger than it would be working on its own. There is a multiplier effect from common action. This is especially the case in many of the new cross-cutting challenges we see today, which often defy the classic silos of individual government departments, have a very strong cross-border dimension, and respond best to collective action on an international scale.

The potential for this kind of cooperative relationship between the levels of government in Europe is captured, in graphic form, in a series of pyramids presented throughout this volume. These pyramids show, for each policy area, that whilst certain initiatives would lie primarily at the level of the Member States, others would depend upon joint EU–Member State action, and others still would fall directly within the remit of the European Union and its institutions.

The EU has developed over time as a formidable legislative and regulatory system, but often has a more limited role in the executive sphere. In practice, however, many of the problems which are faced today by Europe as a continent – with health policy and external borders being topical examples – are ones where the EU can strengthen the practical capacity of Member States to act, by supporting them as they deliver policy in their own fields of responsibility. This is the notion of 'complementary executive capacity' and examples of how it might be offered by the Union are presented as the capstone to each of the 25 pyramids featured towards the end of the respective papers. Generating complementary executive capacity is about creating a collective public good that would not otherwise exist. It does not require a formal transfer of competence or powers, but relies rather on the development of a habit of cooperation and a willingness to accept the reality of interdependence in the face of new global challenges. It offers a creative way forward as policy-makers, at all levels within the EU, grapple with the unprecedented complexities of today's world.

Anthony Teasdale

Director General, EPRS

Forestalling future health crises

The issue in short

Previously, the European Union (EU), operating at supranational level, has only had a subsidiary role in the field of public health, essentially complementing national policies defined within each Member State. As in previous crises, the Covid-19 pandemic has exposed weaknesses and highlighted the added value of a coordinated EU health response. The pandemic has demonstrated that there is a need for the EU to improve its capacity to respond to crises and build resilience to future shocks, both generally and in specific relation to health.

The initial response afforded by EU institutions was limited and widely criticised. However, as the pandemic progressed, the EU began to play a more active role. Prohibitions on exports of medical equipment were lifted, joint procurement was implemented, and Member States began to work together more closely, spontaneously developing converging regulatory procedures. Despite recent criticism aimed at the EU's vaccination strategy, the benefits of collective action have become more apparent to Member States, and in response to crises the EU seems more adaptable and resilient than before. Experience from previous health crises has helped in improving EU health policy response during the Covid-19 crisis. The present pandemic, by far the biggest public health crisis of the EU's history, could prompt the largest developments yet. Such collective action will probably progress incrementally in the future, with the input of individual Member States remaining crucial.

The framework for EU action on preparedness, early warning, and response is the Cross-border Health Threats Decision. The EU-level response is coordinated by the Health Security Committee, made up of representatives from each of the Member States as well as the European Commission. The EU Civil Protection Mechanism, established in 2013, coordinates Member States' relief capacities in disaster preparedness. In 2019, the mechanism was upgraded and renamed RescEU. In March 2020, the Commission created the first European reserve of medical equipment – the RescEU stockpile.

The Recovery Assistance for Cohesion and the Territories of Europe (ReactEU) instrument will have a budget amounting to €47.5 billion and will be one of the largest programmes under Next Generation EU. This funding is entirely new. It is a top-up to 2014-2020 programmes and additional to the 2021-2027 cohesion allocations. By financing health entities directly, it will allow Member States and regions greater flexibility in responding to the ongoing health crisis.

Horizon 2020 (H2020), the past EU research and innovation (R&I) programme, had pledged €1.023 billion for projects responding to Covid-19. This includes the Innovative Medicines Initiative (IMI), and European Innovation Council (EIC) initiatives. H2020 also includes a contribution to the Coalition for Epidemic Preparedness Innovations (CEPI), a global partnership to develop vaccines, as well as the reinforcement of InnovFin Infection Diseases Financial Facility (IDFF), which provides funding in developing diagnostics and treatments for infectious diseases. The current EU programme for R&I, Horizon Europe (2021-2027), with a final budget of €95.5 billion (in current prices), will continue to fund basic and public health research, which will comprise 8.18 % of the total budget.

The new health programme, EU4Health, can improve public health, expand access to healthcare, and bring innovation to EU health systems beyond the Covid-19 crisis. The EU4Health programme envisages an investment of €5.1 billion from 2021 to 2027.

In June, the European Commission presented an EU Strategy for Covid-19 vaccines to accelerate the development, manufacture, and deployment of vaccines. Its key objectives are to guarantee the quality, safety and efficacy of vaccines; to ensure timely, equitable, and affordable access, and to guarantee an EU-wide safe roll-out of effective vaccines. The strategy is to act as a reference for Member States when formulating their national vaccination policies.

Under its strategy for Covid-19 vaccines, the European Commission signed agreements with vaccine producers on behalf of EU countries. Three Covid-19 vaccines were initially authorised in the EU: BioNTech/Pfizer on 21 December 2020, Moderna on 6 January 2021, and AstraZeneca on 29 January 2021. A fourth vaccine, Janssen (developed by Janssen-Cilag International) was authorised in the EU on 11 March.

A further three Covid-19 vaccines are currently under rolling review: CVnCoV (developed by CureVac); NVX-CoV2373 (developed by Novavax), and Sputnik V (developed by Russia's Gamaleya National Centre of Epidemiology and Microbiology).

In addition to contracting with the producers of the four approved vaccines mentioned above, the European Commission has signed contracts which will enable two further vaccines to be purchased once they have been approved: Sanofi-GSK and CureVac. Exploratory talks were also carried out with two other companies: Novavax and Valneva. The Commission is also working with industry to step up vaccine manufacturing capacity.

The European Commission has secured up to 2.6 billion doses of Covid-19 vaccines so far. Authorising and signing contracts with vaccine producers is not in itself enough. Vaccines need to be produced at scale, allocated so that they are available where needed, and effectively deployed at community level. Despite repeated setbacks, the European Commission expects that by summer 2021, Member States will have vaccinated at least 70% of the adult population.

As highlighted by European Commission President Ursula von der Leyen in her State of the Union address in September 2020, the European Health Union concept touches on competences at all levels of government. This requires intense dialogue across these levels concerning future EU health action. Members of the European Parliament welcomed the proposals from the Commission, underlining the importance of stepping up efforts to counter serious cross-border threats to health. In November, the European Commission took the first steps towards building the European Health Union, putting forward a set of proposals aimed at strengthening the EU's health security framework and reinforcing the crisis-preparedness and response role of key ECDC and EMA agencies.

The Commission also set out the preliminary framework for the Health Emergency Response Authority (HERA), aimed at improving the EU response to cross-border health threats. One of HERA's early initiatives came in February 2021, when the Commission presented the HERA Incubator, a new European bio-defence preparedness plan against Covid-19 variants, which will bring science, industry, and public authorities together.

Adopted on 25 November 2020, the Pharmaceutical Strategy for Europe aims to modernise the regulatory framework and to support pharmaceutical research and technology. It identifies four main objectives; i) to fulfil currently unmet medical needs; ii) to support a competitive and innovative European pharmaceutical industry; iii) to diversify medical supply chains, improving crisis-preparedness; and iv) to ensure high standards for medical products globally.

In conclusion, the EU response to the Covid-19 crisis has shown that its health policy is adaptable. In March-April 2020, the initial responses to the pandemic were primarily made by individual Member States, with the EU merely guaranteeing the free movement of goods and lifting export bans on medical equipment. In the following months the situation evolved and become more integrated: the RescEU and ReactEU budgets were expanded, the ECDC and EMA agency mandates were reinforced, and a significant budget was allocated to vaccine research. Although still limited if compared to other items in the EU budget, the new health programme, EU4Health, has been given a more robust budget, and greater responsibility for work within EU health systems. The joint

procurement system was enhanced through the EU strategy for vaccines, and the EU pharmaceuticals strategy was approved. All these actions demonstrate a real change in vision and political engagement with EU public health policy, compared to the situation at the beginning of the pandemic.

The differing national approaches to handling the pandemic reflect the differing ways Member States structure and organise their own health systems, as well as their independence in defining their own national health policies. This cannot be ignored. However, Member States have shown more predisposition to work collectively than in the past. Having said this, it should be noted that while EU health policy is attempting to expand – through public procurement, emergency planning, support to the health systems of Member States, etc. – considerable challenges remain. These challenges are politically sensitive, and this is a difficulty for EU health decision-makers. How they, the EU citizens, and the leaders of Member States react will be crucial if a 'renewed' post-coronavirus EU health policy is to grow and evolve successfully.

Position of the European Parliament

The European Parliament has long advocated the establishment of a coherent EU-level public health policy, a position reconfirmed during the Covid-19 crisis. In a resolution of 17 April 2020, the Parliament called for decisive European solidarity in the health sector, to be shown through a number of actions: 1) strengthening of the European Centre for Disease Prevention and Control (ECDC) and the European Medicines Agency (EMA); 2) creation of a European Health Response Mechanism (EHRM) to improve the coordination of the response to health crises; 3) strengthening of all components of crisis management and disaster response, and a reinforcement of instruments such as RescEU; 4) provision of additional funding for Covid-19 research on vaccine and treatment, whilst urging the Member States to increase finance for research; 5) implementation of a 'One-Health' approach to pandemics and health crises in both the human and veterinary sectors; 6) increased EU production of key medical products; and 7) strengthened collaboration with the United Nations, and in particular the World Health Organization (WHO). In May 2020, a Parliament resolution called for the creation of a new, independent EU health programme, EU4Health.

On 16 September 2020, a further resolution called for: 1) the European Commission to promote a common methodology for collecting health data and for reporting deaths; 2) the Member States to adopt the same definition for a positive case of Covid-19, a death caused by Covid-19, and for recovery from Covid-19; and 3) the adoption and implementation of a common testing strategy in all Member States. In addition, the Parliament has recently created a Special Committee on Beating Cancer (BECA). Its 'ambitious but realistic plan' could showcase added value in the overall EU health strategy, and includes the creation of a European Cancer Centre.

In a 2018 resolution the Parliament called on the Member States and the Commission to reinforce the legal basis for immunisation coverage. The resolution pointed out that implementing an appropriate legislative framework was crucial to achieve general EU-wide immunisation.

The Parliament has organised several debates within different committees and plenary sessions on various aspects of the Covid-19 vaccination strategy. In these discussions, Members of the European Parliament have repeatedly called for more transparency and clarity concerning the terms of the contracts concluded between the EU and vaccine manufacturers. They criticised the short supply of vaccines in the EU related to the contracts that the EU negotiated with pharmaceutical companies. The terms regarding supply and timing are vague, offering escape routes to the pharmaceutical companies from their contractual obligations.

In the plenary debate in January 2021, Members emphasised that only complete transparency could build public trust in the vaccination campaigns across Europe. At the same time, they deplored 'health nationalism', seen in the alleged parallel contracts signed by differing Member States or attempts by states to out-compete each other. Members called for exhaustive data to be published

regularly. Following requests from the ENVI committee, the ECDC launched a Covid-19 vaccination tracker which monitors vaccine uptake within EU/EEA Member States. During the plenary debate in February, Members stressed that the EU must take urgent measures to ramp up vaccine production to meet citizens' expectations.

Policy proposals by experts and stakeholders

The crisis highlights the need for adequate capacity to address health threats and tackle new pandemics, with accountable health systems, underpinned by investment in people and technologies. Many stakeholders suggested that the ECDC mandate be expanded, giving the agency more executive powers, and establishing common European standards for health data interoperability (e.g. harmonising methodologies to make epidemiological statistics more usefully comparable). An independent evaluation of the ECDC has highlighted important flaws, mostly on the side of Member States. So far, EU-wide comparative analysis in public health is scarce, and the pandemic has highlighted the importance of national public health structures for surveillance, establishing a joint early-response mechanism to contain epidemics and reliable testing and tracing systems. In addition, stakeholders recommended that the EU should develop a centre for health emergency preparedness and response; that pandemic risk assessments be made more reliable; and that health infrastructure be made more resilient, to deal with unforeseen events.

Stakeholders have made clear that better cooperation between the European Commission, the EMA (with a reinforced mandate), and the Member States is key to tackling new pandemic crises. The medicines shortages across Europe during the Covid-19 crisis threatened patient safety and adversely impacted patient outcomes, highlighting the need for a comprehensive solution. During the crisis, the European Commission negotiated procurement of vaccines and medicines against Covid-19 jointly on behalf of Member States. Stakeholders stated that the Commission should strengthen joint procurement efforts. The cost and impact of patent-based monopolies on public health expenditure is another area requiring revision. Finally, stakeholders stress that the conduct of pharmaceutical industries be examined, looking at how they really respond to healthcare needs.

With its many, greatly differing, healthcare systems, the EU is a natural laboratory for health policy and health systems research. A lesson from the pandemic is that the EU must strengthen multi- and cross-disciplinary research on infectious disease prevention, preparedness, response, and impact. Horizon Europe should provide more resources for both basic and public health research, with real-time evaluation of the impact on public health allowing continuous tracking and adjustment of interventions and informing health policy. Connected to this are the European research infrastructures, which provide services for research scientists, thereby reducing research fragmentation. The current trio presidency of the Council recommends that the European Commission and the Member States work towards improving research infrastructures for the development of new medicines and vaccines. This should also be done with the objective of strengthening the European Research Area (ERA).

Before the Covid-19 pandemic, the EU was not a sufficiently strong supporter of global health or of the WHO. Although the WHO's position has been undermined during the pandemic, stakeholders suggest that the EU should aim to upgrade its status within the WHO and strengthen the relationship between the European Commission and the WHO. In addition, from a more global perspective, 11 000 scientists issued a document declaring that human consumption and corporate over-reach were degrading ecosystems and driving more than a million species to extinction. This and other academic papers stated the importance of the 'One-Health' approach, recognising the interconnection between human health, animal health, and the environment.

Stakeholders have criticised the European Commission for being too bureaucratic, for limiting the room to manoeuvre of the individual governments of Member States, and for being too slow. The Commission has also received suggestions regarding transparency on both the amounts and the destination of the EU's spending on Covid-19 vaccines, high standards of regulatory assessment of

Covid-19 products, transparency of the vaccines joint procurement process, and transparency of liability clauses to ensure responsibilities are shared between manufacturers and the public sector. More favourably, others have observed that the Commission should be viewed more as inexperienced than incompetent. In response to widespread criticism, in February Commission President Ursula von der Leyen admitted that, 'We were late in granting authorisation. We were too optimistic about mass production. And maybe we also took for granted that the doses ordered would actually arrive on time.'

Points of blockage

Subsequent waves of the Covid-19 pandemic or other future infectious disease outbreaks could again put a heavy strain on EU healthcare systems. The European Health Union identifies a number of bottlenecks which need to be removed in health crisis management, and states a need for more robust health system structures at EU level. In its first proposal on a European Health Union, the Commission focused on crisis-preparedness and response measures, including; strengthening coordination at EU-level when facing cross-border health threats; revising the mandates of the ECDC and of the EMA; providing better surveillance, scientific analysis and guidance before and during a crisis; and setting up a new EU agency for biomedical preparedness.

European health systems are affected by chronic points of blockage that worsen the ability to react in emergency conditions. These include:

1. The lack of real comprehensive governance for health. Public health governance requires engagement on political, economic, and social issues. Health needs to move out of a paradigm narrowly confined to healthcare, into a wider multi-sectoral framework, which better reflects health as a public priority, and focuses on health as an investment, rather than a cost;

2. Appropriate guarantees for health financing are lacking. The share of health expenditure has declined in many European countries in recent years, with consequences evident during the pandemic. In May 2020, 350 organisations representing 40 million health workers from 90 countries urged policy-makers to put public health at the centre of their economic recovery packages. Together, the letter's signatories represent more than half of the world's health and medical workforce;

3. Preventive care is being neglected. In 2015, nearly all EU countries allocated only between 2 and 4 % (~0.3 % of GDP) of all healthcare services and goods expenditure to preventive care. In the same year, about 80 % of health expenditure was devoted to treatment. A new focus is needed on determinants of health, supported by evidence favouring a shift from a cure-oriented model of health towards a health promoting and preventive model. Such a model would include improved health outcomes and reduced inequities in health. In constituting the BECA committee, the Parliament also emphasised the overarching importance of prevention;

4. There is a shortage of health workers. During the pandemic, several EU countries reported difficulties in retaining and recruiting health staff. The demand for healthcare professionals in Europe is continually increasing, one reason being the growing number of patients with chronic conditions. This and other factors will exacerbate the shortage of healthcare professionals that the EU already faces, including public health specialists. Public health practice requires appropriately trained professionals, who recognise the realities of a public health policy set in a world of complexity, ambiguity, and politics. The Covid-19 crisis revealed serious failings in the ability of EU countries to respond effectively to the pandemic. Public health professionals are on the frontline when it comes to the implementation of protective behaviours and surveillance tools. Public health managers are actively engaged in changing the health workforce to be better adapted to the new demands that arise in a pandemic. Public health work should be considered centrally, regionally, and locally. The identity of the locus and the

organisations involved will differ from country to country, depending on the context and circumstances. Public health needs to be an attractive career option: in many Member States training for public health personnel should be revised, with better support for national public health institutes and universities.

5   Greater integration of existing 'big data' sources is needed. The utilisation of big data has great potential for epidemiology, surveillance and research in healthcare. At present, at EU level, a number of limitations persist;

6   The evaluation of EU health policies needs to be enhanced. EU public health should use foresight tools to improve evidence-based policy-making. In addition, regular ex-ante and ex-post evaluation of public health policy strategies proposed by the European Commission should be routinely deployed.

Opportunities to move forward

Thus far, EU health policy has been characterised by a 'gap' between public expectations and actual EU engagement. A recent public opinion survey has shown that 69 % of citizens want the EU to take more responsibility during health crises. The recently launched Conference on the Future of Europe emphasises outreach to citizens and creates a forum to address their concerns and priorities, enabling discussions on the evolution of the EU's role on health in the future. In addition, the Global Health Summit scheduled for 2021 in Italy will allow the EU to steer worldwide reflection on how to strengthen global health in this time of pandemic.
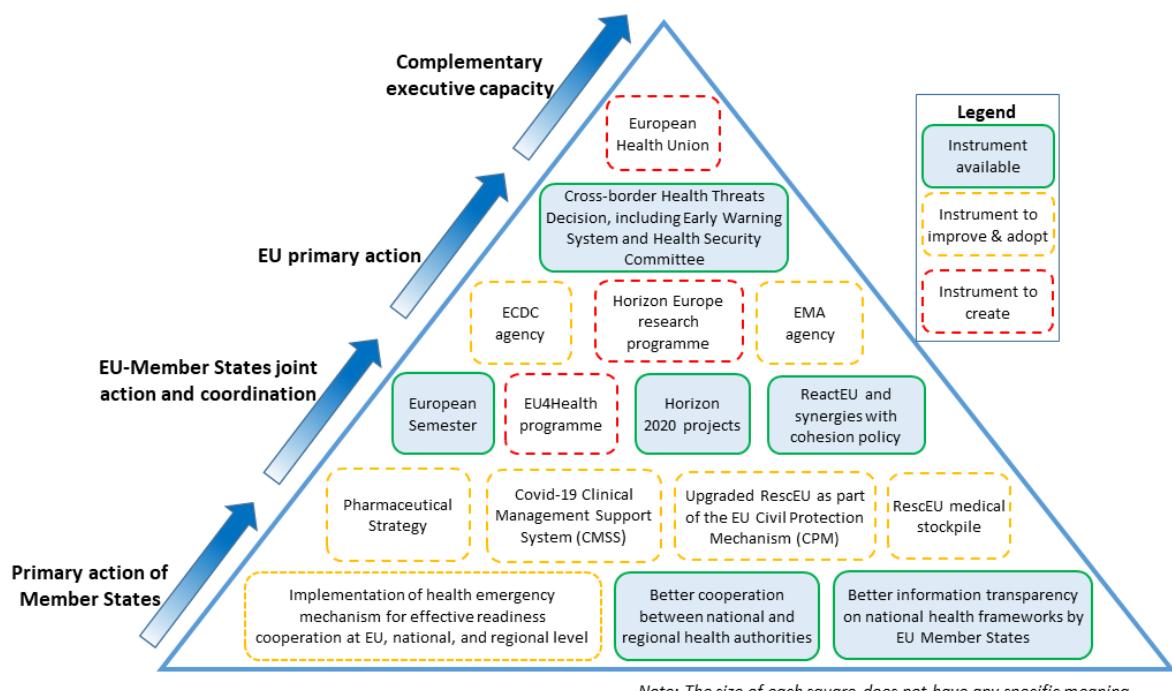
In focus: The potential for Member States to work more closely together

Despite high-level political commitment from the EU, the Covid-19 crisis has exposed obstacles to developing a comprehensive European response to infectious disease outbreaks. A Parliament study argues that although the EU has only limited powers in health matters, access to cross-border healthcare, better coordination, and promotion of best practice between Member States will bring considerable benefits. While there is little political interest in revising the Treaties, they provide legal space for a range of creative political actions for more health-focused EU policies, including better coordination of efforts to acquire medicines and vaccines.

Covid-19 will not be the last pandemic. It is important that the EU should learn from the experience and take action to improve preparedness planning for future epidemics. Previous infectious disease crises have triggered the expansion of EU powers and institutions on health. In 1999, following the bovine spongiform encephalopathy outbreak, the European Commission established its Directorate-General for Health. In 2004, in the wake of several epidemics, the ECDC was created. In other words, previous crises prompted the creation of EU institutions and mechanisms in public health which, although limited in power, worked actively in the response to the Covid-19 crisis.

It is currently unclear what national pandemic governance exists within individual Member States. Member States must develop a more effective approach to prepare for and respond to pandemics. There are gaps in Member States' legislation, and a lack of available transparent information about national health frameworks, in spite of clear information-sharing obligations set up at EU and global levels. Artificial intelligence and machine learning research have played a growing role in diagnosis and therapeutic strategies against Covid-19. Comparable approaches should be developed, helping substantially in predicting pandemics, performing modelling studies to enhance preparation for future outbreaks.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Shortage of medicines	European Commission / Member States	To reduce EU medicine dependence on third countries; to better coordinate Member States' health policies.	European Parliament resolution P9_TA(2020)0228 17 September 2020	
2	EU coordination of health assessments and risk classification	European Commission / Member States / ECDC	A common EU testing strategy with test results recognised in all Member States, providing adequate testing capacities.	European Parliament resolution 2020/2780(RSP) 16 September 2020	
3	New EU health programme	European Commission / Member States	The European Parliament calls for the creation of a new stand-alone European health programme.	European Parliament resolution P9_TA(2020)0124 15 May 2020	

4	EU coordinated action to combat the Covid-19 pandemic and its consequences	EU institutions / Member States	Strengthen ECDC and EMA; create a European Health Response Mechanism; strengthen crisis management response; fund additional health research; take a One-Health approach to pandemics; increase EU medical production; increase cooperation with the WHO.	European Parliament resolution P9_TA(2020)0054 17 April 2020	
5	Reinforcing the legal basis for immunisation coverage	Member States / European Commission	Reinforce the legal basis for immunisation coverage; facilitate a better aligned schedule for vaccination across the EU.	European Parliament resolution P8_TA(2018)0188 19 April 2018	
Proposals submitted by the European Commission / ongoing processes					
6	HERA Incubator: Anticipating the threats of Covid-19 variants	Member States / European Commission	A new bio-defence preparedness plan, to prevent, mitigate, and respond to the potential impact of variants.	COM(2021) 78 17 February 2021	
7	A united front to beat Covid-19	Member States / European Commission	Calling on Member States to speed up the roll-out of vaccines.	COM(2021) 35 19 January 2021	
8	Managing the pandemic over the coming winter months	Member States / European Commission	Recommends measures to keep the pandemic under control until vaccines are widely available.	COM(2020) 786 2 December 2020	
9	Pharmaceutical Strategy for Europe	EU institutions / Member States / EMA	Revise the basic pharmaceutical legislation; establish a EU Health Emergency Response Authority; remove vulnerabilities in the medical supply chain; improve cooperation between national authorities on pricing and procurement policies; create a European Health Data Space; support health R&I.	COM(2020) 761 25 November 2020	
10	Revamping the existing legal framework for cross-border threats to health, as well as reinforcing the role of ECDC and EMA	European Commission / ECDC / EMA / Member States	Strengthen preparedness; reinforce surveillance; improve Member States' data reporting. The proposal is part of a package of closely associated measures that aim to enhance the role of the ECDC and EMA. Together, they form part of the EU's overall health response to Covid-19 as well as an improved crisis management framework.	COM(2020) 724 11 November 2020; COM(2020) 0725 11 November 2020; COM(2020) 726 11 November 2020	
11	Covid-19 vaccination strategies and vaccine deployment	Member States / EMA / ECDC	Develop and deploy an effective and safe vaccine against Covid-19.	COM(2020) 680 15 October 2020	

12	To strengthen EU health preparedness for Covid-19 outbreaks	Commission / Member States / ECDC / Joint Research Centre / EU-OSHA (EU Agency for Health and Safety at Work)	Increase testing coverage, contact tracing, and surveillance; ensure the supply of personal protective equipment, medicines and medical devices; reduce seasonal influenza.	COM(2020) 318 15 July 2020	13
13	EU Strategy for Covid-19 vaccines	Member States / EMA / ECDC	Secure the production of vaccines within the EU through Advance Purchase Agreements with producers; accelerate vaccine development and authorisation.	COM(2020) 245 17 June 2020	
14	EU4Health programme	European Commission / Member States	Establish a stand-alone EU health programme (2021-2027).	COM(2020) 405 28 May 2020	
Policy suggestions from think tanks and academia / policy examples from third countries					
15	Digitalisation and public health	Member States / European Commission	Make EHealth a key tool in EU health crisis management.	Kautsch, 2017; EPHA, 2019; Odone, 2019	
16	Strengthening primary care beyond Covid-19	Member States / European Commission	Improve primary care; invest in specialist primary care and information and communications technology; create new models of shared care.	EOHSP, 2015; Garattini, 2020	
17	Public health issues and the European Semester	EU institutions	Better integrate public health issues within the European Semester	Azzopardi-Muscat, 2015; EuroHealthNet, 2018	
18	Structural funds in health	Member States / European Commission	Make wider and more flexible use of structural funds for health.	EOHSP, 2019	

Promoting sustainable global economic growth

The issue in short

The coronavirus pandemic has hit the European Union (EU) and other major economies hard. In response, governments across the EU and around the world have had to put Covid-19 containment and mitigation measures in place and implement wide-ranging economic and financial policies to prevent economies collapsing and to protect businesses, jobs and livelihoods.

The International Monetary Fund (IMF) forecasts the global economy will recover gradually in the coming years, albeit with possibly lasting scars on investment and human capital due to swift rises in unemployment. Real gross domestic product (GDP) growth is expected to reach only 5.5 % and 4.2 % in 2021 and 2022, respectively, following the most severe global economic recession since the 1930s, with an estimated growth contraction of -3.5 % in 2020. The cumulative output loss over 2020-2025 relative to the pre-pandemic projected levels remains substantial and is estimated at US$22 trillion. The strength of the recovery will be uneven and vary across economies. It notably depends on several factors, including the severity and length of the health crisis, the effectiveness of policy support, the extent of local disruptions and the exposure to cross-border spillovers. Euro area GDP is expected to remain below its pre-crisis level into 2022, while the United States of America (USA) and Japan may regain their end-2019 activity levels in the second half of 2021. Recovery paths also diverge between China – which has already rebounded to its pre-pandemic projected level in the fourth quarter of 2020 – and other emerging markets and developing economies. The Organisation for Economic Co-operation and Development (OECD) notes that the pandemic is expected to reverse progress made over the past decades in poverty reduction, education and healthcare.

Massive expansive fiscal policy support has been provided to households and businesses across major advanced economies, stimulus packages in the USA and Japan and the EU Recovery and Resilience Fund (worth €672.5 billion) are notable examples. In total, an unprecedented US$11 trillion has been deployed by G20 governments. These fiscal stimulus packages are expected to accelerate the recovery, with positive spillover effects for trading partners. At the same time, central banks have swiftly stepped up their accommodative monetary policy, including large-scale asset purchase programmes and ample liquidity injections. These actions have helped to stabilise the financial system, to support the flow of credit to businesses and households and to restore confidence to some extent.

However, fiscal space differs across countries, as some are less burdened by debt sustainability issues. Advanced economies have benefited to date from low borrowing costs, enabling them to provide massive fiscal stimulus to support the recovery. Nevertheless, one crisis legacy already seen is much higher sovereign debt levels,[1] whose stock will have to be managed carefully in the future. Similarly, private-sector debt has increased to high levels in some advanced economies and will have to be monitored. One key challenge will be the gradual rollback of expansive fiscal and monetary policies once the situation starts to normalise. Central banks may also have to monitor inflation closely, following ultra-accommodative monetary policies and historically low interest rates. The situation has been more heterogeneous across emerging market economies due to the potential financial constraints and vulnerabilities they may experience (including issues related to

debt sustainability, possible inflation, exchange rate fluctuations, capital outflows). Lastly, low-income developing countries have limited fiscal space and for many of them, high debt levels, that have increased further due to the pandemic. In this regard, international support through debt relief measures, grants or concessional loans is essential. Since March 2020, the IMF has granted US$165 billion of emergency financial assistance under its various lending facilities and debt service relief financed by the Catastrophe Containment and Relief Trust (CCRT) to over 83 countries.

Decisive actions at EU and international level are required to make the post-pandemic global economy more resilient and inclusive. Coordinating responses and a stronger multilateral cooperation could help address crisis legacies and global challenges such as climate change and rising poverty and inequalities.

European Parliament position

At the onset of the pandemic, the European Parliament called for a massive post-crisis recovery and reconstruction package centred around the European Green Deal and the digital transformation, to kick-start the economy, improve its resilience and create jobs while simultaneously supporting the ecological transition and the EU climate neutrality objective. It has also supported the European Commission 'in its objective of designing a new EU industrial strategy in an effort to achieve a more competitive and resilient industry when contending with global shocks and the reintegration of supply chains inside the EU and increasing EU production of key products such as medicines, pharmaceutical ingredients, medical devices, equipment and materials'.

In April 2020, the Parliament welcomed the EU package for the global response to Covid-19 and the initial €20 billion allocated to combating the pandemic in partner third countries. At the same time, it praised the IMF Board's decision to provide immediate debt service relief to some of the poorest and most vulnerable countries and called for further similar measures by international donors. The European Parliament also called 'on the Commission, the Council and Member States to politically and financially support United Nations (UN) initiatives to coordinate efforts at international level, primarily through the 'COVID-19 Global Humanitarian Response Plan' and 'COVID-19 Response and Recovery Fund'.

In response to economic challenges the posed by the pandemic, the EP believes that 'a balanced strategy to promote sustainable growth and an investment-friendly environment should be pursued, while improving fiscal sustainability'. It also stressed that 'special emphasis should be placed on future-oriented investments and policies'. In addition to fiscal stimulus to address the crisis, it called for the implementation of 'deep, growth-enhancing, balanced and sustainable and socially just, tailor-made structural reforms to deliver on, among other things, sustainable and socially inclusive growth and jobs, which can support the recovery efficiently, as well as supporting the digital transformation and green transition, quality employment, reduction of poverty, and the UN [sustainable development goals] SDGs, and can boost competitiveness and the single market, increasing convergence and stronger and sustainable growth within the Union and the Member State'.

In a recent resolution on the EU trade policy review, the Parliament reaffirmed the EU's commitment to the open, rules-based multilateral trading system, with a reformed World Trade Organization (WTO) at its core, to improve its efficiency, stability and predictability. It 'invites the Commission to intensify its engagement in international fora, in close coordination with other international governance institutions such as the United Nations Conference on Trade and Development (UNCTAD) and the International Labour Organization (ILO), and to pursue an ambitious modernisation, strengthening and substantial reactivation of the WTO and its negotiating function and rulebook, with SDGs and the fight against climate change at its core, while also ensuring coherence with international commitments'.

Regarding the EU's external representation in international financial institutions and bodies, Parliament has repeatedly called for a 'progressive streamlining of the EU representation to be implemented over the next years, first through enhanced coordination and then, after an assessment, through the unification of seats'. At the same time, high standards of democratic legitimacy, transparency and accountability should be integral to this development.

As far as foreign policy is concerned, the European Parliament underlines that 'global cooperation, an inclusive global approach and coordination are essential to tackle the global health crisis and other global threats effectively'. Parliament considers 'that in this changing context, the EU must step up and lead by example, championing multilateral solutions, working with international organisations, notably the UN and its agencies, the [World Health Organization] WHO, the World Bank, the IMF and international regional organisations, such as [the North Atlantic Treaty Organization] NATO, seeking stronger cooperation with like-minded countries, including from the southern hemisphere, promoting collaboration between democratic regimes and strengthening democratic value'. Parliament calls on Member States and the EU High Representative/Vice President to 'draft an 'EU road map on multilateralism' to promote and initiate structural reforms in multilateral organisations'. Concerning two priority areas for the recovery, the Parliament 'strongly believes that climate change cooperation could serve as the foundation for building broader global cooperation in response to COVID-19, bolstering the multilateral system and rebuilding faith in the need for a rules-based system', while reiterating that 'the EU has a leading role to play in facilitating access to vaccines in an equitable manner for all people across the world and calls on the Commission to work with its international partners to ensure that no one will be left behind once a vaccine has been made available'.

Policy proposals by experts and stakeholders

The pandemic has revealed how intertwined the world economy is, including its substantial cross-border spillovers and the resulting shared global challenges. It therefore remains essential that the response is multilateral and coordinated with a view to ensuring a sustainable global economic recovery. In that respect, the OECD underlines that not only would coordination among countries make the stimulus measures 'considerably more effective', but 'uncoordinated or unilateral action would exacerbate the overall social and economic costs'. The IMF encourages a stepping-up of multilateral efforts in several areas, including health care, financial stability, trade and climate change.

Against the backdrop of a prolonged crisis, substantial risks to global economic recovery remain. For this reason, the IMF calls on governments to consider the implementation of further policies to strengthen the recovery and, importantly, ensure the latter are sustainable, inclusive and equitable while enhancing global resilience in the long term. The IMF recommends measures targeting adequate resources for health care in a global manner, most notably in terms of equipment, medical supplies and knowhow. This also means enabling access to vaccines for all countries through a reinforced COVID-19 Vaccines Global Access (COVAX) facility to tackle the current deep inequity. Implementation and strengthening of a well-designed and broad economic stimulus should also continue, as needed, depending on the severity of the health crisis, with a view to curbing persistent economic damage following the 2020 global recession. Short-term domestic stimulus measures include transfers, subsidies, credit guarantees to affected workers and businesses, amongst other measures. Spending in education is also crucial with a view to correcting the setback to human capital accumulation following extensive school closures. In addition, this crisis provides an opportunity to invest in important future-oriented areas, most notably by accelerating the transition to a greener and more digitalised economy, which would boost productivity growth and employment.[2] Addressing rising poverty and inequalities both across and within countries should also be a priority. Vulnerable people, including women, young people and the least educated have been disproportionally impacted by the crisis. Measures focusing on reskilling and upskilling displaced workers as well as other targeted social policies would help in this regard.

As part of the fight against climate change, global joint action – especially from the largest carbon dioxide (CO_2) emitters – is of paramount importance to achieve results. The United Nations and other international organisations advocate a large-scale and synchronised green investment push, led by the public sector, and associated with increased carbon pricing, to meet the 2015 Paris Agreement targets. That would also contribute to ensuring the global recovery is sustainable. The EU has been leading international efforts in this regard and has recently undertaken several initiatives with high potential in terms of long-term climate sustainability. The European Commission's European Green Deal, which would be aligned with a new industrial strategy, intends the EU to become a world leader in the circular economy and clean technologies, and to decarbonise energy-intensive industries. The EU also seeks to become the first climate-neutral continent by 2050 (via the proposed 'European climate law'). Pricing of carbon emissions is a key element in ensuring a reduction in energy use and a shift to cleaner alternatives, while reforming tax policies would also play a crucial role in meeting climate ambitions. The Commission has also presented a Sustainable Europe investment plan that aims at increasing funding for the transition by mobilising €1 trillion for sustainable investment over the next decade through the EU budget and associated instruments such as InvestEU; creating an enabling framework for sustainable investment; and supporting the identification, structuring and execution of sustainable projects. Nevertheless, researchers[3] stress the importance of coordinating the multitude of green industrial policy initiatives, undertaken at regional, national and EU levels, while developing 'a solid regulatory framework accompanied by competition policy enforcement, ensuring access to a truly single, competitive EU market with common environmental standards'.

To ensure a global economic recovery, economists[4] and the IMF believe that further financial assistance should be provided to vulnerable economies in the near term to address challenges posed by the pandemic crisis. Increasing the availability of IMF resources could also enhance global resilience. At the same time, orderly debt restructuring may be necessary for some low-income developing economies, given their limited fiscal space. Their sovereign debt may indeed not be (or remain) sustainable. As a result, multilateral cooperation with creditors could take place to restructure their debt under the Common Framework agreed by the G20. Kristalina Georgieva, IMF managing director and several economists have called for reform of the international debt architecture to provide 'speedy and sufficiently deep debt relief to countries that need it'.[5] This is particularly important given that most official debt is held by creditor countries that are not members of the Paris Club.

International trade and investment have taken a severe hit in the crisis, at a time when they were already suffering due to escalating trade tensions. However, there is a potential that they may drive the post-pandemic global economic recovery. To that end, there is a broad consensus on reform of the current rules-based framework, notably including a modernisation of WTO rules. The EU has supported the multilateral trading system and seeks to address the challenges that the WTO faces by proposing a set of specific reform proposals, in particular on rules for subsidies and State aid.

At the financial level, researchers,[6] international organisations and fora[7] agree that advanced economies' central banks have successfully coordinated their actions during the crisis to ensure the improvement of financial conditions in the real economy and to restore confidence. Central banks' instruments include massive liquidity injections into the financial system and enhancing swap line arrangements, especially with the US Federal Reserve. Nevertheless, given the implementation of highly accommodative monetary policy for a prolonged period – which has translated into very substantial money supply growth – on top of accumulating debt, research suggests that, should a shock materialise, global inflation risks should be tackled quickly and effectively, and in a coordinated manner.[8] The Bank for International Settlements (BIS) also warns against potential long-term side effects, including excessive risk-taking, bank profitability erosion and debt accumulation and risk of fiscal dominance, stemming from loose monetary policy and large balance sheet expansion.

Additionally, it is argued[9] that strong global cooperation is essential to an effective regulatory response and to ultimately safeguard financial stability. Once financial support is wound down post-pandemic, bankruptcies may occur on a large scale and non-performing loans will likely surge, with a negative impact on fragile financial institutions. National authorities could then devise specific policies to safeguard credit flows. In addition, G20 members should commit to consistent implementation of any new regulatory measures to preserve the level playing field among jurisdictions. Lastly, there is a broad consensus among researchers that only a G20-level agreement on an OECD framework would be sufficient to address corporate tax avoidance and tax evasion more efficiently. This would help governments to raise revenue, which is vital to implement their stimulus strategy in a more sustainable and equitable fashion. The G20 has repeatedly committed to doing its utmost to agree on a consensus-based solution in this regard.

The EU could also strengthen its influence in decision-making in international economic and financial organisations and fora such as the IMF, which are increasingly important to addressing global economic issues and maintaining equilibria, including the post-pandemic global recovery. The EU (and the euro area) lacks a unified representation in such organisations and fora while, for example, each EU Member State has its own seat in the IMF, scattered over sometimes geographically distant constituencies. As a result, the weight of the euro area is deemed to be reduced. For this reason, in 2015, the Commission tabled a proposal for laying down measures with a view to gradually establishing unified representation of the euro area in the IMF. In a similar vein, a Commission communication sets out a roadmap towards more consistent external representation of the euro area in international fora, including the G7, the G20, the Financial Stability Board, the OECD, the World Bank and the Asian Infrastructure Investment Bank. One study[10] argues that other global standard-setters, such as the Basel Committee for Bank Supervision, should also have been included. Researchers[11] consider that the EU should negotiate this rebalancing with a view to enhancing global acceptance, relevance and authoritativeness of these bodies, especially in non-Western and emerging jurisdictions.

Points of blockage

At EU level, there is a nascent debate on the withdrawal of some emergency lifelines to safeguard debt sustainability. Until now, governments have been implementing massive short-term fiscal stimulus, taking advantage of the activation of the Stability and Growth Pact (SGP) general escape clause, although there is a commitment towards gradual consolidation and compliance over the medium term as EU economies recover. The challenge remains to strike the right balance between strengthening the recovery (avoiding large job and income losses) and initiating deficit reduction. Two camps will likely be opposed on the sequencing and targeting of such withdrawal: on the one hand, those Member States in favour of a clear and timely path towards fiscal consolidation with strict compliance, and on the other hand, Member States arguing it is premature and favouring flexibility instead. Another crucial element deals with the design of the fiscal rules. There is a broad consensus that the current SGP rules do not work effectively. At the same, they 'cannot be suspended forever'[12] and economists agree they should be rewritten to reflect new realities. The Commission launched a review in February 2020. However, negotiations may be lengthy and agreement between the Council and European Parliament will not be easy.

In a similar vein, at the level of the European Central Bank (ECB) and other advanced countries' central banks, some would like to widen and prolong the current monetary stance, while others voice concern regarding what they consider to be an excessively accommodative monetary policy, with high risks of overshooting inflation targets as the recovery strengthens. As a result, tapering asset purchase programmes will have to be managed carefully and in a timely manner. In addition, there may be a growing divide within the Governing Council over the role of the ECB in addressing climate change challenges, for example by avoiding buying the corporate bonds of heavy CO_2 emitters, as part of its strategic review.

Additionally, the European Commission proposal for unified representation of the euro area within the IMF has been stuck in the Council for several years, as many Member States consider that their national interests are best served within the framework of the current governance structure. They indeed feel that the current form of representation enables them to better defend their own, specific interests and meet their goals. However, reviving the Commission proposal would 'allow the EU to play a more active role in international organisations and fora and shape effectively the future of the financial global architecture'. It would also contribute to counterbalancing the influence of other global economic powers in economic and financial affairs more effectively, including the USA and to a lesser extent China. At the onset of a post-coronavirus period with potentially significant changes concerning global governance, adopting this proposal could matter.

It can be argued that the over-representation of EU Member States in several international organisations and bodies (for example, the IMF and World Bank) has not only contributed to 'aggravate the emerging world's distrust of the prevailing system of global governance',[13] but has also 'encouraged them to block rulemaking efforts in existing institutions'.[14] However, it is unlikely that the EU and the USA will agree on rebalancing voting rights towards emerging-market and developing economies in the near future, even if this would better mirror the changing relative weights of member countries in the global economy. Trading more influence in the decision-making process for emerging economies against an enhanced commitment to playing by the (modernised) rules of the global economic order could be a way forward to a more effective multilateral system.

At global level, heightened trade and technology tensions among major economies persist, which could act as a drag on the economic recovery. As far as WTO reform is concerned, the distance separating the EU, US and Chinese policy positions, as well as those of the group of African countries, remains significant. As a result, an international agreement on these issues remains uncertain in the near term, even though the new US administration will likely adopt a less critical and confrontational stance than its predecessor.

Opportunities to move forward

The pandemic crisis has clearly shown that countries cannot tackle global challenges effectively without forging global partnerships, scaling up international coordination and setting fair rules. In this respect, the EU has a leadership role to play as a global power.

At global level, joint action towards climate change mitigation is of utmost importance. Europe has been leading global efforts on climate change for a long time. It has continued to do so with recent ambitious initiatives including the European Green Deal. Nevertheless, China's recent commitment of aiming for carbon neutrality by 2060 is also a notable step in this direction. Recent measures undertaken by the new US administration – including formally re-joining the Paris Agreement and plans to substantially reduce the US carbon footprint – are also noteworthy in the fight against climate change. Overall, should this green investment push be sufficiently significant, it would contribute to more sustainable global economic growth in the long term.

The recent G20 level agreement on the extension of the Debt Service Suspension Initiative to mid-2021 is evidence of the global support provided to vulnerable developing economies, helping them reallocate scarce resources to social, health and economic spending in response to the crisis. However, their borrowing needs are forecast to remain high in 2021 and beyond. For this reason, EU leaders stressed that further low-cost financing tools may be needed in the future. The G20 finance ministers and central bank governors also called for such an initiative in late February 2021.

Concerning the fight against Covid-19, global joint efforts are important to ensuring affordable and equitable access for all people to diagnostics, therapeutics and vaccines via the COVID-19 Tools Accelerator (ACT-A) initiative and the COVAX facility. In February 2021, G7 leaders reaffirmed their support for these tools by increasing financial commitments by over US$4 billion (to a total of US$7.5 billion). The upcoming G20 meeting in Italy could make similar commitments.

As far as international trade is concerned, global cooperation and trust are essential. Despite the EU's leading efforts to reform WTO rules and soothe tensions, the multilateral trading system still faces major issues, which have been weighing on global economic growth. Nevertheless, recent progress on negotiations on several plurilateral agreements in the WTO, e.g. on e-commerce, investment facilitation and domestic regulation of services, is encouraging.
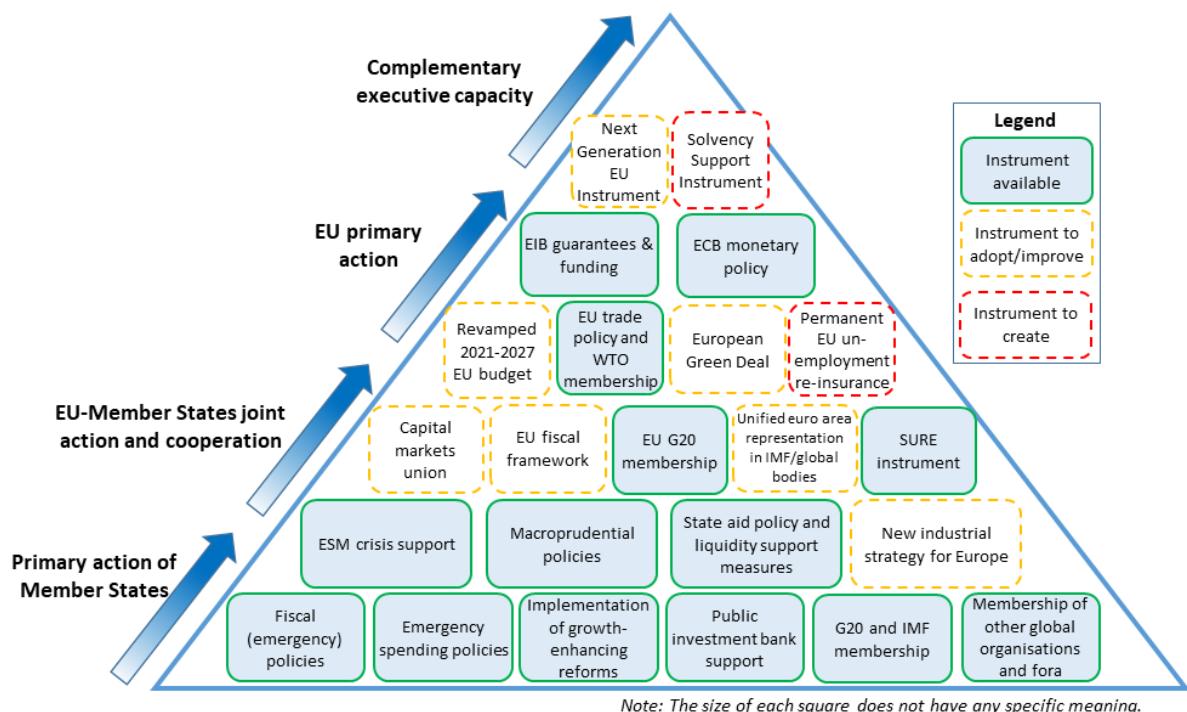
The OECD has been promoting multilateral efforts to address tax challenges arising from the globalisation and digitalisation of the economy. G20 leaders have committed to striving to find a consensus by mid-2021 to resolve this issue so that digital companies are taxed in a more globally fair and equitable way.

EU Member States have been carrying out fiscal stimulus and emergency spending plans to support their economy, in compliance with the current EU fiscal framework. At the same time, national governments have committed to implementing growth-enhancing and structural reforms to increase productivity and strengthen the resilience and competitiveness of their economies. In this respect, the Next Generation EU package (worth €750 billion) is a unique opportunity to support a lasting recovery while meeting the challenges of the green and digital transitions. The crisis also provides an opportunity for retraining, reskilling and upskilling workers across Europe in light of the technological transformation, with a view to a more inclusive recovery.

In focus: EU Resilience and Recovery Facility as a complementary executive capacity

The recent entry into force of the EU Regulation establishing a temporary Resilience and Recovery Facility (RRF), worth €672.5 billion – which is at the heart of the Next Generation EU recovery instrument – could be considered as a first step towards building a complementary fiscal capacity.[15] Member States are incentivised to implement major structural reform and investment as part of their national recovery and resilience plans (RRPs) to be assessed by the European Commission. Grants will be paid out and loans provided to Member States in instalments upon satisfactory fulfilment of the milestones and targets. It should be noted that pre-financing of 13 % of the total amount allocated to Member States will be made available once their RRPs are approved, to ensure that RRF financing arrives where it is needed as quickly as possible. As a result, the RRF has the potential of lifting potential EU output and productivity in the medium to long term by seeking to address long-standing structural weaknesses and accelerating the green and digital transitions. In this respect, a large share of the funds (37 %) is earmarked for environmental projects to meet the EU climate targets, while at least 20 % of the funds will target digital projects. At the same time, the RRF could contribute to boosting EU economic recovery and resilience, thanks to synchronised massive fiscal and budgetary efforts.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	EU coordinated action to combat the Covid-19 pandemic and its consequences	EU institutions/ Member States	Implement a massive post-crisis recovery and reconstruction package centred on the European Green Deal and the digital transformation; Increase international coordination and cooperation with the UN and WHO.	European Parliament resolution of 17 April 2020	(yellow)
2	Foreign policy	EU institutions, EU External Action Service (EEAS) and Member States	Step-up efforts and champion multilateral solutions, working with international organisations; Facilitate access to vaccines in an equitable manner for all people across the world	European Parliament resolution of 25 November 2020	(yellow)
3	European Semester and national recovery and resilience plans	European Commission and Member States	Pursuing a balanced strategy to promote sustainable and inclusive growth while improving fiscal sustainability	European Parliament resolution of 11 March 2021	(red)

4	EU trade policy review	EU institutions/Member States	Reinforce EU strategy to support multilateralism, including ambitious modernisation, strengthening and substantial reactivation of the WTO with UN SDGs and the fight against climate change at its core	European Parliament resolution of 26 November 2020	(yellow)
5	Unified euro-area external representation in international financial organisations	Council/Member States	Gradually unify euro-area external representation in international financial institutions, including the IMF	European Parliament resolution of 12 April 2016	(red)

Proposals submitted by the Commission / ongoing processes					
6	Next Generation EU (NGEU) / Recovery and Resilience Facility	European Commission/ Member States	Start implementation of the temporary recovery instrument which seeks to repair economic and social damages and make EU economies more resilient	EU Regulation	(yellow)
7	Solvency Support Mechanism	European Commission/ European Parliament/Council	Re-explore the idea of supporting otherwise viable companies in the Union that face solvency difficulties as a result of the coronavirus crisis via this support tool	European Commission proposal	(red)
8	Strengthening the EU's contribution to rules-based multilateralism	European Commission/ European Parliament/Council	A communication to guide EU action to reform and safeguard multilateralism.	European Commission proposal (announced for 2021)	(red)
9	Trade policy review	European Commission/ European Parliament/Council	Build consensus on direction for EU trade policy, responding to new global challenges and to coronavirus crisis.	European Commission proposal (planned)	(yellow)
10	Make EU economy sustainable in the long term and climate neutral by 2050	European Commission/ European Parliament/Council	Adopt and implement all actions and initiatives contained in the European Green Deal plan	European Commission action plan	(yellow)
11	Progressively unify euro-area representation in the IMF and other global fora	Council	Adopt the European Commission's 2015 initiative	European Commission proposal	(red)

Policy suggestions from think tanks and academia / policy examples from third countries					
12	Sustainable, inclusive and equitable recovery	G20	Implement a wide range of policies (in healthcare, education, employment, finance, trade), to strengthen the recovery, including through global joint efforts	IMF World Economic Outlook update, January 2021	
13	Sustainable global recovery ; Meeting the 2015 Paris Agreement targets	EU and global community, especially the largest CO$_2$ emitters	Global joint efforts including the implementation of a large-scale synchronised green investment push	UNCTAD's Trade and Development Report 2020	
14	Restore the sustainability of the debt of vulnerable economies	IMF-World Bank, G20	Agree on additional debt relief measures or on an orderly restructuring.	IMF response to Covid-19	
15	Global fight against Covid-19	G7, G20	Ensure affordable and equitable access for all people to diagnostics, therapeutics and vaccines via the ACT-A and COVAX initiatives	G7 February 2021 statement	
16	Fair global corporate taxation	OECD and G20	Agree on a framework proposed by the OECD by mid-2021, to address the tax challenges arising from the digitalisation of the economy effectively	G20 Finance Ministers statement, February 2021	

[1] Public debt increased by about 20 percentage points across advanced economies.

[2] Wieser, Thomas, 'The post-coronavirus fiscal policy questions Europe must answer', February 2021.

[3] Tagliapietra, Simone and Veugelers, Reinhilde, 'A green industrial policy for Europe', January 2021.

[4] See, for example, De Gregorio, Jose, 'Memorandum on strengthening the role of the IMF to enhance global resilience to crises', December 2020 or Georgieva, Kristalina, Pazarbasioglu, Ceyla and Weeks-Brown, Rhoda, 'Reform of the International Debt Architecture is Urgently Needed', October 2020.

[5] *Ibid.* and Mazarei, Adnan, 'Memorandum on the health and economic crisis in Africa', December 2020.

[6] Bordo, Michael, 'Monetary Policy Cooperation/Coordination and Global Financial Crises in Historical Perspective', *Open Economic Reviews*, January 2021.

[7] Read for example World Economic Forum, 'Global cooperation is more vital than ever. This is why', July 2020 and IMF, 'World Economic Outlook', October 2020.

[8] Gopinath, Gita, 'A Race Between Vaccines and the Virus as Recoveries Diverge', January 2021.

[9] Giraud-Bel, Emilie, 'Financial Regulation in the face of COVID-19: Resilient but complex clockwork', August 2020.

[10] Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, 'External Representation of the Euro Area', May 2012.

[11] Véron, Nicolas, 'Building up the European Union's contribution to international financial regulation and oversight', December 2020.

[12] Blanchard, Olivier, 'Memo to the European Central Bank on achieving the right fiscal-monetary policy mix', November 2020.

[13] Pisani-Ferry, Jean, 'Memorandum on concrete initiatives on a more outward-looking, geopolitical Europe', December 2020.

[14] Goodman, Matthew P., 'A Grand Bargain to Strengthen the Global Economic Order', September 2017.

[15] Note that the Own Resources Decision still requires ratification by a number of Member States so that the EU can borrow on markets to finance the recovery.

Developing a stronger EU economic policy (*Wirtschaftspolitik*)

The issue in short

The coronavirus pandemic has hit the global and EU economies severely. This very large and severe shock has had profound economic and social consequences. The [European Commission](#) has estimated that the euro-area economy contracted by 6.8 % in 2020, while unemployment is expected to continue rising until 2022 despite policy measures taken by the EU authorities to cushion the impact of the shock. In the coming years, the recovery is likely to be gradual and uneven, notwithstanding strong support put in place at EU and national levels. As a result, it may take until 2022 for the EU economies to reach pre-crisis levels of gross domestic product (GDP). As far as public finances are concerned, deficits increased substantially across the EU in 2020 owing to declining tax revenues and increasing social expenditure. As a result, all EU Member States will have significantly higher public debt levels in the post-pandemic period.

Against this gloomy macro-economic outlook, the EU's economic governance framework still displays notable shortcomings that have not been addressed in recent years despite favourable economic conditions. Developing a stronger EU economic governance policy framework would help Member States to withstand future shocks more effectively and mitigate potential risks, such as an economic depression or a new sovereign debt crisis. A perennial debate on a range of potential economic and fiscal instruments aimed at further strengthening the economic architecture of the euro area/EU has resulted in hardly any major breakthroughs, apart from the recovery package agreed at European Council level in July 2020.

This paper focuses on the economic and fiscal aspects of the Union. It explores ways of boosting macro-economic resilience, stability and convergence across the EU and euro area. Policy options presented include: (i) better design of the fiscal and macro-economic surveillance framework; (ii) creation of a fiscal shock absorber for the euro area; and (iii) a euro-area fiscal treasury as a [complementary executive capacity](#). Although strengthening both the financial and banking unions and ensuring adequate monetary policy are of paramount importance to address risks of a potential economic or sovereign debt crisis, these aspects fall beyond the scope of the immediate analysis here.

Policy proposals by experts and stakeholders

Instruments aimed at boosting the EU and euro area's resilience generally fall into two categories. First, instruments for fiscal risk management and crisis prevention ('risk reduction') seek to foster fiscal responsibility while minimising moral hazard. These notably include improved design of EU fiscal rules, greater compliance with these rules by the Member States, and better enforcement of them by Commission and Council. Second, risk-pooling instruments seek to enhance solidarity and crisis-solving capability ('risk sharing'). The reform debates have focused inter alia on the creation of a euro-area budget capacity and treasury to contribute to the stabilisation of EU/euro area economies. In addition to risk-reducing and risk-sharing measures, more effective implementation of structural and growth-enhancing reforms is key to making EU economies more resilient. In this respect, strong incentives would be crucial in order to raise long-term growth prospects.

In response to the last economic and financial crisis, the EU reformed its economic governance and surveillance framework with a series of measures including, most notably, the six- and two-pack legislation. After experience of nearly a decade, economists agree on the limited effectiveness of the current framework.[1] It is criticised for its overly complex rules, its lack of transparency, the scope for political discretion in application of the rules and sometimes the lack of political ownership. Indeed, the current fiscal rules aim to maintain sustainable public finances with reference to the two Treaty-based numerical thresholds (i.e. government deficit and debt). They have multiple ways of defining adjustment toward the medium-term budgetary target (the structural budget balance and the expenditure benchmark). They also have various methods of assessing whether a country has complied with the recommended adjustment, which may ultimately be estimated imprecisely, and many exceptions. Together with limited enforcement, this has contributed to a poor compliance record (by a handful of Member States) in relation to the fiscal rules. In addition, fiscal policies have often been pro-cyclical,[2] while public debt levels have remained very high in some Member States (and have been increasing sharply owing to the pandemic crisis).

In this context, in February 2020, the European Commission announced a review of the economic governance framework.[3] This sparked a public debate, notably on the simplification of EU's fiscal framework and enhancement of its effectiveness. Three ideas[4] have emerged in recent years, namely: (i) keeping a long-term debt limit and an obligation to avoid excessive structural deficits in the medium term, while creating a multi-purpose adjustment account to capture deviations from the rule that Member States would be required to off-set within a certain period of time:[5] (ii) replacing the numerous and complex existing rules with one simple rule focused on limiting the annual growth rate of expenditure;[6] and (iii) relying only on the Maastricht Treaty's 60 % debt limit, operationalised by placing a constant ceiling on the growth rate of primary nominal expenditure, net of discretionary revenue measures.[7] Other economists suggest abandoning EU fiscal rules in favour of fiscal standards[8] that leave room for judgement, and a process to decide whether the standards are being met.[9]

With a view to reducing policy discretion in the implementation and evaluation of compliance with the fiscal rules, researchers[10] also suggest involving further independent fiscal councils and enhancing their role while ensuring their total independence. Cooperation with a European fiscal watchdog is also considered essential in this regard.[11]

In addition to the fiscal framework, the European Semester, which has served as the EU's economic and fiscal policy coordination tool, could be enhanced further. Implementation of country-specific recommendations (CSRs) has been fairly poor and uneven across Member States and policy areas, despite a relatively good economic environment in recent years.[12] Indeed, since the first round in 2012, the annual implementation rate has followed a constant downward trend (with the exception of 2017). Experts[13] argue that providing Member States with financial incentives might help overcome widespread 'reform fatigue'. However, financial support may entail moral hazard, which could to some extent be addressed by providing pay-outs in tranches after the achievement of each major milestone.

The recent entry into force of the EU Regulation establishing a temporary Resilience and Recovery Facility (RRF), worth €672.5 billion may be a step in the above-mentioned direction.[14] Member States are expected to be financially incentivised to implement major reforms and investments identified in their national recovery and resilience plans (RRPs) to be assessed by the Commission. Grants will be paid out and loans provided to Member States in instalments upon satisfactory fulfilment of the milestones and targets. It should be noted that pre-financing of 13 % of the total amount allocated to Member States will be made available once their RRPs are approved, to ensure that RRF financing arrives where it is needed as quickly as possible. However, one research paper[15] casts doubt on the prospects for reform implementation in Europe despite the introduction of a temporary RFF. It states that the Commission 'will feel compelled to disburse the RRF cash to Member States even if their

RRPs might not be strictly in accordance with the Commission's specification and actual reform implementation might be sketchy' in order to ultimately avoid any risks of a prolonged slowdown. The author also argues in favour of an explicit 'reform-instead-of-consolidation' option when considering the end of the 'general escape clause' activated by the Council in March 2020. This would consist of an alternative structural reform path offered to Member States 'to offset parts of a rapid and politically damaging post-pandemic fiscal consolidation and reorientation back on the path towards the medium-term budget objective'. At the same time, it would prevent pro-cyclical fiscal policies.

Risk sharing – Creating a fiscal capacity for the euro area

The idea of a specific euro-area budget or fiscal capacity has been floated for many years to help economies withstand large shocks and prevent potential contagion. Proponents argue that it could provide economies with fiscal support and stabilisation to alleviate monetary policy; the latter can be constrained by low interest rates and when Member States' fiscal space is narrow, thereby limiting their shock response capacity. It has been shown that aggregate fiscal policy in the euro area often tends to be pro-cyclical,[16] this feature being attributed mainly to the discretionary component, i.e. the political influence of fiscal policy as opposed to automatic stabilisers. By contrast, opponents stress that such a fiscal capacity could fuel moral hazard and disincentivise Member States from carrying out necessary structural reforms, conducting responsible and sound fiscal policies, or building up fiscal buffers. Ultimately, it could be perceived as a transfer union, which would be unacceptable to many Member States.

A number of different design options have been debated in recent years by academics and policy-makers.[17] For example, they include a rainy day fund,[18] a fiscal reinsurance scheme[19] for large economic shocks,[20] or an investment protection scheme.[21] Design features, including notably the rationale, ex ante and ex post conditionality (i.e. compliance with fiscal rules, financing of relevant spending), potential financial operations (amount of pay-outs, automatic or discretionary basis) and the resources and size of the instrument (e.g. through own resources, borrowing or transfers from Member States), have been discussed at length.

In 2018, the European Commission proposed the set-up of an investment stabilisation function within the EU budget framework. Subject to strict criteria of sound macro-economic and fiscal policies to contain moral hazard, it would complement the national budget stabilisers in the event of severe asymmetric shocks and aim at stabilising public investment levels via loans of up to €30 billion. However, this proposal did not muster political support from Member States. Instead, they discussed a budgetary instrument for convergence and competitiveness (BICC),[22] albeit with a very limited countercyclical stabilisation function and limited financial means. Researchers[23] and institutions, including the ECB,[24] argued that it fell short of having the capability to help cushion further economic shocks.

In any case, the current pandemic has in effect put an end to these initiatives. Recent developments which have resulted in a major agreement on the Next Generation EU (NGEU) recovery instrument – on top of the initiative on temporary 'Support to mitigate Unemployment Risks in an Emergency' (SURE) – are likely to have shifted 'fiscal integration to the EU level for the foreseeable future'.[25] In other words, developing a proper fiscal capacity as part of the euro area's macro-economic policy toolkit seems to be off the table for the coming years. Nevertheless, the idea of creating a permanent fiscal shock absorber at EU or euro-area level is still worth exploring in the future given the temporary nature of NGEU and SURE.

Position of the European Parliament

The European Parliament has called repeatedly on Member States to implement fiscal rules consistently, comply with them and build appropriate fiscal buffers. It has also emphasised the need for Member States with high debt levels to reduce them as a matter of priority in good economic

times. In addition, Parliament has called for 'a more streamlined and more focused European Semester [which] could increase ownership', while noting that 'any further step towards a deepening of the EMU must go hand in hand with stronger democratic controls'.

In 2010, Parliament adopted a resolution urging the EU to equip itself more effectively with countercyclical tools for fiscal policy. Two years later, Parliament stressed that 'a "genuine EMU" cannot be limited to a system of rules but requires an increased budgetary capacity based on specific own-resources, which should, in the framework of the EU budget, support growth and social cohesion addressing imbalances, structural divergences and financial emergencies which are directly connected to the monetary union, without undermining its traditional functions to finance common policies'. In recent years, Parliament has adopted several resolutions in which it has put forward numerous potential bases for new own resources for consideration, including: VAT; a share of corporate income tax; a financial transaction tax at EU level; seigniorage; taxation in the digital sector; and environmental taxes.

As part of the debate on the future of Europe, the Parliament adopted a clear position in 2017, calling for the establishment a euro area fiscal capacity within the EU budget. This, it argued, should promote convergence, incentivise the implementation of structural reforms and absorb asymmetric and symmetric shocks in order to increase the resilience and economic stability of the area, while avoiding moral hazard. The euro area fiscal capacity should be financed via own resources once in a steady state and be of 'sufficient size with a view to address large symmetric shocks by funding investment aimed at aggregating demand and full employment'. Parliament added that 'the positions of President of the Eurogroup and Commissioner for Economic and Financial Affairs could be merged' and that 'a finance minister and treasury within the Commission should be fully democratically accountable and equipped with all necessary means and capacities to apply and enforce the existing economic governance framework and to optimise the development of the euro area in cooperation with the ministers of finance of the euro-area Member States'.

Points of blockage

The fiscal debate has not changed over the last decade and may remain in deadlock in the future, within both Council and Parliament. While several Member States are in favour of strict compliance with and enforcement of the fiscal rules in place in order to gradually create the fiscal space necessary to withstand downturns and cope with unexpected major emergencies, as well as strengthening their public pension schemes, others support a very flexible approach, to seek to boost their economic growth, e.g. by increasing public spending, through activating exception and escape clauses for instance. There is therefore a substantial risk that the two camps will fail to achieve a compromise. This could in turn generate spill-over effects, halting progress on any bold initiatives to complete economic union. Moreover, talks on the fiscal reform to be submitted by the Commission may turn out to be lengthy and end in a stalemate, especially in an environment in which pressure by financial markets remains at low levels as a result of the ECB monetary policy interventions.

As stated above, there seems no longer to be momentum for establishing a euro-area budgetary capacity in the near term; building a broad political consensus in this direction would require a significant change. In a similar vein to the fiscal debate, there is indeed a long-standing political divide among Member States on this issue, with, on the one hand, certain Member States favouring more risk-pooling measures and solidarity and, on the other, those supporting risk-reducing initiatives, fiscal responsibility and incentives to implement reforms and/or strict adherence to fiscal rules. This is well illustrated by the statement released in the run-up to the Meseberg Declaration, in which 11 Member States expressed their reluctance regarding a euro area budget, including major doubts about the project's benefit, impact and financing (inter alia through a European tax on financial transactions).

In addition, as a result of the pandemic crisis, increasing economic divergence between economies in the coming years may lead to permanent transfers. In short, finding a compromise on the size of the fund, its conditionality and risks associated with moral hazard is and will remain a real challenge.

Lastly, it is worth noting that the most advanced design options for a euro-area budget would require Treaty change or would have to take place within an intergovernmental framework, which would, in turn, entail limited parliamentary oversight and scrutiny.

Opportunities to move forward

The coronavirus pandemic is expected to lead to a sharp increase in public deficits and debt levels across the EU over the next few years. As a result, measures advancing fiscal integration may prove to be very sensitive. However, for the hardest-hit economies that already had high levels of public debt and little fiscal space before the crisis, there may be heightened risks related to sovereign debt sustainability. As a result, if backstops in place prove to be insufficient or ineffective, there may be a need to set up additional solidarity instruments, should sufficient conditions be in place (notably in the form of conditionality to contain moral hazard). This could take the form of a fiscal shock absorber, which could help in stabilising an economy – and even the whole euro area given the high externalities across integrated economies – in the event of a shock. In addition, potential risks and costs related to global warming – which were less acknowledged back in the 1990s compared to now – could justify the acceptance of higher fiscal risks in the framework of any SGP revision. In that respect, there would be further options to assess and agree on, in order to facilitate additional green public spending.

Importantly, these economic and fiscal policy options – in addition to several others not developed in this briefing, but which are equally important – should be considered as a package in order to break the political deadlock. Coupling fiscal responsibility and risk-reducing measures with solidarity and risk-pooling tools may be a way forward to build a broad compromise.
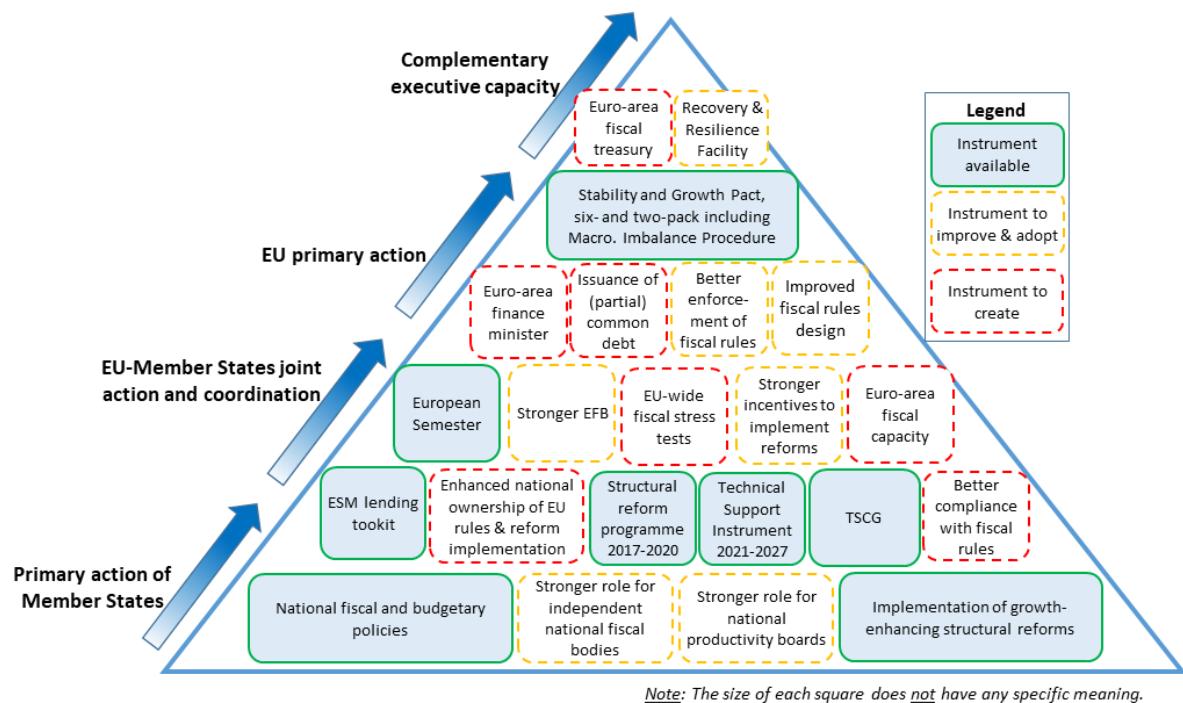

In focus: A euro-area fiscal treasury as complementary executive capacity

Researchers and institutions have been arguing that the euro area's institutional architecture displays shortcomings. Unlike monetary policy, for which governance has been well established since the creation of the single currency, macro-economic and fiscal governance has remained complex and unclear in the match between institutions and functions, thereby undermining to some extent transparency and accountability. The choices made at the time of the Maastricht Treaty to have a monetary pillar running with a collection of fiscal policies hinging upon relatively loose coordination and surveillance has possibly reached its limits.

The Five Presidents' Report suggests the establishment of a euro-area treasury to enhance joint decision-making on fiscal policy and boost resilience to large shocks. According to the Commission, the treasury would (i) carry out economic and fiscal surveillance of the euro area and of its Member States, (ii) coordinate the issuance of a possible European safe asset (with the support of the European Fiscal Board) and (iii) manage a macro-economic stabilisation function. It could also encompass the European Stability Mechanism, after it is integrated into the EU legal framework. The treasury would be tasked with preparing decisions and executing them at the level of the euro area, while decision-making would remain in the hands of the Eurogroup. The treasury would be placed under the responsibility of an EU finance minister, who would also be the chair of the Eurogroup/Ecofin and be subject to European parliamentary control. Establishing a treasury would require Treaty change and strong political support across Member States and institutions. This would be an advanced step of fiscal integration. However, this idea of a euro-area treasury met strong scepticism within Council.

By contrast, it is also argued that a 'unified euro area treasury is more likely to lead to larger policy mistakes in terms of the overall fiscal stance, than the sum of many national ones'. In addition, others have called for separation within the Commission between the fiscal and macro-economic watchdog role and the role of steering political decisions. Lastly, the recent agreement on the temporary EU recovery fund could pave the way for more mature ideas that could build a gradual political consensus towards a euro-area treasury in the longer term.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Responsible public finances	Commission / Member States	Consistent implementation of fiscal rules and building fiscal buffers	EP resolutions on the European Semester	
2	Euro-area fiscal capacity	Commission / EP / Council	Promoting convergence, incentivising the implementation of structural reforms and absorbing asymmetric and symmetric shocks	EP resolution	
Proposals submitted by the European Commission / ongoing processes					
3	A reform of the fiscal framework	Commission / EP / Council	Making fiscal rules easier to enforce, less pro-cyclical and increase national 'ownership' so that Member States adhere to them	Commission communication	

4	European Investment Stabilisation Function	Commission / EP / Council	Commission using dedicated financial means from the EU budget to help Member States stabilise their economies in the event of a major asymmetric shock, in particular to finance public investment.	Commission proposal	🟥
5	Budgetary instrument for convergence and competitiveness	Commission / EP / Council	Financing packages of structural reforms and public investments in order to strengthen the potential growth of euro area economies and the resilience of the single currency against economic shocks.	Council's term sheet on the BICC	🟥
5	Next Generation EU (NGEU)	Commission / EP / Council	Temporary recovery instrument that will allow the Commission to raise funds on the capital market. It aims to repair the immediate economic and social damage and make EU economies more resilient	EU Regulation	🟨
Policy suggestions from think tanks and academia / policy examples from third countries					
6	Country-specific recommendation	Commission / Member States	Improving the implementation rate of CSRs via financial incentives or through a 'reform-instead-of-consolidation' option within the fiscal framework	IFO study; EP Policy Department study	🟨
6	National fiscal councils	Member States	Enhancing their role and ensuring their independence so as to prevent political incentives in the implementation and evaluation of compliance with the fiscal rules. Enhancing cooperation with the national fiscal watchdog	For example: CEPR study; Bruegel study	🟨
7	Fiscal shock absorber	Commission / EP / Council	Creating a capacity that would provide fiscal support and stabilisation to economies to help them better withstand large shocks	Numerous studies across academia and think tanks, e.g. IMF paper	🟥
8	Euro-area treasury	Commission / EP / Council	Enhancing joint decision-making on fiscal policy and boosting resilience to large shocks	Commission reflection paper	🟥

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8   They are defined by the authors as 'qualitative prescriptions that leaves room for judgment together with a process to decide whether the standards are met'.

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12   Economic Governance Support Unit, DG IPOL, European Parliament, Country-Specific Recommendations for 2018 and 2019: A tabular comparison and an overview of implementation, April 2020.

13   M. Dolls, C. Fuest, C. Krolage, F.Neumeier and D. Stöhlker 'Incentivising Structural Reforms in Europe? A Blueprint for the European Commission's Reform Support Programme', *Intereconomics*, Vol. 54, pages 42–46, 2019.

14   Note that the Own Resources Decision still requires ratification by a number of Member States so that the EU can borrow on markets to finance the recovery.

15   J.F. Kirkegaard, What role for the European Semester in the recovery plan?, October 2020.

16   A. Bénassy-Quéré, X. Ragot and Guntram Wolf, Which Fiscal Union for the Euro Area?, CAE, February 2016.

17   A. D'Alfonso and A. Stuchlik, A fiscal capacity for the euro area? Options for reforms to counter asymmetric shocks, EPRS, September 2016.

18   A. Lenarčič and K. Korhonen, A case for a European rainy day fund, European Stability Mechanism, November 2018.

19   A. Bénassy-Quéré *et al.*, op. cit.

20   D. Gros, A fiscal shock absorber for the euro area? Rationale and insights from the economics of insurance (and reinsurance), CEPS, June 2018.

21   European Commission, Reflection paper on the Deepening of the Economic and Monetary Union, May 2017.

22   Note that the BIIC would be complemented by another instrument for the Member States outside the euro area, namely the Convergence and Reform Instrument (CRI).

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24   European Central Bank, Opinion of the European Central Bank of 30 October 2019 on a proposal for a regulation on a governance framework for the budgetary instrument for convergence and competitiveness for the euro area, 30 October 2019.

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Towards a permanent EU unemployment re-insurance scheme

The issue in short

Following the global financial crisis in 2008 and 2009 and the European sovereign debt crisis from 2010 to 2012, considerable research was dedicated to the strengths and weaknesses of the economic and monetary union (EMU), notably the uneven impact of the shock across the Member States. A number of countries experienced the crisis more severely, slipping further into recession, while others continued to thrive, eventually 'overheating' and creating bubbles in the economy. Experts highlighted a lack of automatic stabilisers[1] at EU level as a deficiency of the EMU in tackling such kinds of shocks. The crisis translated into a weakening of national social systems coupled with varying levels of unemployment across the Member States. Against this background, discussions over the creation of a European unemployment insurance scheme resurfaced in 2012. Debates over its creation go back as far as the Marjolin report[2] (1975). However, over time, the level of support for the scheme has been scaled down from a **genuine scheme** harmonising national unemployment benefits – and at least partially replacing them – to the current debate around a **re-insurance scheme** that complements them.

Already before the outbreak of the pandemic, European Commission President Ursula von der Leyen expressed her intention to create a European unemployment benefit re-insurance scheme allowing for more support for those becoming unemployed as a result of external events affecting the economy, and thereby preventing and mitigating risks of rising inequality. The Covid-19 pandemic appears to have acted as a catalyst and, given its major and wide-ranging impact across the economy and, specifically on employment, Executive Vice-President Valdis Dombrovskis has stated that the crisis might necessitate 'to accelerate the creation of a European unemployment benefit re-insurance scheme'. A temporary instrument has been adopted: the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument, whereby the EU borrows on the financial markets and then provides Member States with loans to preserve employment. However, this in no way precludes the establishment of a future permanent scheme.
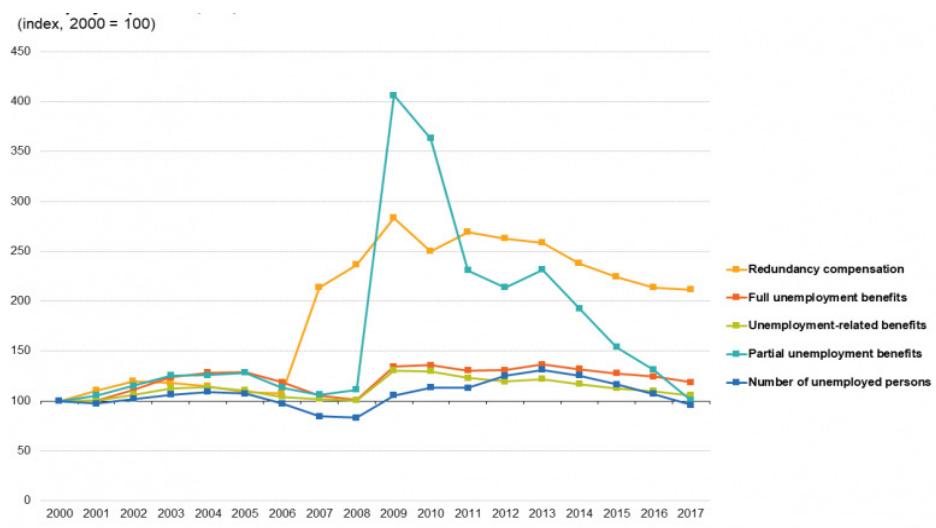
Position of the European Parliament

In September 2013, the European Parliament's Committee on Employment and Social Affairs called for a study to be incorporated into the 2014 budget to assess the viability and the advantages of introducing an unemployment insurance or benefit scheme. The aim was to pave the way for concrete implementation of this initiative as a key component of the social dimension of EMU. This assessment was conducted by the Commission and published in January 2017 (external study).[3] In successive resolutions on the European Semester for economic policy coordination, Parliament has reiterated its call for concrete steps in terms of building a genuine social and employment pillar as part of EMU, in particular by ensuring that flexibility on the labour market is balanced out by adequate levels of social protection. In February 2017, the Parliament adopted a report on the budgetary capacity for the euro area. In the explanatory statement accompanying the report, two options were presented: an **EMU-wide basic unemployment benefit scheme** to directly stabilise household incomes and a **re-insurance system for national unemployment schemes** inspired by the US 'extended benefits scheme'. The first would require that a certain share of contributions to unemployment insurance be paid into a European fund, which would provide basic unemployment

insurance to the short-term unemployed. The second would be funded by regular contributions from national schemes and would support them in cases where unemployment reached a certain level.

Across the Member States unemployment benefit systems vary widely and operate within wider economic and institutional frameworks. First, unemployment benefits take two different forms: unemployment insurance and unemployment assistance. Second, differences may include: qualifying periods for eligibility, coverage period, monetary level and calculation method. For example, coverage can range from 90 days to indefinite duration, while the amount can be calculated as a given or varying percentage of the person's last wage, as a flat rate or as the result of a formula comprising both elements, with minimum and maximum thresholds possible. The incentive to work is influenced not only by the structure of the unemployment schemes, but also by the tax and benefit systems, including social assistance, housing benefits, family benefits and in-work benefits. Likewise, individual job-search efforts are influenced by the provision of active labour market policies, as well as by overall economic and labour market conditions. The level of involvement of social partners in the definition of unemployment benefits also varies with some governments taking these decisions alone. All Member States have changed their unemployment benefit systems over the last decade by extending coverage, but also in some countries by reducing the amounts paid and/or applying more rigid eligibility criteria. The relative share of unemployment-related expenditure in all expenditure on social protection benefits fell in the vast majority of the EU Member States between 2000 and 2017. The only exceptions to this rule were Italy, Luxembourg, the Baltic States and Austria.

Figure 1 – Expenditure on unemployment-related benefits by detailed benefit type and number of unemployed persons, EU, 2000-2017

Note: EU-27 excluding Bulgaria and Croatia (in 2017, these two Member States contributed less than 0.3 % to the EU-27's total expenditure on unemployment-related benefits). Constant price indices are based on 2010 prices in euro terms. Includes provisional data.
Source: Eurostat (online data codes: spr_exp_fun, spr_exp_sum and une_rt_a)

Source: Eurostat: Social protection statistics – Unemployment benefits.

Policy proposals by experts and stakeholders

In January 2017, the European Commission presented a report on the Feasibility and Added Value of a European Unemployment Benefit Scheme, a study contracted to a consortium led by the Centre for European Policy Studies (**CEPS**). The study covered a wide variety of academic views. From the start, the authors made a distinction between a 'genuine' and an 'equivalent' European unemployment benefit scheme (EUBS). A **genuine EUBS** would Europeanise national

unemployment schemes, set up a common fund as well as common (minimum) eligibility and benefit rules for individuals; benefits would be sent directly to the unemployed individuals on the basis of contributions collected from employers and employees. An **equivalent or re-insurance EUBS** would maintain national unemployment schemes and the EU level would 're-insure' them by providing additional funding in difficult times; a transnational fund, to which Member States would contribute, would be set up allowing transfers between the EU and the Member States. Authors underline that while this theoretical categorisation is straightforward, in reality, unemployment benefit schemes in many countries may contain elements of both, such as in the case of the US unemployment benefit system.

A trigger – agreed in advance, e.g. short-term unemployment rate – would determine at which point in time funds would be paid out to the beneficiary countries. Under both scenarios, the EUBS would need to satisfy three criteria: **geographical insurance,[4] intertemporal insurance or in other words, reallocation of resources over time[5]** and enhancement of national schemes through **common minimum requirements[6]**. The reallocation of resources over time would require either debt issuing or increased deficit levels. The authors propose 18 models for a EUBS, out of which 14 are genuine and four are equivalent schemes. Most models include '**claw-back**'[7] as well as **experience rating**[8] mechanisms, thereby making access to a EUBS conditional.

While a genuine EUBS would require a higher degree of harmonisation of unemployment schemes, and would be an unlikely option, an equivalent EUBS would allow Member States more flexibility; it would, however, be dependent on conditions imposed on the countries to access the funding as well as on the existence of minimum common criteria across the national unemployment insurance schemes. A EUBS would lead in the short term to redistribution among the Member States, it would however not lead to permanent transfers due to the claw-back and experience rating mechanisms. The **main aim of re-insurance EUBS remains, however, macro-economic stabilisation**, and not upward harmonisation of unemployment benefits. As such, while a genuine EUBS would operate continuously, an equivalent EUBS would kick in only as a result of a shock.

The selection of **a legal base** for an EUBS would be particularly challenging, given that the Treaties are explicit in delineating the competences of the Member States in the area of social policy, and in particular, regarding their right to define the fundamental principles of their social security systems; they notably specify that Union action should not significantly alter their financial equilibrium (**Article 153(4) Treaty on the Functioning of the European Union - TFEU**). The choice of a legal basis is dependent on the **aim of the scheme**, with genuine schemes focused on **social risks and social cohesion**, while re-insurance schemes aim at **macroeconomic stabilisation**. It is worth noting that some experts have argued that establishing an EU unemployment scheme within the framework of the Treaties is not feasible. The authors envisage distinct legal acts to cover three issues: 1) payment of the scheme, 2). financing of the scheme and 3) minimum common requirements across national schemes on the basis of **Article 153 TFEU**.

With respect to both the genuine and the **re-insurance schemes, Article 352(1) TFEU**, which enables the EU to legislate to achieve objectives set out in the EU Treaties when the Treaties do not provide for a sufficient legal basis, could be considered as a legal basis. **Article 352(1) TFEU** combined with **Article175 (3) TFEU** could be considered in the case of **genuine EUBS**, giving the countries the possibility to reject a scheme if not in line with fundamental principles in their own schemes, given the unanimous voting clause embedded in the article. A European unemployment scheme (both genuine and re-insurance), when introduced on the basis of **Article 352(1) TFEU**, would however fall within the scope of **Article 125 TFEU** also known as the 'no bail-out clause'.[9] Authors argue that a scheme with 'experience rating, claw-back and minimum requirements is, in principle, in line with the no bail-out clause'. Regarding the financing of a EUBS, two options are presented, the scheme is either funded by the general Union budget or is financed by a dedicated fund outside the Union budget.

Other **legal and operational issues** would also need to be considered under both genuine and re-insurance schemes, but much more under the former. These include for the **re-insurance schemes**, an agreement on minimum standards across national schemes and an ex-ante agreement on the spending of the additional funding. Constitutional issues would also arise in **specific countries** – Austria, Denmark, Germany, Finland, France, Luxembourg and the Netherlands – where the constitution demands that social security be regulated by national legislative acts.

In an opinion published in 2019 by the **Observatoire social européen**, the author Günther Schmidt argued that the concept of unemployment insurance is in need of full revision, as modern labour market policy should cover not only income risks related to unemployment, but also risks related to transitions over the life course, to be covered by an '**employment insurance**' or '**work-life insurance**'. Such risks may include income volatility (e.g. frequent job transitions), erosion of skills, and reduced work ability due to old age, care work or illness. Proposals for a European unemployment insurance are criticised for their focus on the stabilisation function rather than on income security and reintegration in the labour market. Weaknesses in national schemes are emphasised with large variation in access to unemployment benefits (from 40 % in Romania to 100 % in Finland), wage replacement rate (from 20 % to 90 %) as well as length (from 20 to 120 weeks). Emerging social risks such as those linked to the digitalisation of work and the rise of non-standard employment along with growing demands for improved social inclusion of certain groups (disabled, mothers, and the elderly) are also highlighted. It is thus proposed to set up a new body, a new **European employment and social fund**, bringing together the European Social Fund and the Globalisation Fund, to combine elements of **employment insurance** with a **re-insurance mechanism for asymmetric shock-absorption** (see below).

In focus: Expansion of the European Social Fund as complementary executive capacity

The ESF could be scaled up into a **European employment and social fund** (EESF) bringing together the European Social Fund and the Globalisation Fund, the latter focused on reintegration of workers in the labour market. Weaknesses in Member States' unemployment insurance regimes and employment services could thus be complemented by EU action. Given challenges in the delivery of active labour market policies in some Member States, this could represent the provision of complementary capacity at EU level. The current ESF already includes support for institutional capacity in the Member States, which could be enhanced to include employment risks beyond unemployment, by also taking into consideration future structural disruptions in the labour market (e.g. digital transformation). In a second stage, the new body could be endowed with a fiscal capacity allowing it to provide loans to national unemployment insurance schemes in the context of an economic recession involving asymmetric shocks. The creation of such a fund would require an agreement on common minimum standards for national unemployment insurance systems. Member States would have the possibility of opting out. A **pan-European employment agency** could in the future be envisaged, building on the European placement service (EURES).

Preventing and mitigating the risk of rising inequalities requires effective active labour market policies in parallel with unemployment insurance schemes; this is particularly relevant for the long-term unemployed (youth, older workers and low skilled people). These may include: spending on public employment services and administration, labour market training, special programmes for youth (transition school to work), labour market programmes to provide or promote employment and special programmes for the disabled.

Points of blockage

While this Briefing cannot address all the academic work on this matter exhaustively, proposals have been put forward by experts with regard to: the **financing and size of the unemployment scheme, harmonisation, moral hazard and permanent transfers, EU or euro-area coverage and its stabilisation impact**. Concerning financing, several options are possible: a payroll tax, a corporate
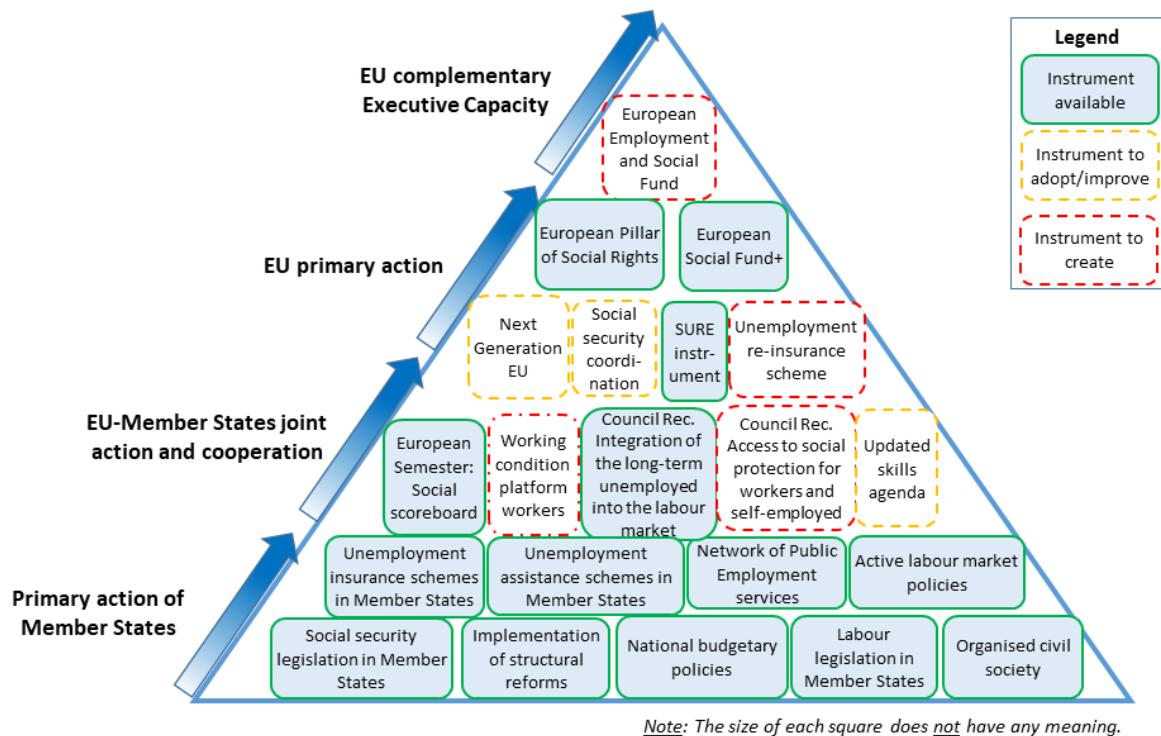
tax, a national contribution as percentage of gross domestic product (GDP), and issuing of debt. National unemployment insurance schemes differ along three characteristics: eligibility, generosity of benefits and duration; this renders their harmonisation complicated both administratively and politically.

As re-insurance schemes require the least harmonisation, they are thus more likely to be accepted. The issue of moral hazard along with the risk of some countries becoming net recipients and others net providers could be addressed by designing effective claw-back and experience rating mechanisms that would lead to higher contributions from the Member States in the event of lack of introduction/follow-up on structural reforms. Adjusting the nature of the trigger for the application of a re-insurance scheme could also be a way to determine when the launch of the EU scheme is indeed necessary (e.g. short-term unemployment rate above a certain threshold + specific percentage[10]). Most of the academic simulations of an EU-level scheme have been conducted on the assumption that it would apply to countries that adopted the common currency. However, if the purpose of a re-insurance scheme is to protect against asymmetric shocks, all countries would need to take part in it. Moreover, an agreement on minimum standards across countries would lead to increased welfare for all. While mandatory participation is preferable, voluntary enlistment in an EU scheme would render the system more politically feasible. As regards the stabilisation effect of such a scheme, experts estimate an average reduction in the impact of a crisis across all Member States of between 10 % and 30 %.

Opportunities to move forward

The SURE instrument can be seen as inspiration for moving towards an EU unemployment re-insurance scheme. **Article 122 TFEU** constitutes the legal basis for this instrument. It allows the Council to provide a Member State in difficulty, or seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, with Union financial assistance to subject to certain conditions, on a temporary and ad hoc basis. These loans help Member States to cover the costs directly related to the creation or extension of national short-time work schemes, and other similar measures they have put in place for the self-employed, as a response to the current public health crisis. Eighteen Member States have already used the instrument with good results in maintaining employment levels. However, as experts note, rather than being an unemployment insurance scheme, the SURE instrument is in fact a 'job insurance scheme'. Inevitably, the Covid-19 health crisis will lead to lay-offs, and unemployment levels will rise, especially in the context of those workers in temporary contracts – more prevalent in many of the sectors worst affected – and therefore a generous unemployment insurance will still be needed in the longer term.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	European unemployment benefit scheme/re-insurance scheme	Commission / EP / Council / Member States	An EMU-wide basic unemployment benefit scheme to directly stabilise household income; high degree of harmonisation of labour market. OR A re-insurance system for national unemployment schemes inspired by the US 'extended benefits scheme'; less harmonisation of labour market.	European Parliament resolution of 16 February 2017 on budgetary capacity for the euro area, 2015/2344(INI)	
Proposals submitted by the European Commission / ongoing processes					
2	European unemployment re-insurance scheme	Commission / EP / Council / Member States	Legislative, including impact assessment, Q4 2020	Adjusted Commission work programme 2020	

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3	European unemployment benefit scheme	Commission / EP / Council / Member States	The scheme's contribution to macroeconomic stabilisation might be limited; but as the scheme requires convergence of labour market policies and institutional capacity, it could strengthen the social dimension of EMU.	Feasibility and Added Value of a European Unemployment Benefit Scheme (2017)	

Policy suggestions from think tanks and academia / policy examples from third countries

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4	European Employment and Social Fund	Commission / EP / Council / Member States	The European Social Fund could be scaled up into a European Employment and Social Fund (EESF) bringing together the European Social Fund and the Globalisation Fund. It would combine elements of employment insurance with a re-insurance mechanism for asymmetric shock-absorption.	Günther Schmid (2019) Observatoire Social Européen, Opinion paper No 20	
5	EU unemployment re-insurance scheme	Commission / EP / Council / Member States	Trigger - Yes Claw back mechanism - Yes Coverage - EU Size (% of GDP) - 0.07 - 0.3 Key advantage - Relatively high impact with small budget Key issue - Lack of visibility	Beblavý and Maselli (2014); Beblavý et al. (2015) Study referenced by CEPS (page 24)	
6	EU unemployment re-insurance scheme	Commission / EP / Council / Member States	Trigger - No Claw back mechanism - No Coverage - Euro area Key advantage - No need for harmonisation Key issue - No mechanism to prevent moral hazard	Pisani-Ferri et al. (2013) Study referenced by CEPS (page 24)	
7	EU unemployment re-insurance scheme	Commission / EP / Council / Member States	Trigger -Yes Coverage - not specified Size (% of GDP) - 0.2% Key advantage - Balanced budget yearly Key issue - No budget in case of symmetric shock	Italianer and Vanheukelen (1993) Study referenced in by CEPS (page 24)	
8	US unemployment insurance		US unemployment insurance cover operates at state level. Since 1935 a federal programme has been in place to support the authorities through the collection of local and federal taxes. In cases of severe recession, Congress can put in place temporary programmes for extending allocations, as was the case in 2002 and 2008. The unemployed continue to receive allocations even beyond the statutory period (average to 26 weeks). These temporary measures are funded up to a	EPRS: European Added Value Unit (2014) Cost of Non-Europe Report: Common unemployment insurance scheme for the euro area	

| | | maximum of 50 % from the federal budget. This provides the US with a flexible automatic stabilisation instrument when crises strike.

Key issue: Required convergence on the labour market. | | |

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Del Monte M. and Zandstra T., Cost of Non-Europe Report: Common unemployment insurance scheme for the euro area, European Added Value Unit, EPRS, European Parliament, 2014.

Schmid G., European Unemployment Insurance? A more modest approach in the short term, more ambition in the long term, Observatoire Social Européen, Opinion No 20, May 2019.

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[1] Experts consider an automatic stabiliser to refer to an economic policy that offsets fluctuations in a Member State's economic activity without government intervention. This can be market based, e.g. wage adjustments or institutional, e.g. fiscal policy.

[2] Marjolin et al., Report of the Study Group on 'Economic and Monetary Union 1980', Brussels, European Commission, 1975.

[3] European Commission, Feasibility and Added Value of a European Unemployment Benefit Scheme, study contracted to a consortium led by the Centre for European Policy Studies (CEPS), January 2017.

[4] Geographical insurance: Resources that are temporarily pooled together are distributed to those who may be in greater need compared with those who are well off.

[5] Intertemporal insurance: It can be achieved through debt-issuing or by allowing the supranational fund to go into deficit in recession times while compensating in good times.

[6] See Opinion of European Economic Social Committee SOC/583 adopted on 11 December 2019: Common minimum standards in the field of unemployment insurance in EU Member States – a concrete step towards the effective implementation of the European Pillar of Social Rights.

[7] In the case of re-insurance schemes: A claw-back mechanism ensures that there are no long-term imbalances vis-à-vis the fund (e.g. when countries for several years receive much more from the fund than they have paid in). For instance, the pay-in of a country could double after three years of a negative balance vis-à-vis the fund that exceeds 1% of GDP.

[8] In the case of re-insurance schemes: Experience rating is a mechanism that ties the pay-in into the fund to the likelihood of using it by assessing how often the fund is being used.

[9] Article 125(1) TFEU states that 'The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project. A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project.'

[10] Concretely, the EUBS is triggered when a country's short-term unemployment rate in quarter x exceeds its average short-term unemployment rate in the last 10 years plus a certain percentage (i.e. 0.1%, 1% or 2%). Adding a 0.1% would lead to the launch of the scheme very frequently and point to a less severe economic shock, while a higher value of 2% would be indicative of a very severe shock.

Improving sustainability of social protection systems in the EU

The issue in short

Social protection is generally provided by the state and involves a state–citizen contract, in which both state and citizen have rights and responsibilities towards each other. There is also an (economic and social) security dimension, in terms either of social justice[1] or of the International Labour Organization's concept of social protection floors. This dimension should consist of at least four basic social security guarantees: essential health care and basic income security through the three mains stages of life – childhood, adulthood and old age – for all residents and all children as defined in national laws and regulations. Social protection systems are deeply engrained in the various national systems, each with their own specific historical circumstances, political choices, public finances and institutions. The EU has only limited competence on social protection systems in the Member States. However, some research claims that the EU has a 'hidden welfare state' as it has been building up its competence in this field since the Treaty of Rome, always trying to adapt to the changing requirements.

In the first two decades of the 21st century, due to the shifting balance between individuals and institutions, people have had to take increasing responsibility for their economic outcomes as workers, savers and consumers. This has brought positive developments for some, but also growing pessimism and a loss of trust in institutions for many, as well as risks of growing inequality. Some of the main trends have been: ageing populations, rising inequalities between socio-economic groups, generations, genders and regions; new forms of work, and also a greater polarisation of wages between higher and lower paid workers. In the context of the latter, however, the tax burden has not been readjusted accordingly between capital and labour. Some of these trends have been exacerbated by the coronavirus pandemic and crisis. Consequently, new adjustments are necessary in the state–citizen contract.

Recent experience has shown that many fall through the cracks of the currently existing social protection systems, which have not been updated to the contemporary reality of labour markets and welfare states. In addition, the twin digital and green transformation should happen in a fair, inclusive manner, not leaving anyone behind. In this context, the main issue to be addressed is to secure access to adequate social protection for all, which includes the considerations of financing the systems in a sustainable manner. Balance between expenditures and revenues over the long term is crucial to the financial sustainability of social protection systems.

Position of the European Parliament

The European Parliament has been vocal throughout the years on all fronts to strengthen social protection systems in the Member States, including by creating the right incentives at European level to support these processes on the ground. The success of social protection systems and welfare states at large is measured not only according to their level of spending, but also according to their efficiency, i.e. the extent to which they manage to assist those most in need. The latter is defined as government effectiveness. Many of the Parliament's proposals have focused on these issues. The 2017 resolution on the European Pillar of Social Rights (social pillar) called for European regulation for decent working conditions for people in all forms of work; for a life-cycle approach to human

capital investment (including investment, activation and protection) for all people so as to empower them at different stages of their lives (including a European child guarantee, compulsory secondary schooling, a youth guarantee and a skills guarantee); for European coordination and quality benchmarking on national minimum wages, national minimum income schemes and national unemployment benefit schemes; and for action to rebalance European economic governance through stronger social targets with a sufficient financial capacity for social investment. On the latter, Parliament envisaged both full utilisation of existing instruments and additional financial instruments for the euro area. The 2020 resolution paves the way for further strengthening of social protection systems by calling for a governance framework to put social and economic rights on a genuine par within the single market. It also calls on Member States to make full use of the flexibility in the application of EU rules on public finances and fiscal policies to strengthen, inter alia, social protection systems. In addition, in the ambitious Porto agenda due to be adopted at the May social summit in the Portuguese city, Parliament will call for robust social welfare systems, including social security systems and entitlements to unemployment benefits, paid sick leave, maternity, paternity and parental leave, accident insurance and protection against unfair dismissal for all workers and special attention to particularly vulnerable groups, women, children, young people, the elderly and homeless people.

In order to protect the social spending side of national budgets that have often fallen victim to budget cuts owing to the post-2008 austerity measures, Parliament has been attempting to soften fiscal discipline within the EU's economic governance framework, through two main thrusts. Already in a 2016 resolution, it called for a social imbalances procedure – its name recalling the macro-economic imbalance procedure (MIP) – when designing the country-specific recommendations. Its goals would be to set out detailed rules for the detection, prevention and correction of excessive macro-economic imbalances within the EU. The social imbalances procedure would to some extent replicate this mechanism and – depending on its design – address social problems that threaten social cohesion in a Member State owing to their social, economic and political implications.

Moreover, in the Parliament's above-mentioned 2017 resolution on the social pillar, as well as in other resolutions on the future of EU institutions, there was a recommendation to introduce a 'convergence code' based on targets, such as in the areas of taxation, labour mobility, pensions, investment, public administration and good governance. This would serve to strengthen the links between meeting these targets relevant for upward social convergence and access to EU funds, and other EU economic reform instruments in combination with fiscal incentives. One of these resolutions also called for a move from unanimity to qualified majority, for instance in the areas of fiscal and social policy, and 'for the full replacement of the consultation procedure by co-decision between Parliament and Council'.

Finally, taxes provide revenue for use by national governments and public authorities, including in particular local authorities. Tax policy has been kept outside the evolution that most EU policies have undergone, since it remains the subject of decisions with limited involvement of the European Parliament and taken unanimously within the Council. Parliament has however set up standing, special and inquiry committees that have analysed, surveyed and monitored the actions needed to address the challenges identified, including tax fraud and tax evasion. Parliament was also in favour of the Commission's 2013 proposal for a financial transaction tax (FTT), which was supposed to ensure that the financial sector makes a fair contribution to national tax revenues. However, Member States concerned have fallen short of their commitment to apply the enhanced cooperation procedure on FTT. During the negotiations on the 2021-2027 multiannual financial framework, Parliament supported the introduction of the FTT as an own resource. In addition, Parliament resolutions have put forward numerous other potential bases for new own resources for consideration, including VAT (a modified version of the related own resource); a share of corporate income tax; taxation in the digital sector; and environmental taxes.

Policy proposals by experts and stakeholders

Measuring the impact of economic reforms on income and wealth inequality is essential so as to take into account the human rights effects of policy options. A new study by the Foundation for European Progressive Studies calls for greater focus on inequalities in the European Semester and 'inequality proof' country-specific recommendations. In order to achieve this, the study suggests not only examining poverty, i.e. inequality at the bottom of the income ladder, but also focusing on broader groups, particularly the squeezed middle class, to take into consideration the indirect effects of the macroeconomic considerations of the Semester on Member States' capacities to use public resources, and to pay more attention to the redistribution of resources as much as on efficiency and productivity of the labour market when examining taxation policies. In this context, the study recommends including new indicators in the Semester, such as the quality of work among the majority of workers (job-status insecurity, job quality and work representation); households' financial capability and financial fragility and income and wealth inequality pre and post taxes; new auxiliary indicators in the MIP; and the expansion of progressive taxation recommendations.

Looking into the future, experts contributing to a book on European social union after the crisis emphasise combining social protection and social investment[2] policies to achieve flexibility, stability and protection, including collective risk sharing. Others have been calling for simplification of the EU's fiscal framework. The Commission's 2018 Employment and Social Developments in Europe report proposes a life-cycle approach to social protection in the face of global challenges, where social welfare can be a productive investment. The latter can also help to strengthen social protection systems by bringing non-standard workers into existing social protection schemes, making further efforts to individualise social protection, and ultimately moving towards universal social protection, where social protection would be removed from the employment relationship. The 2020 edition of the report, published during the coronavirus pandemic, calls for social investment in the form of re-skilling programmes and/or unemployment benefits. According to the report, this social investment could amount to €20 billion or more until 2030. To enhance social investment, some would argue for the introduction of a 'silver rule' in the Stability and Growth Pact (SGP – the fiscal surveillance system of the Union's economic governance system). This would involve taking into consideration public social investments in human capital stock capabilities, lifelong education, training and healthcare, as being eligible for favourable treatment when assessing government deficits and compliance with the SGP. Granting more fiscal room for social investment in human capital (within limits) to countries experiencing excessive social and macroeconomic imbalances would enable them to secure future-oriented financing of their lifelong education, skill upgrading and social care systems before the ageing predicament becomes truly overwhelming. In its 2019 report, the European Fiscal Board also proposed the introduction of a limited golden rule to improve the quality of public finances. This variant of the golden rule would exclude some specific growth-enhancing expenditure from the net primary expenditure growth ceiling.

These ideas have been further complemented by calls, for example in a study for the European Economic and Social Committee, to socialise the budget (by spending more on social objectives and mainstreaming the social investment logic through the funds) and to establish a permanent European unemployment benefit reinsurance scheme.[3] The latter could, help to provide income security and demonstrate solidarity in a tangible way to citizens, on the one hand, while acting as a shock absorber in the event of asymmetric and/or symmetric shocks, on the other. According to the latest estimates, such a scheme could substantially improve the efficiency of national unemployment benefit schemes.

Tax compliance and the breadth of tax bases are similarly important issues, as well as the effectiveness of public sector spending, which underpins all public sector actions. In this context a recent working paper calls for better fiscal rules and good fiscal institutions to safeguard growth- and distribution-friendly expenditures, so as to ensure that the mistakes made in the aftermath of

the 2008 crisis, with excessive budget cuts, are not repeated. Related to that, it is suggested that EU taxes should be rethought and that the asymmetry between expectations vis-à-vis the EU and its actual capacity to act in this field are addressed.

Points of blockage

Debates around EU legislation in the field of social protection are stifled by the decision-making procedure. According to Article 153 of the Treaty on the Functioning of the European Union (TFEU), the European Parliament and the Council should act in accordance with the ordinary legislative procedure in the areas of health and safety at work, working conditions, information and consultation of workers, and integration of persons excluded from the labour market. However, in the field of social protection and social security, the Council should act unanimously in accordance with a special legislative procedure, after consulting the European Parliament and the advisory committees. The only way to get around this would be for the general *passerelle* clause of Article 48(7) TEU to be activated by the European Council, which could decide (unanimously) to authorise the Council to act henceforth by qualified majority voting (QMV) rather than by unanimity. This means that the European Council would have to decide by unanimity to make these procedural changes, with no national parliaments objecting, and with the European Parliament's consent. Thus, the final decision would still be under the control of the national legislatures of the Member States. This issue was put on the table by the Juncker Commission at the end of its mandate. The April 2019 communication by the Commission called for further debate on moving from unanimity in the Council to QMV, or from the special to the ordinary legislative procedure in some social policy areas, especially recommendations on social security and protection (excluding cross-border situations) and non-discrimination. This idea was reiterated in the 2020 Parliament resolution on a 'Strong Social Europe for Just Transitions' but has yet to be followed up.

The very different circumstances in the Member States makes legislating in this field at European level very challenging. Examples include the still inconclusive revision of the social security regulation, the blocking of the revision of the 1992 maternity leave directive for years in Council, the contentious debate on and limited outcome of the negotiations on the work-life balance directive, or the forthcoming debate on the proposal for an EU directive on minimum wages, which from the start intends only to set minimum-criteria, not to decide on a certain quantifiable minimum wage across Member States. These debates are marked not only by differing financial conditions and diverse public finance structures, but also by contrasting standards and levels of government effectiveness in the Member States. Objections can stem from the minimum standard decided at European level being perceived as too ambitious or as not ambitious enough.

The situation is similar in the area of taxation, where the current institutional architecture of the EU is (traditionally) deemed to require a 'double unanimity filter'. If a tax is to be harmonised through EU legislation and included within the EU's basket of own resources, it requires approval both under Article 311 TFEU (own resources) and under one of Articles 113 (indirect taxes), 115 (direct taxes) or 192(2) (environmental taxes) TFEU.

Opportunities to move forward

It is essential that in the area of social protection and the wider issue of welfare states, the EU chooses the areas of intervention well, as defining social goals without having the right instruments to implement them, and thus not being able to deliver on them, might undermine the trust of citizens in the wider European project.

The new action plan on the Social Pillar can be an essential instrument in further setting minimum standards in the area of social protection, and thus, in incentivising change at Member State level. The Social Pillar builds on a renewed consensus between the three institutions – Commission, Council and Parliament – and re-establishes the idea that social progress must also serve the

purpose of fairness, and that European economic integration should be subject to respect for fundamental social rights.

There is also potential in doing more to support Member States' efforts with the EU economic governance framework, with some renewed elements of the European Semester in relation to the Recovery and Resilience Facility. Furthermore, the new fiscal and expenditure rules might help improve Member States' social investment capacity, so as to invest in education, health and public infrastructure, as well as the effectiveness of their governments.

Finally, rebalancing government revenue away from labour taxes – considering each Member State's specific context – towards corporate taxes, potentially more progressive taxes and inheritance taxes, could also help support the financial sustainability of social protection systems. The July 2020 tax package of the Commission supports the recovery strategy and presents initiatives to secure fair and efficient taxation. It also envisages a review of progress made in enhancing tax good governance in the EU, and proposes to revise the directive on administrative cooperation. In addition, as part of the objective to improve the fairness and efficiency of EU tax systems, the challenges of taxing digitalisation have been discussed both in European and international forums. Margarethe Vestager, the Commission's Executive Vice-President for a Europe fit for Digital Age, was tasked with helping to achieve an international solution or, if no consensus was found by the end of 2020, proposing a fair European tax.
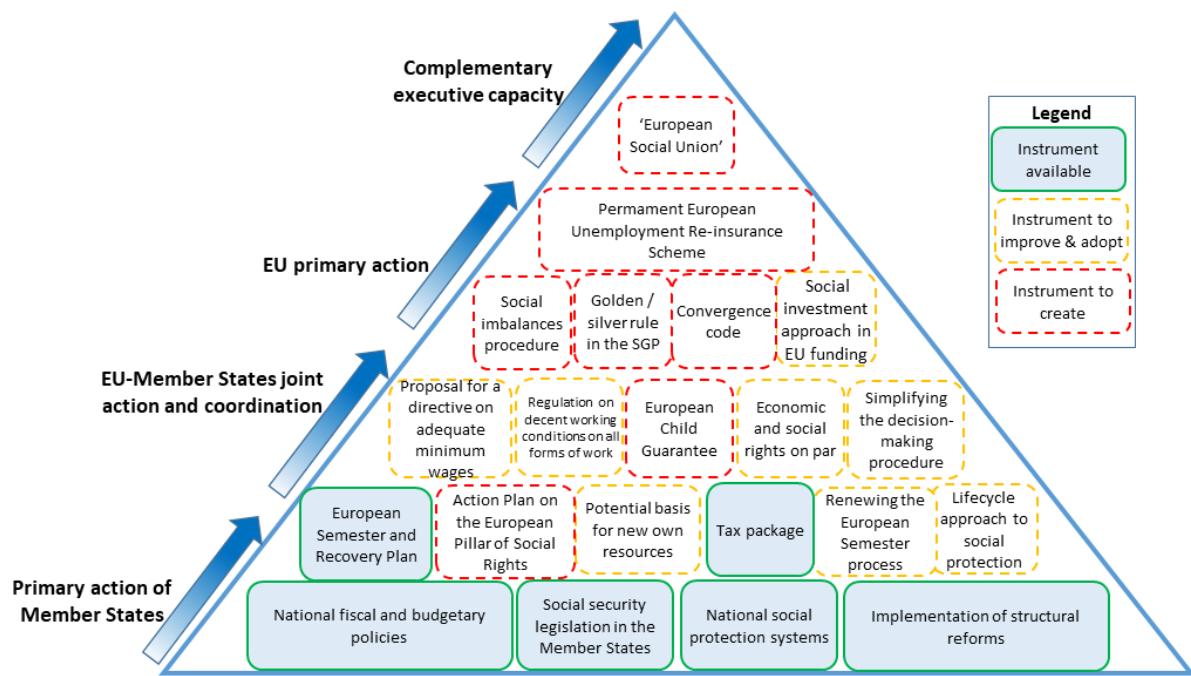
As to decision-making in tax matters, the Treaties already include the tools that could eliminate (in all or in part) the obstacle of unanimity in tax matters, and activate new tax tools at EU level without radical institutional reform.

In focus: The European Pillar of Social Rights as potential complementary executive capacity

Initial evaluations of the European Pillar of Social Rights (social pillar) back in 2017, have talked about its potential to create a momentum and bring about a new policy dynamic. It was created as a compass to update welfare states and labour markets to the new realities of life and work across the EU Member States. Like the Community Charter of Fundamental Social Rights for Workers, adopted in 1989, it has also created new momentum, though no legally binding rights. However, the Community Charter paved the way for new Treaty changes. Then, in 2009, social and labour rights became legally binding through the Charter of Fundamental Rights of the European Union. The Social Pillar may have similar potential. The latest resolution of the Parliament on a 'strong social Europe for just transition' calls for the integration of the social pillar into the EU Treaties.

An entire chapter – nine of the twenty principles of the Social Pillar – addresses issues of social protection throughout the life-cycle, from access to childcare, to minimum income and old age pensions and access to services. The implementation of these principles is primarily in the hands of the Member States, with the social partners and the support of the EU. After a long break in EU legislation in the social policy field, the Social Pillar triggered a mapping of the existing EU-level social acquis, and consequently, the revision of existing EU legislation and identification of possible gaps. This is continuing during the current Commission, with further initiatives having the potential to forge genuine minimum standards across the Member States in the area of social protection. At the same time, the social scoreboard accompanying the pillar is a powerful starting point to measure social progress, particularly if it is further developed with new indicators, in the light of the United Nations sustainable development goals. In this context, some would see the social pillar as a very important step towards a European social union, a 'holding environment' to mitigate stress and thereby uphold the integrity of national welfare states, while also keeping up the pressure to incentivise rather than overwhelm domestic reforms.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Regulation on decent working conditions for all forms of work	Commission / Parliament / Council	EU initiative on platform workers and other non-standard workers, so that they are able to build up rights to the types of out-of-work support that are already available to standard employees.	Resolution on a strong social Europe for just transitions	
2	Economic governance framework that brings economic and social rights on par	Commission / Parliament / Council	Integrate the European Pillar of Social Rights into the Treaties along with a protocol providing social rights on the same level as economic rights. Adopt the sustainable development and social progress pact, making social and sustainable targets mandatory	Resolution on a strong social Europe for just transitions	
3	Lifecycle approach to social protection with minimum standards	Commission / Parliament / Council	Empower people at all stages of their lives: child, youth, adult, elderly in accordance with the principles of the European Pillar of Social Rights	Resolution on the European Pillar of Social Rights	

4	Social imbalances procedure	Commission / Parliament / Council	Soften fiscal discipline in the economic governance framework.	Resolution on the European Semester for economic policy coordination: employment and social aspects of the 2016 annual growth survey	
5	Convergence code	Commission / Parliament / Council	Strengthen links between meeting targets, relevant for upward social convergence, such as in the areas of taxation, labour mobility, pensions, investments, public administration and good governance and access to EU funds and to other EU economic reform instruments and fiscal incentives.	Resolution on possible evolutions of institutional set-up of the European Union Resolution on improving the functioning of the EU	
6	Potential basis for new own-resources	Commission / Parliament / Council	New own resources decision to be the legal basis for allowing the borrowing of funds on the financial markets to finance the Next Generation EU recovery instrument. Parliament suggested new categories of own resources if necessary.	Legislative resolution on the system of own resources of the EU	
Proposals submitted by the European Commission / ongoing processes					
7	Action plan on the European Pillar of Social Rights	Commission	Complete the implementation of all principles of the social pillar in the framework of the twin digital and green transformation	Action Plan on the European Pillar of Social Rights	
8	Proposal for a directive on adequate minimum wages	Commission / Parliament / Council	Contribute to combatting in-work poverty by establishing a framework to improve the adequacy of minimum wages and to increase the access of workers to minimum wage protection. These objectives are relevant both for statutory minimum wage systems and for those relying on collective bargaining.	Pre-legislative synthesis: fair minimum wages in the EU, EPRS Proposal for a directive	
9	European child guarantee	Commission / Parliament / Council	Support the youngest and their families with an integrated approach, including allocating a budget line in the ESF+ of €5.9 billion, as suggested by the European Parliament	Shaping a European Child Guarantee, EP Policy Department	
10	European Semester adjusted to the EU recovery plan	Commission / Parliament / Council	Focus on challenges and priorities generating the most lasting impact and, inter alia, on strengthening social resilience in the recovery resilience plans to be	European Semester during the pandemic, EP Policy Department	

			submitted by Member States in the spring of 2021.		
11	Tax package	Commission / Parliament / Council	Present initiatives to secure fair and efficient taxation; enhance tax good governance and revision of the Administrative Cooperation Directive	Package for fair and simple taxation	

Policy suggestions from think tanks and academia / policy examples from third countries					
12	Simplifying the decision-making procedure both for social policy and taxation	Commission / Parliament / Council	Move from unanimity to qualified majority in the Council; from special legislative to ordinary legislative procedure in social policy and taxation, as well as generally also more ordinary legislative procedure in social policy.	Passerelle clauses in the EU Treaties, EPRS	
13	New fiscal rules, including golden/silver rule in the stability and growth pact	Commission / Parliament / Council	Exclude some specific growth-enhancing expenditure from the net primary expenditure growth ceiling to protect public investment	Assessment of the fiscal rules with focus on the six and two pack legislation, European Fiscal Board Benefits and drawback of expenditure rules, New life for an old framework, studies for ECON committee	
14	Renewal of the European Semester process	Commission / Parliament / Council	Better focus on inequalities through new indicators in the European Semester.	Inequalities in the European Semester, FEPS	
15	Promoting the social investment approach in funding programmes, e.g. ESF+	EU institutions and Member States	Identify ideal policy mixes and design new frameworks to better identify institutional complementarities between stocks, flows and buffers at different levels of governance	Social investment now, FEPS	
16	Permanent European unemployment benefit reinsurance scheme	Commission / Parliament / Council	Create a fund that Member States can draw on in times of crisis.	Integrating the European Pillar of Social Rights into the roadmap for deepening the Economic and Monetary Union, EESC Improving the quality of public spending in Europe, EPRS	

[1] In *A Theory of Justice*, the philosopher John Rawls claims that an institution is fair if its rules are made to function to the advantage of all citizens and not just some of them.

[2] A more detailed taxonomy of the social investment concept developed recently, defines three complementary policy functions. These include: raising the quality of human capital 'stock' that contributes to better productivity, easing the 'flow' of labour market transitions and thus supporting high employment of both genders, and compensating and mitigating social inequity at the micro level through income 'buffers'. This taxonomy describes three pillars of the welfare state: human capital development, activation and protection.

[3] The idea of an EU unemployment fund was first outlined in the 1975 Marjolin Report and the 1977 MacDougall Report. The latter highlighted the important link between monetary union and unemployment insurance. Since the eurozone crisis of 2011-13 the idea has been picked up again in EU policy debates.

Increasing social cohesiveness in the EU

The issue in short

As defined by the Organisation for Economic Co-operation and Development (OECD), a cohesive society is one that 'works towards the well-being of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward social mobility'. However, while reports point to a steady increase in cohesion, including social cohesion, across the European Union (EU) in recent decades, stark differences remain between different regions in the Union, as well as between various groups within society, revealing a lack of social cohesiveness, with inequalities persisting in terms of employment, education, housing and healthcare.

This situation has been compounded by the coronavirus pandemic, which has had a disproportionate impact on vulnerable groups such as low-income families, young people, children, and people with disabilities as well as migrant and Roma communities, further entrenching a divide that risks deepening further if welfare policies are not adapted. For certain groups within society, the situation leads to a feeling of being left behind, a lack of belonging and a withdrawal of trust, creating a geography of EU discontent. As Eurofound, the European foundation for the improvement of living and working conditions, has highlighted, these growing disparities can affect the very stability of the EU. This can provide fertile ground for populist parties and other organisations, which could further undermine EU social cohesiveness.

Against this background, it is important to restore people's faith in a fair society and rekindle their trust in public institutions by delivering on the promise of tackling inequality and increasing social cohesiveness. One way of achieving this is to deploy EU funding to address the social and economic effects of the crisis. Member States will be able to draw on EU funds such as the European Social Fund Plus (ESF+) and the European Regional Development Fund over the 2021-2027 period, to create a more cohesive society, with Member States required to allocate at least 25 % of their ESF+ resources to actions promoting social inclusion and focusing on those most in need. In addition, the Recovery and Resilience Facility under Next Generation EU can also be used to support investment that fosters social cohesion and the inclusion of groups that are left behind, with the six funding pillars including specific pillars on social and territorial cohesion, as well as on policies for the next generation, children and youth – such as education and skills.

Achieving a fairer, more cohesive society goes far beyond social investment, however. With the European Union founded on such common values as equality for all and freedom from discrimination, a framework has gradually developed to protect such rights, including the European Pillar of Social Rights (EPSR), which sets out 20 principles in areas including fair working conditions, social protection and inclusion. The EPSR acts as a key compass for action in the social field through its annual social scoreboard. The recent adoption of an action plan on implementing the EPSR has the potential to put these rights into action and provide fresh impetus to discussions on societal cohesion. However, with much of the responsibility for social policy in the hands of the Member States, the role of the EU in this area remains largely limited to providing a framework for action, implying a need for solutions outside the box.

Policy proposals by experts and stakeholders

According to Eurofound, a path to more cohesive societies in Europe can be ensured by policies that focus on citizens' economic and social inclusion and which place greater emphasis on digital skills. Eurofound's 2018 report on social cohesion and wellbeing in Europe argues that to promote social cohesion, policies should focus specifically on enhancing the situation of vulnerable groups, stressing the importance of taking account of the needs of people with disabilities and the chronically ill, as well as encouraging older people to participate more in civic and political activities. It also recommends action to harness the potential benefit of migration for society and to encourage more people to finish at least upper-secondary education.

Already before the coronavirus pandemic, the Bertelsmann Stiftung had highlighted the need to harness demographic changes to increase social cohesion. With a declining working age population and a growing share of older people in society, young people's economic prospects risk being impacted by the burden of financially supporting older people, implying an urgent need for action to tackle the issue of inter-generational justice, particularly as young people's interests are often not sufficiently politically represented in countries with ageing populations. While migration could provide a solution to this challenge, it emphasises that governments must roll out integration policies that go beyond employment and that also address health, education, civic participation and wellbeing.

Other stakeholders have looked at the issue of social cohesiveness in the context of common values. Noting that values represent the basis for social cohesion within European societies, a recent joint discussion paper, by the European Policy Centre and Values Unite, proposes the creation of a European Agency for Citizenship Education (AECE), which would aim to equip citizens with the knowledge they need to defend their rights and common democratic values by striving to improve the quality of and access to citizenship education across all Member States and fostering a European dimension for citizenship education. Focusing on those groups most in need, the planned agency would work closely with local and regional stakeholders on a decentralised basis, working impartially and independently of the EU institutions and national governments.

The European Economic and Social Committee has pointed to the role that social economy enterprises (SEEs) can play in increasing social cohesion by improving individual and collective wellbeing and reducing inequalities. In this light, it stresses the importance of promoting SEEs through cross-cutting public policies and echoes the calls for a European social economy action plan put forward by Social Economy Europe.

For its part, the European Commission has launched a number of initiatives in recent months that build on the European Pillar of Social Rights and which have the potential to foster a more cohesive society. These include the EU anti-racism action plan 2020-2025, which outlines a set of measures to strengthen action and bring together stakeholders to tackle racism more effectively across the EU, covering areas such as the EU legal framework, fair policing and education, the EU Roma strategic framework for equality, inclusion and participation 2020-2030, which sets out a three-pillar approach to allow all Roma people to make full use of their potential and the action plan on integration and inclusion 2021-2027, which provides tailored support to address the challenges faced by people with a migrant background and to support inclusion for all. Recognising that real or perceived social exclusion, discrimination or marginalisation can make people vulnerable to radical narratives and undermine social cohesion, the December 2020 counter-terrorism agenda for the EU includes measures to support local actors and build more resilient communities with a view to combating extremism.

Recent research from the United Kingdom (UK) suggests that government-funded social cohesion programmes can make a very real difference to social cohesiveness. A 2020 study funded by the Nuffield Foundation on social cohesion during the Covid-19 pandemic reveals that residents of areas where local authorities have invested in social cohesion programmes – including social

mixing, youth programmes or language-learning classes – were twice as likely to volunteer, showed greater trust in local government and people, and felt more connected to their area compared with people from other areas, and also had a positive attitude towards people from migrant backgrounds. These findings are particularly interesting as they would appear to provide direct evidence of the positive impact of public investment in measures to improve social cohesiveness.

In this context, it is worth briefly drawing attention to the EU funding available to promote social inclusion. While substantial support is available under the European Regional Development Fund and European Social Fund Plus for investment in areas such as infrastructure development, equal access to employment and healthcare or non-segregated and inclusive services in education, Creative Europe and the citizenship, equality, rights and values programme will also provide support for projects that aim to break down barriers and promote the social inclusion of vulnerable groups. Other sources of investment include InvestEU, which can be used to support social economy, innovation and infrastructure projects and Horizon Europe, which covers areas such as the development of innovative economic and social transformations. In addition, Member States will be able to draw on significant amounts of funding under the Recovery and Resilience Facility, with several stakeholders highlighting the need to ensure that the post-pandemic recovery process has a strong social dimension.

To create stable and quality jobs, social cohesion and inclusion, the European Trade Union Confederation argues that the Recovery and Resilience Facility (RRF) must contribute to implementing the European Pillar of Social Rights and considers that social objectives should be mainstreamed in all relevant legislation and regulations and implementing plans linked to Next Generation EU. Noting that the RRF is dominated by the green and digital transitions, with Member States required to earmark 37 % and 20 % of their allocation to these priorities respectively, Social Platform has called for 25 % to be earmarked for social investment and to bring the Social Pillar to the forefront of the European Semester, to ensure that recovery from the crisis is truly inclusive and tackles social exclusion, poverty and inequality.

Position of the European Parliament

The European Parliament has played an active role over the years in promoting the social inclusion of vulnerable groups with a view to creating a more cohesive society. Among its many resolutions in this field, it has supported the greater inclusion of Romani people, promoted the rights of disabled people, supported anti-discrimination measures, the integration of migrants and the establishment of a European unemployment reinsurance scheme, with the Parliament often in the vanguard of initiatives in this area. The Parliament's 2015 resolution – which called for a European Child Guarantee to ensure that every child in Europe at risk of poverty or social exclusion has access to free healthcare, education, early childhood education and care, decent housing and adequate nutrition – was instrumental in framing this policy debate at EU level, with the adoption of a European Child Guarantee expected in 2021.

The Parliament has also argued consistently for the allocation of more EU financial resources to measures that support greater social cohesiveness. During the negotiations on the regulation for the European Social Fund+, the primary source of EU funding supporting social policy for 2021-2027, the Parliament called for an increase to 27 % in the minimum percentage of ESF+ resources that Member States must earmark to social inclusion. It also urged Member States to allocate at least 5 % of their ESF+ resources to the European Child Guarantee scheme to eradicate child poverty and social exclusion, with this demand reflected in the final compromise text agreed between Council and Parliament. The Parliament also played a pivotal role in securing an increase from 2 % to 3 % in the amount of ESF+ resources that Member States must allocate to food aid and basic material assistance to support the most deprived and helped to negotiate the minimum 12.5 % allocation of ESF+ resources that Member States with above-average levels of youth unemployment must earmark to supporting this group.

More recently, the Parliament has expressed its concern at the devastating social effects of the Covid-19 crisis, especially on women, low-income households and families and vulnerable groups, which will increase pre-existing inequalities. To address this issue, the Parliament's October 2020 resolution on the employment and social policies of the euro area 2020 called on the European Commission to develop a political strategy to replace Europe 2020. The new strategy would aim to eradicate poverty, bringing together key instruments such as the European Green Deal, the European Pillar of Social Rights and the European Semester, with a longer-term vision of an economy of wellbeing and the sustainability of our environment and social models, in line with the United Nations sustainable development goals.

The Parliament has also identified a number of areas where action could make a positive contribution to improving social cohesiveness, suggesting possible steps to be taken. Highlighting the importance of **organised sport and youth organisations** for social cohesion, it has stressed the essential role that grassroots sport plays in promoting the social inclusion of people with fewer opportunities, people belonging to vulnerable groups and people with disabilities, calling on the European Commission to strengthen inclusion through sport and to explore new avenues maximise its impact and reach. Parliament called for increased support for low-income families to ensure their children can take part in sport and other leisure activities. **Vocational education and training** (VET) is another key area, with the Parliament's December 2020 resolution emphasising its fundamental role in promoting integration and inclusion for the development of a more cohesive society. In this light, the Parliament called on the Member States to put greater emphasis on making VET systems more inclusive and accessible, urging concrete measures to ensure that people from disadvantaged socio-economic backgrounds have access to VET. Parliament has also drawn attention to the clear impact of **culture** in terms of fostering social cohesion and stressed the role that culture and intercultural dialogue can play in empowering migrants and facilitating their integration, reaffirming the role of culture as a driving force in pursuing the objectives of social inclusion across the EU.

With the growing **digital divide** posing a particular challenge for cohesiveness, the European Parliament believes that developing digital skills is a precondition for all Europeans to participate in society, emphasising that the digital transition necessitates reform in the field of education, skills and lifelong learning, to guide a labour market in transition and to develop and enable key digital technologies and build Europe's digital future. To prevent a digital divide, it also stresses the need to support equality in access to digital infrastructure, equipment and skills. Parliament has also been particularly vocal in its support for action to foster the social inclusion of **Romani people**, with its September 2020 resolution on the implementation of National Roma Integration Strategies calling on the European Commission to submit a legislative proposal for the equality, inclusion, and participation of Romani people and combating anti-gypsyism, creating a legally binding act to replace the previous Council recommendation. It also proposes the creation of a Romani task-force at EU level to facilitate Romani inclusion in various policies, as well as empowering Romani people.

Points of blockage

The capacity of the EU to legislate to increase social cohesiveness is clearly limited by the lack of any formal EU legal competence in this area. While Article 153 of the Treaty on the Functioning of the European Union (TFEU) establishes that 'the combating of social exclusion' is one of the fields in which the Union shall support and complement the activities of the Member States, it is not included on the list of fields in which the European Parliament and the Council may adopt directives setting out minimum requirements for gradual implementation. In effect, this means that the promotion of social inclusion may only be pursued through the adoption of measures designed to encourage cooperation between Member States through initiatives aimed at improving knowledge, developing exchanges of information and best practices, and which do not include any harmonisation of Member States' laws and regulations, i.e. on the basis of non-legislative cooperation.

In practice, Member States work together using the Open Method of Cooperation (OMC) within the framework of the Social OMC, which aims to promote social cohesion and equality through adequate, accessible and financially sustainable social protection systems and social inclusion policies. Opinions vary regarding the effectiveness of this method, with some experts noting that despite the inclusion of non-traditional actors in the Social OMC, it is still a largely government-driven process while the actual procedure, which is based on a peer-review system, is limited in terms of its ability to improve input.

Opportunities to move forward

With many stakeholders calling for a recovery process that has a strong social dimension, the recent adoption by the European Commission of the European Pillar of Social Rights action plan has the potential to build on this momentum by establishing a clear framework for the implementation of basic social rights and greater equality, important prerequisites for a more cohesive society. This process will be further boosted by the organisation of an EU Social Summit in May 2021. Focusing on the EPSR action plan, this high-level conference, which will be followed by an informal meeting of EU Heads of State or Government, should foster political debate on how to develop a vision for Europe's social model by 2030, ensuring that social issues are discussed at the very highest level.

The action plan outlines a series of concrete measures to speed up the delivery of the pillar's 20 key principles and ensure implementation of Europe's social rights and principles. These include a broad range of European Commission initiatives, such as a proposal for a new strategy for the rights of persons with disabilities for 2021-2030, a proposal for the European Child Guarantee, the launch of a platform for collaboration against homelessness, as well as an action plan on the social economy, all of which can help to boost social cohesiveness across the EU by helping to forge genuine minimum EU standards and encouraging Member States to take action to roll out these initiatives at national, local and regional level. It also sets out three key headline targets in the areas of employment, skills and social protection, including a target to reduce the number of people at risk of poverty and social exclusion by at least 15 million.

As reducing poverty and social exclusion is vital for inclusive growth and social convergence in the EU, helping to spread the benefits across the whole of society, this target is particularly important in the context of increasing social cohesiveness as it can help channel efforts to improve the situation of those population groups with particularly high rates of poverty and social exclusion such as children, single parents, older women, Romani people, persons with disabilities and non-EU born citizens. With children at greater risk of poverty or social exclusion and significantly impacted by the coronavirus crisis, the action plan also identifies an additional aim to reduce by the number of children at risk of poverty and social exclusion by five million by 2030.

When it comes to implementation, Member States will be required to identify their own national targets and measures to achieve them, mobilising efforts at Member State level, which could help to trigger a debate on what action needs to be taken to improve social cohesiveness more generally. Member States' progress towards these three headline targets will be used by the European Commission to monitor their implementation of the pillar alongside a revised social scoreboard, which feeds into the European Semester process, adapted to take account of the pillar's 20 principles, with new indicators on adult learning, child poverty, disability employment gap and housing cost overburden rate.

First announced in 2019, the Conference on the Future of Europe aims to provide a unique platform where citizens can gather to discuss the challenges and priorities for the future of Europe. As set out in the joint declaration signed by the presidents of the European Commission, Council of the EU and the European Parliament on 10 March 2021, it will be a citizen-focused, bottom-up exercise, allowing the people of Europe to have their say on what they expect from the EU. It will provide citizens with a greater role in shaping the EU's future policies, based on conference events and debates organised across the EU, as well as through an interactive multilingual digital platform.

European citizens' panels, set up by the EU institutions at European level and representative in terms of gender, nationality, age, socio-economic background and education, will take the ideas put forward during the conference debates across the EU on board and feed them into the work of the Conference plenary by outlining a set of recommendations for the EU to pursue. The conference plenary, made up of representatives of the three main EU institutions, national parliaments and citizens, will meet at least every six months and debate these recommendations without any predetermined outcome. The plenary conclusions will feed into a final report to the Joint Presidency, made up of the Presidents of the Parliament, Council and Commission, with the three institutions examining how they can follow up on the recommendations, putting their joint commitment to listen to EU citizens into practice.
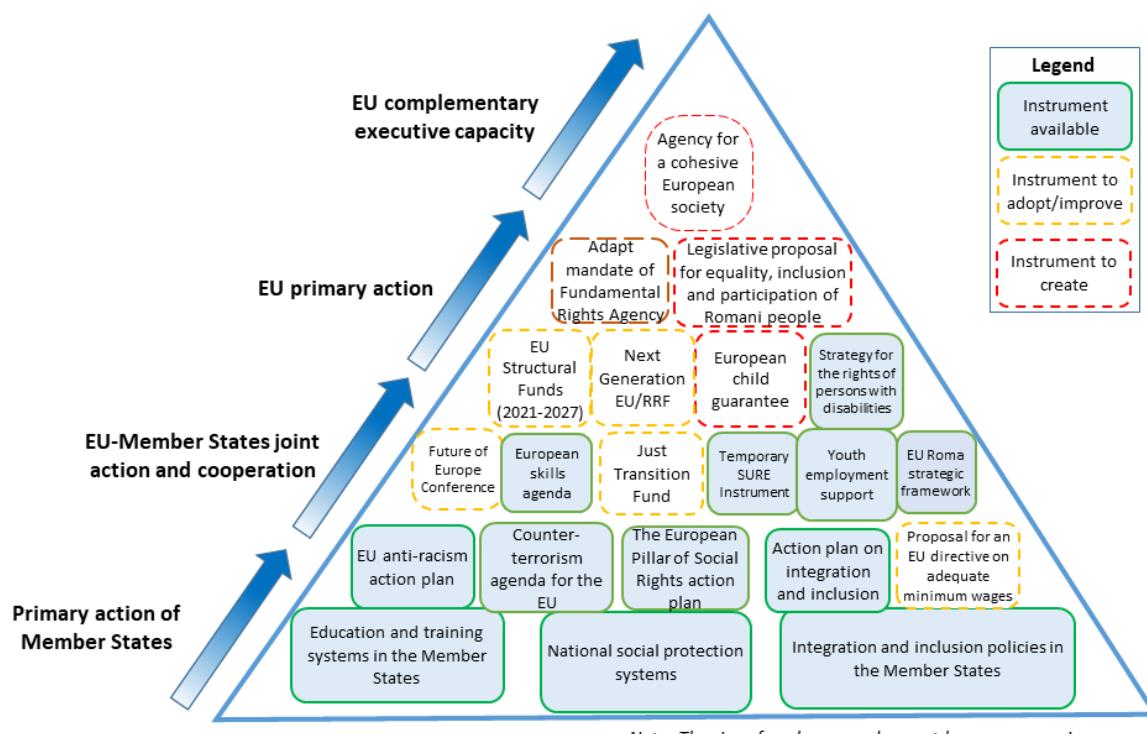
According to the joint declaration, discussions in the conference will cover, among other things, an economy that works for people, social fairness, equality and intergenerational solidarity, with the document also stating that the conference must address inequalities and ensure the EU is a fair, sustainable, innovative and competitive economy that leaves no one behind. By opening up the debate to ordinary citizens who are not part of the 'Brussels bubble', the conference could provide fertile ground for eliciting innovative ideas and solutions that are outside the box, highlighting those issues that Europeans believe provide the most scope to make our societies more cohesive. Crucially, its unique, participatory nature has the potential to provide an empowering experience for those citizens involved by demonstrating that every individual has the power to make a real difference to the life of his or her community. In this context, the conference can play a crucial role in restoring citizens' trust in government and EU institutions, reinforcing the message that the EU is attentive to the concerns of its EU citizens and helping to establish a closer link between the EU institutions and the people of Europe, an important element in the process of creating a more cohesive European society.

In focus: Establish an agency for a cohesive European society (ACES) as complementary executive capacity

With the Covid-19 pandemic revealing an urgent need to unite our fragmented societies, and the European Social Pillar action plan and the Conference on the Future of Europe moving social issues to the top of the political agenda, a proposal for a new EU agency tasked with monitoring social cohesiveness in Europe could garner political support. The agency's objective would be to provide EU institutions, bodies, offices and agencies as well as the Member States with assistance and expertise relating to social cohesiveness, to support them when they formulate courses of action within their respective competences to combat social exclusion, promote social inclusion and establish a more cohesive society. In practice, it would be responsible for collecting and recording relevant information, knowledge, data and best practices, as well as carrying out research and facilitating information exchange and cooperation. The agency would also draw up conclusions and opinions for the EU institutions and its partners. Where applicable, it could also be tasked with monitoring implementation of relevant principles under the European Pillar of Social Rights, such as social exclusion or child poverty. The work of the agency could be linked to the Commission's priorities on 'Promoting our European way of life' and 'An economy that works for people' and cover topics such as integration and inclusion. It would not seek to impose a 'European identity' top-down but be a bottom-up initiative for collecting ideas on the ground on how to create a more cohesive society. The legal basis for the complementary executive capacity involved in the creation of a new agency would be Article 197(2) TFEU, which provides that 'the Union may support the efforts of Member States to improve their administrative capacity to implement Union law' with such action including 'facilitating the exchange of information'. Pursuant to Article 97(2), it would be created on the basis of a regulation adopted by Parliament and the Council under the ordinary legislative procedure. However, it is not certain whether it would be feasible to fund a new agency under the EU budget; indeed, a November 2020 Court of Auditors report, for instance, recommends regularly evaluating existing agencies to look for synergies and changes, such as merging agencies.

One alternative, therefore, could be to extend the tasks of the Fundamental Rights Agency (FRA) to include monitoring implementation of the European Pillar of Social Rights and the collection of information about social best practices, and to use this information to formulate conclusions on how to increase social cohesiveness. A recent opinion by the FRA's Management Board reveals broad support for extending the FRA's thematic areas to include 'promotion of social inclusion' and the promotion of social cohesiveness could feasibly also be added to this list. If the Commission's proposal to remove the need to establish new thematic areas every five years under a multiannual framework is adopted, social cohesiveness could instead be included in the annual work programme of the FRA.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Develop a political strategy to replace Europe 2020	European Commission / Member States	Strive to eradicate poverty by bringing together key instruments such as the EPSR with a longer-term vision of an economy of wellbeing.	European Parliament resolution	■
2	Legislative proposal for the equality, inclusion and participation of Romani people and combating anti-gypsyism	European Commission / European Parliament / Council	Create a binding legal act to replace the previous Council recommendation to eliminate, housing, health, employment and education inequalities. Include specific, binding and time-bound objectives to protect and improve the inclusion of Romani people	European Parliament resolution	■
3	Creation of a Romani task force at EU level to facilitate Romani inclusion	European Commission	Facilitate Romani inclusion in various policies and empower Romani people by supporting the capacity-building of all actors involved in the management and implementation of EU and national Romani policies	European Parliament resolution	■
4	Establishment of a European child guarantee	European Commission / European Parliament / Council	Introduce a child guarantee to ensure every child in poverty has access to free healthcare, free education, free childcare, decent housing and adequate nutrition	European Parliament resolution	■
5	Strengthen inclusion through sport	European Commission / Member States	Explore new avenues to maximise impact and reach of sport such as providing increased support to low-income families to allow their children to take part in sport and other leisure activities	European Parliament resolution	■
Proposals submitted by the European Commission / ongoing processes					
6	European Pillar of Social Rights action plan	European Commission	Ensure greater social equality through measures to implement the principles of the European Pillar of Social Rights, setting three headline targets to measure progress.	European Commission communication	■

7	Action plan on integration and inclusion 2021-2027	European Commission	Promote inclusion for all by overcoming the barriers that can prevent the participation and inclusive integration of people with a migrant background.	European Commission communication	
8	A counter-terrorism agenda for the EU	European Commission / Member States	Provide support to help Member States better anticipate, prevent, protect and respond to the threat of terrorism.	European Commission communication	
9	EU Roma strategic framework	European Commission	Improve the life outcomes of Romani people through measures to support equality, inclusion and participation.	European Commission communication	
10	EU anti-racism action plan 2020-2025	European Commission / European Parliament / Council / Member States	Review current EU legislation and put forward actions to address racism in areas such as education, employment or law enforcement	European Commission communication	
11	Future of Europe Conference	European Commission / European Parliament / Council / Member States	Create a platform for ordinary citizens to put forward their ideas for the future of Europe, which will be actively followed-up by the EU institutions	European Commission, Council and European Parliament joint declaration	
12	Social Summit	European Commission / Member States	Organise high-level conference focusing on the EPSR action plan to stimulate high-level political debate and help raise visibility of social issues across the EU	Social Summit announcement	
13	Strategy for the rights of persons with disabilities	European Commission	Address the challenges facing people with disabilities through action to ensure progress in all areas of the United Nations Convention on the Rights of Persons with Disabilities, at both EU and national level.	European Commission communication	
14	Just Transition Fund	European Commission / European Parliament / Council	Provide support for communities in those regions most affected by the transition towards a climate neutral economy.	Proposal for a regulation on the Just Transition Fund	
15	European skills agenda	European Commission	Help people and businesses to develop more and better skills to drive the green and digital transition via lifelong learning and job skilling.	European Commission communication	

16	Temporary SURE instrument	European Commission / European Parliament / Council	Provide financial support through loans to Member States to help fund public job protection schemes such as short-time work schemes.	Proposal for a Council regulation	
17	Youth employment support	European Commission	Improve young people's employment opportunities by reinforcing the Youth Guarantee, adopting a new approach to vocational education and placing a new focus on apprenticeships.	European Commission communication	
18	Proposal for a directive on adequate minimum wages	European Commission / European Parliament / Council	Address in-work poverty by creating a framework to improve the adequacy of minimum wages and increase workers' access to minimum wage protection.	Proposal for a directive	
Policy suggestions from think tanks and academia / policy examples from third countries					
19	Social economy Europe	European Commission	Establish a European social economy action plan to ensure the systematic inclusion of the social economy within EU policies and its actions to deliver on the UN SDGs	Social economy Europe action plan proposal	
20	Social platform	European Commission / European Parliament / Council	Include a requirement to earmark 25 % of resources to social investments under the Resilience and Recovery Facility	Social platform views on the future European Pillar of Social Rights action plan	
21	A European agency for citizenship education	European Commission / European Parliament / Council	Create a new agency to equip citizens with the knowledge to defend their rights and democratic values by improving quality and access to citizenship education	European Policy Centre / Value Unite discussion paper	

Enhancing EU gender equality policy

The issue in brief

The existence and costs of gender inequality have been brutally exposed over the past year, both globally and within the European Union. The European Commission's 2021 report on gender equality in the EU concludes that the coronavirus pandemic has exacerbated existing inequalities between women and men in almost all areas of life, with a real risk that progress achieved so far could stall or even be reversed. This would add to the already significant negative impacts of gender inequality on individuals, societies and economies, including lost opportunities, wellbeing, income and prosperity. In committing to the United Nations Beijing Platform for Action, Agenda 2030 and sustainable development goals, the EU and its Member States have recognised that investing in gender equality is central to achieving a model of development that is fairer, more sustainable and more resilient. Europe is currently facing a combination of persistent gender gaps, emerging challenges, and immediate and long-term gendered impacts of the coronavirus crisis. There is also, perhaps, a window of opportunity for generating positive change.

Persistent gender gaps

The composite index developed by the EU's Gender Equality Institute (EIGE) shows that, over the past decade, measures taken at EU and national level have led to advances and some upward convergence. However, progress has been slow, there are considerable differences between Member States, and gender gaps remain widespread. The 2020 index results, based on data up to January 2020, show that most EU Member States score relatively well on health and education, but this is still not true for employment, access to economic and financial resources, or leadership, which is the area where most progress has been made, but where the gender gap remains widest. The gender gap in time spent on unpaid care and domestic work is wider than it was in 2010. The index also shows that women's ability to participate equally in society is still affected by disproportionate exposure to violence. In addition, factors such as age, sex, ethnicity, gender identity and sexual orientation, disability, migrant background and class intersect with each other, aggravating discrimination and affecting people's life chances.

Emerging challenges

Gender equality is never static. Across policy areas, including in seemingly 'neutral' fields, any new development can have different impacts on women and men and any policy response can inadvertently perpetuate inequality or discrimination if a gender perspective is not adopted. For instance, the EIGE's 2020 index report focuses specifically on the issue of digitalisation and the future of work. It finds that digital transformation has the potential to improve gender equality in the labour market, but there is also a risk of gender gaps being replicated in emerging sectors. Other new challenges such as climate change and demographic change – i.e. ageing societies – have gender dimensions that will need careful consideration to design fair, effective policy.

The impacts of the pandemic

As a triple health, social and economic crisis, the pandemic has brought new problems and an urgent need for gender sensitive policy responses. The EU agencies EIGE and Eurofound have flagged that the pandemic is having different impacts on women and men and that it is vital to understand this gender dimension. Evidence is emerging that women have been more likely to suffer cuts in working hours, lose their jobs, or drop out of the labour market, because they are over-

represented in badly hit sectors, have fewer employment-related entitlements and are experiencing more work-life conflict during lockdowns. Eurofound, signals that, in contrast to the 2008 financial and economic and financial crisis, when the largest initial job losses were among men, the recent lockdowns have had a greater impact on women, in particular those working in low-paid service sectors, such as hospitality, retail and tourism. The gender gap in family care has remained stubbornly persistent over time, even as increasing numbers of women have entered the labour market. This remains one of the main reasons why women are more likely than men to be out of the labour market or working in part-time roles that offer more flexibility to combine work and family life. It also stands in the way of closing the pay and pension gaps that accumulate for women over their working lives. Lockdown measures such as the closure of nurseries, schools and day care centres for people with disabilities have shifted the entire responsibility for care back to families. Survey data shows that women have shouldered the lion's share of this additional caring and domestic work, including home schooling, even when also engaged in paid work. This is already taking a toll on their wellbeing, work-life balance and economic independence, and could have long-term impacts on their jobs, careers and income in retirement. The pandemic has also shone a spotlight on underinvestment in care infrastructure and the undervaluing of care work, a sector that is highly feminised. Many of the women working in these sectors are among the lowest paid workers in the EU. Many work irregular hours in poor working conditions, with lower entitlements to social security and safety nets. Lockdowns have led to a surge in violence against women – particularly domestic violence – and revealed the fragility of support structures for survivors. This is particularly worrying in view of the likelihood of increased demand for emergency intervention, counselling and therapy when the health crisis passes.

Among growing concern that the pandemic could reverse progress made in closing the gender employment gap – and towards gender equality overall – one positive by-product might be if the gender gaps and inequalities it has exposed and exacerbated were to act as catalysts for action. There are signs that governments are recognising some of the gendered impacts of the pandemic. The United Nations Covid-19 global gender response tracker, which is monitoring measures taken by governments, shows that all 27 EU Member States have adopted at least one gender-sensitive measure in response to the Covid-19 crisis. Most EU Member States have adopted at least one measure directly addressing the surge in domestic violence under lockdowns. However, a review of measures adopted in Europe concludes that the relatively low number of labour market, fiscal and economic measures aimed at helping women to keep their jobs or re-enter the labour market is a major gap in the response so far. The UN and academic researchers are also cautioning that women and women's organisations have been under-represented in the task forces that take decisions on policies – and often miss the gender dimension.

Commitments and capacities

The EU and its Member States already have a range of structures and instruments in place promoting gender equality as a core EU value and policy objective, and obligations to this end under the Treaties and international agreements. In March 2020, the European Commission released a new EU gender equality strategy for 2020 to 2025. The strategy sets out measures in areas spotlighted by the pandemic, such as closing the gender employment gap, achieving equal participation across different sectors of the economy, equal pay, gender-equal parenting and care, gender balance in decision-making, protection against gender-based violence and addressing the specific situations of those women who are disadvantaged at multiple levels. It combines targeted measures to tackle gender and intersectional inequalities with gender mainstreaming across all EU policies and major initiatives, including the green and digital transitions. The EU has also adopted an ambitious 2021-2027 EU budget, and an extra €750 billion of stimulus funding for socio-economic recovery from the pandemic. The issue is therefore how best to mobilise these capacities to enhance gender equality.

Policy proposals by experts and stakeholders

Experts and stakeholders have identified various ways to enhance EU gender quality policy. These include better implementation and enforcement of existing EU gender equality legislation, moves to modernise it or introduce new legislation to fill gaps in protection, and further non-legislative measures such as data collection and monitoring, benchmarking, awareness raising, and support for the Member States, national equality bodies and grassroots organisations. Stakeholders would like the EU to be more ambitious in tackling the structural roots of inequality, such as gender stereotyping, gender-based violence and uneven access to reproductive health and rights, and to pay more attention to the specific situation of different groups of women and 'intersecting' forms of discrimination. There is a general understanding that, since the issues are inter-related, what is needed to make progress in this area is a genuinely holistic and integrated approach, at international, EU, national, regional and local levels, in partnership with stakeholders.

Implementing the 2020-2025 gender equality strategy

Following concerns about the EU's previous five-year policy framework, which was widely held to be weaker than its predecessor, stakeholders have broadly welcomed the new EU gender equality strategy for 2020 to 2025, which was drawn up on the basis of broad consultations. Since the publication of the new strategy in March 2020, stakeholders have called for its swift implementation and proposed additional measures to strengthen it, including in the light of the pandemic.

Political backing and involvement of stakeholders

Although for the European Women's Lobby (EWL), the new gender equality strategy signals renewed political commitment to gender equality at EU level, it sees a need for further backing from Member States in the Council through the adoption of Council conclusions and the establishment of a formal meeting of the ministers in charge of equality between women and men. It points out that while sports ministers meet eight times a year, the Council has no formal framework for ministers responsible for gender equality. The EU's advisory bodies, the European Economic and Social Committee (EESC) and European Committee of the Regions (CoR) are also proposing stronger coordination mechanisms to ensure input from civil society and local and regional government. The EWL wants EU Member States to ensure that they have strong structures in place to monitor progress and that they involve and support women's organisations.

Combating violence against women

Experts from the European Equality Law Network argue that the EU legal framework is incomplete. Currently, there is no legally binding instrument dedicated to preventing gender-based violence and protecting women and girls, which would ensure uniform definitions of the different types of violence, equal protection across all Member States and a harmonised response to the threat of violence during future crises. The experts identify best practices for tackling violence against women and stress that action needs to extend to other interconnected areas. For example, to tackle the economic dependence that creates unequal power relations and prevents women from leaving abusive situations, they propose a range of policy options, including improving access to education and employment and providing support through maternity and care leave, childcare and social security systems. The Commission is exploring several legislative and non-legislative options for combating gender-based violence, including an EU directive or EU legislation on specific manifestations, such as harmful practices. A European added value assessment on gender-based cyber-violence finds that a combination of legal and non-legal policy options would generate the greatest benefits.

Employment, equal pay and economic independence

Issues around women's employment, pay and economic independence have been on the EU gender equality agenda for many years and are again a priority in the new gender equality strategy. The

pandemic has raised concerns that progress towards closing the gender employment gap could be at risk, but experts and stakeholders are also foregrounding the need for a stronger emphasis on the quality of women's employment. An evaluation of the previous EU strategic engagement for gender equality, a recent paper for the Heinrich Boll Foundation and a study for the European Parliament note that women are particularly affected by precarious work. The research recommends further action to improve wages and working conditions in female-dominated sectors, including minimum wage schemes, extending the rights of contract workers, better work-life balance measures and pay transparency. The Commission has put forward a proposal for binding EU legislation on pay transparency to tackle the gender pay gap and resulting cumulative disadvantages for women, but there are diverging views. The EWL welcomes the proposal, arguing that binding measures would give women the information about pay levels in their workplaces necessary to prove, challenge and get compensation for pay discrimination. The EWL and Social Europe both recommend that the scope should extend beyond companies with over 250 employees to include small businesses (SMEs), where many women are employed. However, a study for the European Parliament finds that employers' organisations see no need for further EU legislation, citing potentially high administrative costs and concerns about sensitivity of pay information. EIGE notes the need for better data to assess the underlying causes of gender inequalities in the labour market. It recommends that the EU and national governments take further steps to ensure pay transparency, regulate and increase the availability of childcare and other care services, reform tax laws and systems that deter women from participating in the labour market, and promote an economy of wellbeing that supports social rights. To boost women's economic independence and tackle the forms of poverty that affect them in particular, governments could extend social security systems to cover non-standard forms of work and introduce pension credits for time spent in caring roles.

Representation in decision-making and public life

At the top end of the labour market, the gender equality strategy reaffirms the Commission's commitment to the proposed binding EU legislation on gender balance on company boards. The EWL and the European Equality Law Network both support this legislation but also call for further action to improve women's representation in political decision-making. EIGE recommends introducing legislative and non-legislative measures in sectors where women are under-represented in decision-making positions. These should include targets, timelines and sanctions for non-compliance. EIGE also flags the need to ensure that civil society organisations promoting women's rights and gender equality are adequately supported and resourced and involved in policy-making at EU and national levels.

Policy coherence and systematic use of gender mainstreaming tools

One aspect considered vital by many stakeholders is ensuring that the gender equality strategy, and the related equality strategies adopted by the current Commission under its 'union of equality' priority, are fully integrated with other EU instruments, such as the European Social Pillar and the European Semester, the EU framework for coordinating Member States' socio-economic policies. The same goes for policy priorities, notably the European Green Deal and EU digital strategy. The Commission has set up an equality task force to spearhead the inclusion of an equality perspective and gender mainstreaming. The Equality Law Network recommends expanding the role of the existing High Level Group on Gender Mainstreaming, which helps the Commission and EU Presidencies to identify gender equality issues for Council debates. The Advisory Committee on Equal Opportunities between Women and Men has called for gender equality to be discussed regularly in other Council meetings (e.g. finance) to strengthen gender mainstreaming in Council formations and in all policies.

Many experts and stakeholders, including the Advisory Committee on Equal Opportunities between Women and Men and the EWL see better use of gender mainstreaming at EU, national and sub-national levels, as a particularly vital priority to ensure that all EU instruments and policies contribute to gender equality goals. For this to happen, further sex-disaggregated and intersectional data is

needed to inform policy and evaluate its impacts. Other measures that would have positive impacts on gender mainstreaming are the setting of targets and indicators for policy areas, the monitoring of results, and the carrying out of gender impact assessments, which remain less embedded in European decision-making than comparable instruments, such as evaluation. In 2021, the Equality Law Network pointed to a continued failure to apply gender mainstreaming actively and effectively and recommended urgent application of the EIGE's gender mainstreaming toolkit. This will be especially important in the new priority areas for EU action, such as climate and environment policy.

Financing for gender equality: better use of EU funding and gender budgeting

Better use of gender-responsive budgeting is also identified as a key priority to ensure that financing contributes to gender equality goals. EIGE has developed a gender budgeting toolkit that can be applied to EU funding. However, knowledge and take-up of this guidance, in the EU budget and macro-economic policy and by the Member States, is patchy, as noted by the EIGE itself and in other recent evaluations. In 2020, the European Court of Auditors carried out an audit preview, which finds that gender equality has not been mainstreamed across the Union budget in the same way as other crosscutting priorities such as climate change. During the preparation of the 2021-2027 multi-annual financial framework (MFF), gender budgeting experts and non-governmental organisations (NGOs) also stressed that there was scope for better inclusion of gender equality objectives in the new proposal.

Gendering the response to the Covid-19 pandemic

Numerous gender equality experts from academia, civil society, think tanks and the social partners have highlighted that the measures set out in the gender equality strategy now need to be adapted in the light of the pandemic and that all economic and social recovery measures need to take account of the gender dimension.

Violence against women

The EWL and the Equality Law Network stress the importance of analysis to understand why crises increase the risk of gender-based violence, and assess the overall impacts. They are also calling for mandatory common standards for data collection across all EU Member States to inform plans for improving prevention and support systems for the future.

Employment and women's economic independence

Against the background of persistent gender inequalities in the labour market, high job losses among women and lessons from responses to previous crises, the ILO has put forward four policy priorities for a gender-responsive recovery: prevent women from losing their jobs; focus on gender-responsive employment policies; invest in care; and avoid premature fiscal consolidation. The policy brief emphasises that there is a need for a dual focus on supporting feminised sectors and disrupting horizontal sex segregation in the labour market. The ILO, the OECD and UN Women also recommend prioritising equal pay in recovery policies. With regard to participation in the labour market, pay and working conditions and the distribution of paid and unpaid work, some stakeholders highlight the possibilities for positive change. Policy analysis for the European Trade Union Institute argues that there are opportunities to build on some consequences of the pandemic to promote women's economic independence. For example, the normalisation of flexible working and teleworking could enable women to move from casual and part-time employment into standard employment, with shorter, more family-friendly working hours. The rapid measures taken by many EU governments to extend social protection could be leveraged to expand coverage more permanently to female-dominated jobs and sectors. The highlighting of the low pay earned by essential workers and of the gender care gap could be catalysts for changes to pay structures, incentives for men to share care work and investment in formal care provision.

The Member States holding the presidency of the Council during the pandemic, the European Economic and Social Committee, the European Committee of the Regions, and the European Women's Lobby have all called for gender equality to be a core part of social and economic recovery plans. A CEPS reflection paper on the plans agrees that they need to promote the transformations that societies and economies require, but also cautions there are risks involved in including a wide range of targets – such as supporting biodiversity, increasing digital connectivity and improving gender equality – since this could weaken the impacts of the programmes. To mitigate these risks, the paper recommends placing a greater focus on results, including transparent, reliable and comparable standards for ex-ante and ex-post impact evaluation. Following efforts from civil society and the European Parliament, each EU Member State must explain how its plan is expected to contribute to gender equality. The Commission will assess national plans against these commitments.

Aligning macro-economic policy with gender equality goals

Macro-level economic policies can have different impacts on women and men, as a result of the gender roles ascribed to them and the resulting power relations, division of labour and access to and control over resources. At the broadest level, there are calls for the recovery from the Covid-19 pandemic to be based on a paradigm shift in macro-economic policy. It is argued that, in order to build fairer and more resilient societies and economies, there is a need to go beyond the traditional focus on growth and gross domestic product (GDP), by taking account of environmental capacity, wellbeing and equality – including gender equality. Already in 2016, the Friedrich Ebert Stiftung (FES) analysed EU economic governance and the macro-economic strategy for recovery from the 2008 economic crisis from a gender perspective. Its conclusion was that the EU was lagging behind the OECD and the World Bank by continuing to treat gender equality as an 'add on' rather than integrating it into its macro-economic thinking. The FES recommended measures for incorporating gender equality into the European Semester and EU economic decision-making. In its 2020 report, Beyond growth – towards a new economic approach, the OECD reiterates that countries need to go much further in taking account of new frameworks of economic analysis, including gender analysis. The European Women's Lobby addresses the gender dimension further in its report, The purple pact: A feminist approach to the economy. This puts forward an economic model that is sustainable and equally beneficial to women and men and sets out concrete ways in which this could be built into macro-economic policies at EU and national levels. In the wake of the pandemic, the FES reiterates that a sustainable and resilient recovery could include a paradigm shift towards a care economy. Including gender equality in measures of GDP, alongside other social and environment indicators, could bring a sea change in the value placed upon the real contribution of unpaid care work and those who perform it. Economists have demonstrated that switching recovery investment from the traditional focus on construction and manufacturing to the care sector would create more jobs for both women and men and provide a better economic stimulus.

Position of the European Parliament

The European Parliament has consistently supported a strong EU framework for promoting women's rights and gender equality. The Parliament has welcomed the new 2020-2025 EU gender equality strategy, while also asking the Commission to adopt a roadmap with a clear timeframe, a monitoring mechanism, and indicators of success. The Parliament has called for gender mainstreaming across all policy areas and systematic use of gender impact assessments and is asking the Commission to draw up detailed guidelines. It particularly wants to see effective gender mainstreaming in Covid recovery instruments, employment, environmental, climate and digital policies and the EU budget. It also wants the EIGE Gender Equality Index to be incorporated in Commission monitoring. The Parliament was instrumental in getting gender mainstreaming included in long-term budgetary planning and recovery funding. It would like to see EU funding

used much more proactively to achieve gender equality goals, and gender budgeting to be applied in all EU budget lines and in all future EU funding programmes, with clear targets, specified resources and systematic monitoring. Regarding the priorities set out in the strategy, the Parliament has taken a proactive role in pushing for action to combat violence against women. It has consistently called for further measures to close the gender pay gap. It has urged the European Commission to propose binding measures on pay transparency and EU countries to set targets to reduce their gender pay gap and invest in family-friendly working arrangements and childcare to ensure women's equal participation in the labour market. The Parliament has highlighted the cumulative impact of gender imbalances in pay, overall earnings, family and caring responsibilities and career patterns on women's pensions. It has also flagged the precarious situation of care and domestic workers, who enable others to balance work and family life. The new EU work-life balance legislation covers several longstanding Parliament demands. The Parliament has made proposals to improve the representation and participation of women and girls in the digital economy. It has also called for a more gender-sensitive approach in climate change policy.

In January 2021, the Parliament adopted a resolution on the gender perspective in the Covid-19 crisis and post-crisis period, addressing the harmful gendered and intersectional impacts of the pandemic and setting out recommendations for overcoming them. The Parliament is clear that overcoming current and future challenges will require, 'a gender-sensitive approach, with gender mainstreaming and gender budgeting principles reflected in all aspects of the pandemic response. The Parliament is also calling for a stronger mechanism to prevent backsliding on fundamental rights.

Points of blockage

Key EU equality legislation backed by the European Parliament, in particular a proposal for a horizontal anti-discrimination directive (2008) and a proposed directive on gender balance on company boards (2012) have remained stalled in the Council because Member States have been unable to reach an agreement. The proposal for EU accession to the Istanbul Convention on combating violence against women and domestic violence has also halted. One difficulty is that the Treaties do not give the EU a straightforward legal basis for addressing some fields such as violence against women, which are decisive for gender equality, while other areas of public concern lie beyond the EU's core legislative competences. However, the biggest point of contention in most files is subsidiarity, with some Member States questioning whether the EU has a mandate to legislate on certain issues. The matter is aggravated in some areas that are crucial for gender equality, for example, social policy, where unanimity is required in the Council for legislation to be adopted. This is a longstanding issue. While some countries fear the watering down of existing standards, others are wary of the costs of new legislation, making it difficult to introduce standards above the lowest common denominator. In recent years, a new challenge has emerged, in the form of a concerted backlash against gender equality, globally and within the EU. This has hampered EU accession to the Istanbul Convention. Governments in several EU Member States have been influenced by, or expressed, strong opposition to the Convention, on the grounds that the inclusion of the concept of 'gender' is harmful to 'traditional families'. At EU level, Council conclusions have been blocked by some Member States because they have included the term 'gender' or 'gender equality', while plenary debates on gender issues in the European Parliament have become more antagonistic.

As well as curtailing the space for debating progressive gender policies and the adoption of new legislation, this backlash threatens to erode existing achievements and diminish protections against discrimination. The EIGE has identified several areas where the backlash is manifesting, including sexual and reproductive health and rights, education, and the working environment of women's rights NGOs. Concrete examples include the closure or defunding of gender studies programmes, constraints on women's organisations and more space for anti-gender actors. Some national structures for promoting gender equality have been downgraded or replaced by government

departments for family and demographic policy. Research links reversal of gender equality policies with wider processes of undermining democracy and the rule of law.

The experience of the 2008 financial and economic crisis also shows that the risk of gender-blind responses is real. Analysis by the EIGE found that only four EU Member States (Denmark, Finland, Italy and Slovenia) carried out gender assessments before implementing recovery policies. The evidence shows that policies based on austerity, notably budget cuts to welfare and public services had a disproportionate impact on women. In the years since the crisis, budget cuts have contributed to an erosion of capacity for supporting gender equality in many EU Member States.

Opportunities to move forward
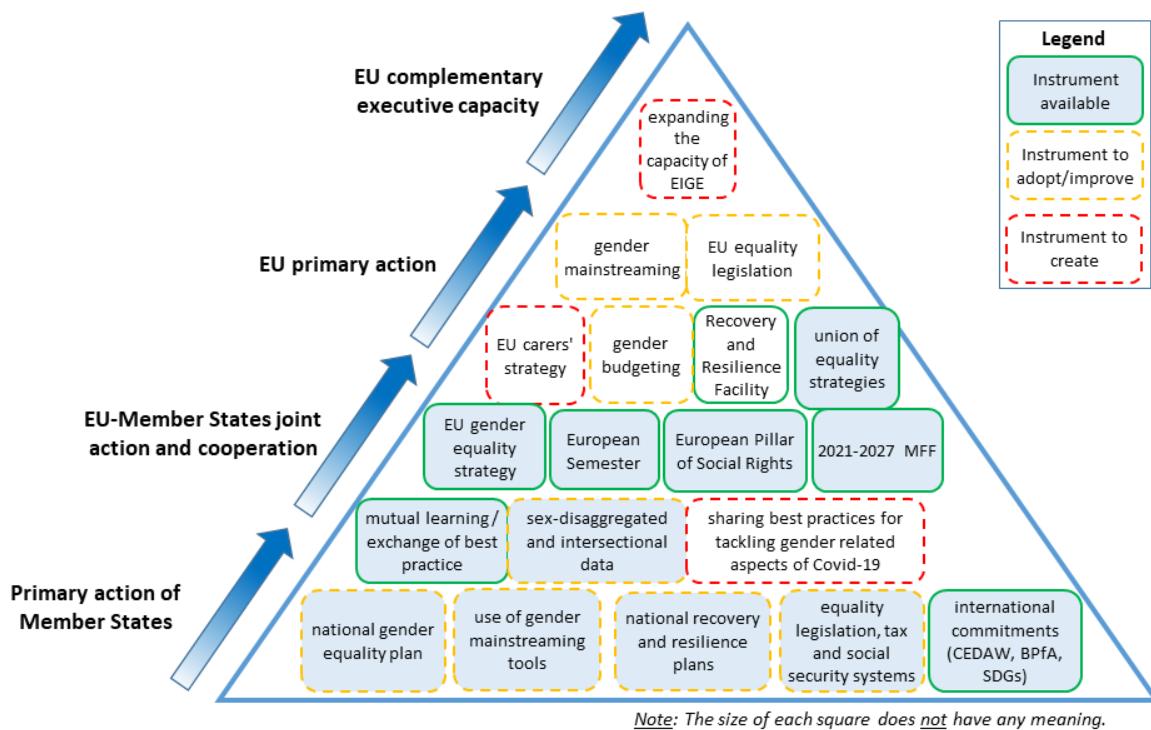
A public opinion survey conducted for the European Parliament in November and December 2020 found significant support for gender equality. When asked which core EU values the European Parliament should defend as a priority, equality between women and men was ranked in second place (42 %), just behind protection of human rights worldwide (51 %). Gender equality was considered the top priority in three EU Member States (France, Spain and Italy).

The existence of new multidimensional development paradigms such as the 2030 Sustainable Development Agenda and the European Pillar of Social Rights, have put gender equality in the frame. EU commitments to sustainable growth that improves wellbeing, for example in the Commission's Strategic Foresight Report, the Council's Conclusions on an Economy of Wellbeing and the recent Tripartite Social Summit in 24 March 2021 also open space for the explicit inclusion of gender equality goals. The inclusion of gender equality and gender mainstreaming requirements in the EU's long-term budgetary planning and the Recovery and Resilience Facility, the main component in the Next Generation EU instrument provides a more solid basis for progress at EU and national levels. Member States will be able to draw on examples of successful use of gender budgeting in many regions of the world, including Africa and Latin America and practical experience within Europe, at national, regional and local levels.

In focus: strengthening the European Institute for Gender Equality as complementary executive capacity

The European Institute for Gender Equality (EIGE) was set up as an autonomous EU agency in 2006 with a mandate to support the European Commission in promoting and realising gender equality. Its key tasks include: collecting, analysing and disseminating objective, comparable and reliable data on gender equality; improving data collection; developing methodological tools to integrate gender equality into all Community policies and resulting national policies; and helping policy makers define, implement and evaluate gender mainstreaming policies, programmes and instruments. It is also a networking body and brings stakeholders into the decision-making process. An external evaluation conducted in 2014 concluded that the EIGE's technical support role had been and would continue to be relevant to achieving EU gender equality goals. In January 2021, the European Parliament called for the capacities of the EIGE to be expanded in order to ensure the reliable and adequate collection and analysis of sex-disaggregated data to act as the basis for decision-making.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Effective implementation of the 2020-2025 EU gender equality strategy	Commission / EP / Council / Member States / Local and regional government / civil society	Draw up a concrete roadmap for the strategy, with clear timeframes, targets, an annual review and monitoring mechanism, clear and measurable indicators of success and additional targeted actions.	EP resolution: P9_TA(2021)0025	
2	Eliminating violence against women and gender-based violence	Commission / EP / Council / Member States	Improve the implementation of existing EU legislation such as the Victims' Rights Directive; complete EU accession to the Istanbul Convention; adopt new EU legislation to address the existing disparities in laws, policies and services between Member States.	EP resolution: P9_TA(2021)0025 EPRS added value assessment: Combating gender-based violence (cyber-violence) EPRS study: Unlocking the potential of the EU Treaties (2020), pp. 37-38	

3	Achieving a gender equal economy.	Commission / EP / Council / Member States	Include indicators on the gender pay, pension and care gaps in the EU gender equality strategy; revise existing EU equal pay legislation and adopt the new pay transparency and minimum wage proposals; adopt an EU carers' strategy.	EP resolution: P9_TA(2021)0025 Policy department studies: Precarious work from a gender and intersectionality perspective, and ways to combat it Education and employment of women in science, technology and the digital economy, including AI and its influence on gender equality
4	Achieving gender parity in political decision-making	Commission / EP / Council / Member States	Conclude negotiations in Council on the Commission proposal for a Directive on women on boards. Member States to support measures, including binding quotas, to facilitate the balanced participation of men and women in decision-making at national, regional and local levels.	EP resolution: P9_TA(2021)0025 EPRS briefing: Women in politics in the EU: state of play
5	Ensuring that gender equality issues are discussed at the highest political level in the EU	Council, Member States	Establish a dedicated Council configuration for Ministers in charge of gender equality to deliver common and concrete measures to address challenges.	EP resolution: P9_TA(2021)0025 and T9-0379/2020
6	Systematic application of gender mainstreaming commitments and tools – policy coherence	Commission / EP / Council / Member States / Local and regional government	Use the full potential of gender mainstreaming, including collection of disaggregated data, gender impact assessments and gender budgeting, to ensure that all EU legislation, policy and funding, including Covid-19 recovery measures, contribute to gender equality and avoid creating or exacerbating gender inequalities.	EP resolutions: A9-0026/2021 P9_TA(2021)0024 P9_TA(2021)0025 P9_TA(2021)0026 P8_TA(2017)0075 EP Policy Department studies: EU gender budgeting: where do we stand? EPRS briefings: Gender mainstreaming in the EU: state of play Covid-19 the need for a gendered response
7	Countering setbacks in gender equality	Commission	Establish an alarm system to highlight regressions.	EP resolution: P9_TA(2021)0025

Proposals submitted by the Commission / on-going processes					
8	Policy direction: promoting wellbeing, fairness sustainability and resilience	Commission / EP / Council / Member States	Move beyond macro-level policies based on GDP and growth, including a gender dimension	Commission communication COM(2020) 493 final Council Conclusions on the economy of wellbeing	
9	EU gender equality strategy 2020-2025	Commission / EP / Council / Member States	Intended to give a new impetus. The priorities include: combating stereotypes and gender based violence; creating a gender equal economy; and achieving gender balance in decision-making and politics. Measures include reviewing existing EU equality legislation and adopting new legislation.	Commission communication COM(2020) 152 final	
10	Dispose of sufficient EU funding for gender equality	Commission / EP / Council / Member States	It has been agreed that promoting gender equality will be a horizontal priority in the MFF2021-2027, with gender mainstreaming, accompanied by a thorough gender impact assessment and monitoring of the programmes.		
9	Recovery and Resilience Facility	Commission / Member States	Article 4(1): goals include mitigating the social and economic impact of the crisis, in particular on women. Article 15(3)(i)(a): Requires Member States to explain how the measures in their national plan will contribute to gender equality, equal opportunities and gender mainstreaming, in line with the European Pillar of Social Rights, the SDGs and the national gender equality strategy. Investment in robust care infrastructure as essential to ensure gender equality and the economic empowerment of women.	Regulation (EU) 2021/241 Commission guidance for MS	

10	European Pillar of Social Rights		Gender equality is a core principle in the European Pillar of Social Rights, which establishes targets for halving the gender employment gap by 2030 and providing early childhood education and care.	European Pillar of Social Rights Action Plan	
14	Dispose of sufficient EU funding for gender equality	Commission / EP / Council	It has been agreed that promoting gender equality will be a horizontal priority in the MFF2021-2027, with gender mainstreaming, accompanied by a thorough gender impact assessment and monitoring of the programmes.		
Policy suggestions from experts, academia and civil society					
15	Effective implementation of the EU gender equality strategy 2020-2025	Commission / EP / Council / Member States / Local and regional government / civil society	Proposals for stronger leadership, consultation, action in the priority areas and additional action to respond to the impacts of the pandemic.	EIGE, EU advisory bodies, EWL and other civil society organisations, social partners and academia.	
16	Ensuring a gender sensitive recovery	Commission / EP / Council / Member States	Using gender mainstreaming, especially gender budgeting, to help focus resources towards gender equality; shifting to a wellbeing approach to macro-economic policy, including investing in public services, particularly care infrastructure.	International Monetary Fund: Engendering the Recovery: Budgeting with Women in Mind EIGE: Gender budgeting. Mainstreaming gender into the EU budget and macroeconomic policy framework ECA: Audit preview – Gender mainstreaming in the EU budget United Nations: BPfA, Agenda 2030, SDGs OECD: The Economy of Well-being - OECD Background Paper EIGE: Europe needs to care more about care Foundation for European Progressive Studies (FEPS): Care4Care project	

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Building a genuine capital markets union in the EU

The issue in short

The EU financial system (financial intermediaries, markets and market infrastructures) is predominantly bank-based and remains largely fragmented along national lines. The global financial crisis and the EU sovereign debt crisis had a particularly strong negative impact on European banks' balance sheets. The attention of the media at the time focused on a few banks that had to be resolved, putting to the test the capacity of the financial system to withstand shocks and necessitating salvage plans from Member States. However, another result of the crisis was that European banks reduced their lending, something that contributed to low(er) investment levels across the EU. As a result, an 'investment gap' opened (in relation both to pre-crisis investment rates and to growing investment rates in many competing economies) delaying the EU's economic recovery and worsening its international competitiveness.

Under the presidency of Jean-Claude Juncker, the European Commission proposed to develop and integrate EU capital markets so as to make the financial system more stable, resilient and competitive. This was to be achieved through the capital markets union, whose aim was to provide new sources of funding for companies, to facilitate cross-border investing and to attract foreign investment into the EU. As for the issue of investment, the EU strategy to close the investment gap focused on enticing private investors to become the principal source of financing, especially for sectors that could contribute to long-term growth but did not have obvious short-term returns (e.g. infrastructure, and research and development – R&D). The strategy was implemented, in part, through various European Investment Bank operations, the EU Investment Plan's, European Fund for Strategic Investments, the European Long-Term Investment Funds (ELTIFs) Regulation and, last but not least, through the afore-mentioned capital markets union.

The capital markets union initiative was launched in 2015 and reviewed in 2017. The aim was to adopt measures to eliminate barriers to cross-border investments, facilitate alternative sources of finance to complement bank financing and support more investment (thus complementing the investment plan). Its objectives were to be achieved through various means, including via EU legislation. In this context, the co-legislators approved several regulations and directives, in such diverse areas as securitisation, prospectuses and central counterparties.

Six years on, however, despite the fact that recent trends indicate an important increase in the share of financing by non-bank institutions (total assets held by non-banks have almost doubled over the last 10 years, raising issues of financial stability on its own), the EU financial system still remains bank-based and fragmented along national lines. This is due to several reasons, which include, among other things, the fact that existing corporate income tax systems in the EU incentivise companies to take on debt rather than equity, and the costs of legal compliance that dissuade cross-border investment. Also, some of the rules adopted (e.g. the pan-European personal pension product) have been criticised for being too complex, discouraging both providers and investors.

In addition to the above, the departure of the United Kingdom from the European Union means that the capital markets union will materialise without the most important European financial centre, the City of London. This may have two important consequences: on the one hand, some of the key market infrastructures may stay outside the EU, increasing the risk of dependence of the EU's

economy on non-EU capital markets. On the other, the departure of the UK may in the long term lead to the development of various financial centres in the EU, specialising in different financial spheres. While this could be welcomed by some, under the current arrangements, capital markets within the EU are, to a certain extent, subject to national rules and supervision; therefore, such differences in regimes could challenge the integration of markets and possibly provide incentives for regulatory arbitrage, potentially creating financial stability concerns.

Another very important point is that the Covid-19 pandemic is having an adverse impact on Member States' economies. While the considerable fiscal, monetary and economic measures taken softened the immediate blow to the economies, there are fears that the insolvency of many households and businesses has merely been postponed, not avoided, potentially posing additional risks to stability and harming the economic recovery. Moreover, a recent Commission forecast notes that the Covid-19 pandemic has increased economic uncertainty, leading, for instance, to a sharp fall in private consumption and dismal investment in the EU. Having learned from the previous crisis, important fiscal means are being deployed at both national and EU level to sustain investment. However, those fiscal means are limited in size and time and should be subject to effective and responsible use; it is therefore crucial for companies and households to contribute to preserving (or relaunching) investment.

Finally, action to advance the CMU could contribute to the objectives of the European Green Deal. First of all, the European Green Deal investment plan aims to mobilise at least €1 trillion in investment over the course of 10 years. Of this amount, the Commission estimates that around €279 billion will have to come from public-private investment, through initiatives such as InvestEU. Completing the capital markets union could help with reaching these goals. Also, the way a financial system is structured seems to impact the environment: a recent article published in the European Central Bank's 'Financial Integration and Structure in the Euro Area' report reveals that there are indications that the carbon footprint of the economy shrinks faster in economies that receive relatively more of their funding from equity investors than from banks.

Despite efforts made by Member States in recent years, the need to further implement risk-reducing measures in some Member States, existing technological differences, divergent tax and supervision regimes, and differences in local financial structures, sustain the fragmentation of EU capital markets. The situation is now compounded by the departure of the main financial centre from the EU and the economic effects of the coronavirus pandemic. This fragmentation is particularly harmful in a currency union such as EMU, where deeper and more liquid financial markets should be able to compensate for the absence of other shock absorbers, such as flexible exchange rates. Therefore, an initiative to enhance the capital markets in the EU would be extremely timely, to protect financial stability, increase investment – including for the environment – and speed up the EU's economic recovery.

In this context, on 24 September 2020, the Commission adopted a new CMU action plan, composed of 16 legislative and non-legislative actions. In addition to this action plan, several proposals were made by think tanks and academics (see a few in the table below). Last but not least, the European Parliament has over the years called for measures in this sector. This paper aims to provide a flavour of the broad discussion in this context.

Position of the European Parliament

The European Parliament has been supportive of the capital markets union project. By way of example, in 2019 alone, the Parliament underlined in several resolutions that there is an urgent need to accelerate work on completing the capital markets union, so as to: (i) enable the European Investment Bank to truly focus on filling the gaps where there are market failures and to provide financing for high-risk projects; (ii) contribute to building resilience to shocks and render the transmission of monetary policy across the monetary union more effective, fostering private risk-sharing within European Union; and (iii) provide for further private risk-sharing and risk-reduction

mechanisms, facilitate cross-border investments and access to finance for the real economy, and promote sustainable private investments. However, Parliament has on numerous occasions also taken the opportunity to express its opinions on supplementary measures to complete the capital markets union.

For example, in an October 2020 resolution on digital finance, the Parliament welcomed the adoption of the digital finance package, but regretted that the Commission did not properly address the problems related to money laundering, terrorism financing and criminal activity associated with crypto assets. Parliament further stressed the need for stronger regulatory and supervisory convergence, to develop a common EU framework, and highlight the crucial role of the European supervisory authorities (ESAs) in facilitating this. It further called for a structured dialogue between the ESAs and national competent authorities, focusing on current supervisory challenges and convergence of practices towards coherent supervision on aspects relative to digital finance, anti-money laundering, protection of privacy and data protection and cyber-security challenges. It considered that this structured dialogue should focus, in the field of digital finance, on reducing arbitrage and supervisory competition, and other existing obstacles to cross-border operations. Lastly, it proposed that a single European supervisor, working in close cooperation with other ESAs and national competent authorities, based on a common rulebook and product intervention powers, should oversee specific areas of crypto-asset related activities.

In another October 2020 resolution, this time on the capital markets union package itself, the Parliament called, among other things, for efficient and effective cooperation between European and national supervisory authorities, in order to overcome their differences and to work together towards genuine supervisory convergence and promote a common European model of supervision and enforcement. In particular, and as a result of the Wirecard scandal, the Parliament further asked the Commission to consider whether direct supervision at European level in specific areas could have prevented this failure, and whether an ambitious reform of the governance of the ESAs, with a stronger role in reducing the existing obstacles to cross-border financial operations, would be warranted (see also the text box below 'In focus').

In another point, the Parliament encouraged the creation and prioritisation of a large, private and pan-European initial public offering (IPO) fund to support SME funding, and noted the need in this context to ensure an attractive pre-IPO and post-IPO environment for SMEs. It also asked Member States to amend their national tax frameworks in order to reduce tax obstacles to cross-border investments; for that purpose, they should work closely with the OECD and its tax relief and compliance enhancement project, to rebalance the equity-debt bias penalising the financing of innovation through private investment, and to incentivise long-term investment opportunities for investors, which will help EU citizens gain better returns on their long-term savings. Regarding market infrastructure, it called on the Commission to consider gradually granting the European Securities and Markets Authority (ESMA) direct supervisory powers, including direct oversight over certain market segments, such as EU central counterparties (CCPs) and central securities depositories (CSDs), as well as greater product intervention powers.

Lastly, given that financial markets in the EU are interlinked with third-country markets, the Parliament called on the Commission to establish a dynamic monitoring system on equivalence regimes for cases of third-country regulatory and supervisory divergences, which could entail potential risks for the EU in terms of financial stability, market transparency, market integrity, investor and consumer protection, or the level playing field. In this context, it highlighted the need for the Commission to have emergency procedures to withdraw such equivalence decisions, as well as for supervisors to have direct supervisory powers in the event that certain recognised third-country firms had an impact on financial stability.

Policy proposals by experts and stakeholders

Credit ratings and pro-cyclicality

During the early 2000s, the inclusion in key EU acts or financial regulations of the requirement for ratings to be performed by credit-rating agencies has reduced firms' incentives to develop their own capacity for credit risk assessment and due diligence. As demonstrated during the financial crisis, this 'mechanistic' reliance on external ratings without appropriate internal assessments contributed to herding behaviour and abrupt sell-offs of securities after their downgrade ('cliff effects'), which amplified pro-cyclicality. Reforms implemented after the crisis on both sides of the Atlantic have reduced reliance on external credit ratings. Despite these efforts, in a 2015 report, the European Commission noted that key regulations for banks, insurers and asset management still relied on external ratings, mainly due to the lack of alternative methods. 'Cliff effects' of the kind observed during the financial crisis have not yet materialised during the current crisis, thanks to the quick measures taken by supervisors and central banks: i) banks have temporarily been allowed to operate below the level of capital defined by the Pillar 2 guidance, the combined buffer requirement and the liquidity coverage ratio; ii) banks and insurers have been called upon to delay their distribution of dividends and variable remunerations; and iii) the ECB has changed its collateral framework until September 2021 to alleviate the impact of rating downgrades on the availability of collateral. Nevertheless, as mentioned above, the risk of an increase in insolvencies still remains probable. This could create tensions in credit markets, leading to downgrades, despite the measures taken above; this, in turn, could create risks to financial stability. Therefore, seeking credible and efficient alternatives, as well as eliminating reliance on credit ratings in the remaining key pieces of EU legislation could enhance systemic financial stability.

A European supervisory mechanism for money laundering and terrorist financing

While money laundering and terrorist financing (ML/FT) are often cross-border issues, the related supervision of financial institutions is, for the moment, organised at national level. In addition to this, other factors, such as limited available resources, limited time or the risk of supervisory capture, can constitute obstacles to optimal supervision. Moreover, European rules are implemented in different ways in the Member States because ML/FT rules are not uniform. To remedy this, the finance ministers of France, Germany, Italy, Latvia, the Netherlands and Spain published a joint proposal in which they call for a European ML/FT supervisory mechanism, featuring a European central supervisor. The central supervisor should be mainly focused on high-risk financial institutions, or in areas and institutions where the national supervision has been apparently insufficient or inappropriate. While the central supervisor would cooperate with national supervisory authorities, it would also be able to supersede them and conduct supervision independently. Moreover, it should be informed on the national authorities' programme of inspections and could decide, if appropriate, to take part in these inspections along with national supervisors (some of these points were taken up in the recent Council conclusions of 5 December 2020).

Points of blockage

The capital markets union benefited from two headwinds: on one hand, the willingness of Member States to develop capital markets and, on the other, the absence of any very controversial proposals (e.g. the various joint debt proposals)). However, there are two proposals that, while not being part of 'core' CMU initiatives, could partly address the debt-equity bias and increase cross-border investment in businesses. Those are the common corporate tax base (CCTB) and the common consolidated corporate tax base (CCCTB).

Originally, a single 2011 Commission proposal, the common consolidated corporate tax base project was relaunched in 2016 by the European Commission, this time in a two-step approach. The aim of the first step (CCTB) would be to set rules for calculating the corporate tax base. The

consolidation of those rules would constitute the second step (CCCTB). If the proposals were adopted, companies operating across borders in the EU would no longer have to deal with 28 different sets of national rules when calculating their taxable profits.

These legislative proposals fall under Article 115 TFEU, a consultation procedure in Parliament with unanimity required in the Council. The European Parliament adopted its opinions in plenary on 15 March 2018 but, given the national prerogative in tax matters in general and the sensitivity of the topic in particular, Council has been moving very slowly on the matter. In its afore-mentioned October 2020 resolution on the capital markets union, the Parliament called on the Member States to bridge their diverging positions and to agree on the adoption of the proposals concerning the CCTB and CCCTB, taking into consideration Parliament's opinion.

Opportunities to move forward

The capital markets union has benefited from headwinds since its inception. However, while many initiatives have been launched, the project has not yet been completed and significant progress still remains to be made. The current economic context could be used by EU leaders and institutions as an opportunity to adopt the necessary measures, so as to safeguard financial stability and enhance the economic recovery from the current economic crisis caused by the pandemic. This, in turn, may enhance the international role of the euro, contribute to more sustainable finance and yield the benefits of digitalisation in finance, while protecting investors and end-consumers.

**In focus: Harmonising regulation and strengthening supervision of capital markets in the EU**
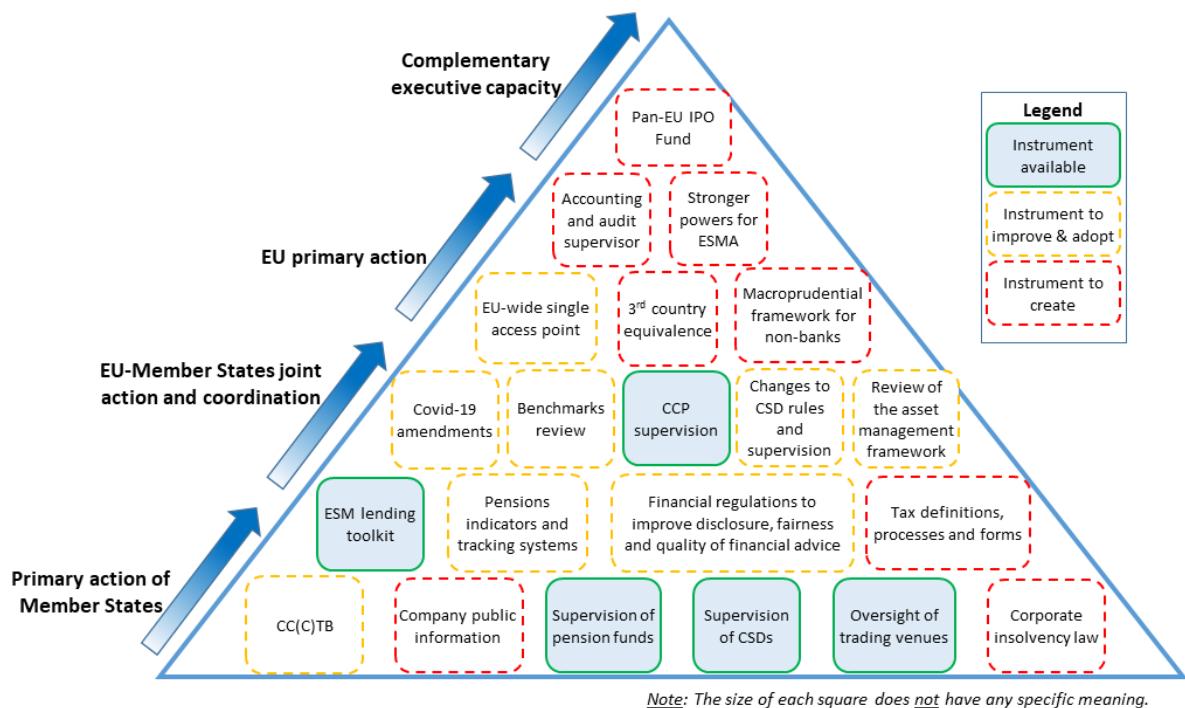
In the capital markets union 2020 action plan, it is argued that national, as well as European supervisors need to have the right tools, skills and powers to oversee complex value chains and group structures as well as to investigate possible cases of fraud or abuse, especially when it comes to publicly listed companies and auditors' responsibilities.

The transition towards more convergent and integrated EU supervision should start with work towards a capital markets *single rulebook*, i.e. a single set of rules applicable directly throughout the EU, such as is already the case in the banking sector. In that context, the action plan contains a proposal for the end of 2021 to take stock of what has been achieved by then, as well as assess the implications of financial scandals (such as Wirecard) and propose measures for stronger supervisory coordination or direct supervision by the ESAs.

Reflecting on the aftermath of the Wirecard scandal, Lorenzo Bini Smaghi underlines that, to complete a genuine capital markets union, the EU needs to depart from the current system of 27 national authorities for capital markets and move towards the creation of a federal institution in charge of financial market supervision.

In that context, Jan Pieter Krahnen and Katja Langenbucher propose to create a European Single Capital Market Supervisory body with enforcement rights at all levels of the market. The supervisor would replace existing national agencies, parts of which (or all) would be integrated into the new supervisor. It would be independent of the Member States and the Commission, and would be provided with the necessary staff to carry out its role as supervisor. When it comes to the place and role of that single supervisory entity within the broader system of financial supervision, two possibilities are envisaged by the authors: either integration of the supervisor into the European Securities and Markets Authority (ESMA); or (a better solution, in the opinion of the authors) coexistence of the two institutions, with a clear separation of the tasks of regulation and supervision/enforcement, as is currently the case in the banking sector (regulation is the remit of the European Banking Authority, while supervision is the remit of the Single Supervisory Mechanism and national supervisory authorities).

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	AML regulation and supervision	Commission / EP / Council	Stronger AML regulatory convergence and coherent supervision	Parliament digital finance resolution	
2	Pan-EU IPO fund	Commission / private sector	Support SME access to finance across the EU	Parliament CMU resolution	
3	3rd country equivalence	Commission / EP / Council	Dynamic monitoring of third country equivalence regimes	Parliament CMU resolution	
4	Amend tax frameworks	OECD / Member States	Amend national tax frameworks to reduce tax obstacles to cross-border investments, and to rebalance the equity-debt bias.	Parliament CMU resolution	
5	Stronger supervisory powers for ESMA	Commission / EP / Council	Grant ESMA direct supervisory powers, including direct oversight over certain market segments (CCPs & CSDs)	Parliament CMU resolution	

Proposals submitted by the European Commission / ongoing processes					
6	Review of the Benchmark Regulation	Commission / EP / Council	Address risks that may result from moving away from the LIBOR benchmark	Commission proposal	
7	Securitisation, prospectus and MiFID II Covid-19 amendments	Commission / EP / Council	Temporary regimes created to help the economy recover faster from the crisis	Commission proposals	
8	EU-wide single access point (ESAP) for company information	Commission / EP / Council	Provide EU-wide access to all relevant information disclosed to the public by companies, to make them more visible to cross-border investors	CMU action plan	
9	Targeted changes to CSDs passport, supervision and specific rules in CSD regulation	Commission / EP / Council	Improve the cross-border provision of settlement services in the EU and encourage cross-border trading	CMU action plan	
10	Introduce a common, standardised, EU-wide system for withholding tax relief at source	Commission / Council	Tackle the current cumbersome refund procedures, lower tax-related costs for cross-border investors and prevent tax fraud	CMU action plan	
11	Pensions sustainability indicators for Member States, pension tracking systems for individuals.	Commission / EP / Council	Strengthen the monitoring of the state of play as regards pension adequacy in Member States. Develop best practices for the set-up of national tracking systems, to facilitate access to individualised pension information and raise people's awareness as regards their future retirement income.	CMU action plan	
12	Harmonisation of central elements in corporate insolvency law	Commission / EP / Council	Make the outcomes of insolvency proceedings more predictable, so as to increase confidence in cross-border financing	CMU action plan and CEPS forum report	
13	Stronger supervisory coordination/direct supervision by the European supervisory authorities	Commission / EP / Council	Increase the stability of the financial sectors, possibly prevent financial scandals	CMU action plan, stakeholders	
14	Establish a common (consolidated) corporate tax base	Commission / EP / Council	Address debt-equity bias, increase cross-border investment	Commission proposal	

			Policy suggestions from think tanks and academia / policy examples from third countries		
15	Create a macro-prudential framework for non-banks	ESRB / IOSCO / ESMA	Develop a system-wide or macro-prudential perspective for the non-bank financial sector to ensure financial stability	Think tank	
16	Sever the mechanistic reliance on and the pro-cyclicality of credit ratings	Commission / EP / Council	Remove credit ratings from the remaining important pieces of EU financial regulation, to avoid spirals in crises.	ESMA / Academia	
17	EU accounting and audit supervisor	Commission / Council / EP	Entrust EU body with supervision of accounting standards and auditing companies to increase comparability of data	CEPS forum report	
18	Harmonise EU business law to increase cross-border investment	Academia / national parliaments	e.g. European code of business law. Regulation in core areas (a 'euro-mortgage', insurance contracts, business loans)	Fondation Robert Schuman policy paper	
19	Strengthen equity markets	Commission / EP / Council	Improve corporate governance and create CMU index family	Oxera consulting report / CEPS report	

Making the EU single market more resilient

The issue in short

Evidence shows that the European **single market**[1] **greatly benefits consumers and businesses** in the European Union (EU) on a daily basis.[2] A recent study by the European Central Bank (ECB)[3] provides an example, estimating that since it was launched in 1985, the single market has added around 17 % on average to EU gross domestic product (GDP) per capita. However, as the United Kingdom (UK) withdrawal demonstrated, anything that has been built can be un-built. The single market cannot be taken for granted: this unique asset needs constant improvement to further increase its intrinsic value and to resist attempts to dilute its effectiveness.

A **succession of unprecedented crises** have recently tested the resilience of the EU single market. The coronavirus pandemic has particularly highlighted a number of gaps and limitations in the legislative framework that underpins the single market. New technologies, the swift evolution of the digital economy and shifts in the tectonic plates of the international order are also challenging existing regulatory arrangements. In such a complex and rapidly changing environment, complacency inevitably leads to unpreparedness and slow adaptation to on-going transformations. It can also lead to calls for a return to a more nationalist and protectionist agenda – a path taken by Europe in the past at significant human and economic cost – whereas it is a strong, thriving and open economy that is most likely to offer the best prospect for a sustainable recovery.

In the short term, the immediate need is to ensure that measures introduced to limit the spread of coronavirus remain temporary, proportionate and non-discriminatory and that they are lifted as soon as possible and in a coordinated way. In close cooperation with Member States, there is also a need to evaluate and swiftly remove measures that could lead to durable distortion in the single market. The European Semester, which is supposed to provide a framework for the coordination of economic policies across the European Union, also needs serious rethinking, upgrading and updating. In the medium term, a culture of preparedness and reinforced partnership should be developed at all levels and enforcement should continue to be improved. A comprehensive review of the fragility in some supply-chains has already started. This should be systematised and supply-chains' proactive management and contingency plans should be developed, should a new pandemic occur.

In the long term, there is a risk of anaemic progress towards completing the single market and of a lack of progress on a more efficient EU economic policy. There is also a risk of failure to reap some of the benefits offered by the single market, if heavy, multi-layered administrative burdens and barriers continue to affect business conditions. Finally, a fully complete and well-functioning single market will require accelerated progress on simplified and fair taxation, common public procurement, digitalisation and sustainability.

Policy proposals by experts and stakeholders

The benefits and future steps needed to complete the single market have been debated extensively. Some key elements seem to be widely acknowledged: the need to make sure that restrictive measures are indeed temporary; the importance of achieving an effective single market governance and a better enforcement of single market and consumer protection rules; the need to move

towards a more integrated and strategic economic policy with the single market at its core; and to optimise and develop common EU public procurement.

After the initial shock of the pandemic, the EU rapidly took measures to ensure the lifting of national export bans, to guarantee continued circulation of goods (e.g. via 'green lanes') and essential services and bolstered manufacturing of medical equipment. As the European Policy Centre (EPC) argues, further work is nevertheless required, as maintaining unjustified restrictions for too long would seriously hamper the positive impact of the single market in the economic recovery. In addition, a recent study for the European Parliament's Committee on Internal Market and Consumer Protection (IMCO) stressed the necessity of establishing a higher threshold and stronger requirements for prompt notification of any measures limiting the flow of goods and the cross-border delivery of services in the future.

Effective single market governance

A study for the European Parliament has noted that just over one per cent of the European Commission's country specific recommendations (CSRs) issued under the European Semester were fully or substantially addressed in 2019. That the EU has limited tools available to ensure the implementation of the CSRs is a serious issue, which should be considered in any reform effort to deepen and strengthen the single market. An International Monetary Fund (IMF) paper from 2019 proposed to incentivise Member States' reforms in these areas through reform support, possibly taking the form of budgetary and reinforced technical assistance. According to another EPC study, Member States' benchmarking of single market performance should be stepped up. The German Institute for International and Security Affairs (SWP) stresses that the single market scoreboard should regain visibility and be updated. Finally, as Ann Mettler, who headed the Juncker Commission's internal think tank, has put it in an article for the World Economic Forum, steps should be taken to avoid the European Semester becoming 'a feel good agenda that no one could object to, but which also largely lacked the political bite necessary to make policy blueprints relevant, hard-hitting and effective'.

Better enforcement of single market rules and consumer protection

As the Organisation for Economic Co-operation and Development (OECD) stated in early 2020, significant barriers continue to affect cross-border trade, in particular services, within the single market. The most significant barriers are those related to entry, regulatory opacity and competition. Moreover, new barriers, such as technical requirements, requests for additional documentation and testing, have started to emerge. Regarding the single market for goods, a recent Centre for European Policy Studies (CEPS) study points to further improvements needed to avoid restrictive national technical requirements and to boost mutual recognition. This could be achieved for instance through improved scrutiny of justification and proportionality testing. The study also recommends stepping up efforts to improve digitalisation and access to information for business. Finally, regarding free movement of services and the right of establishment, the CEPS study points out that the notification procedure under the Services Directive is not functioning as well as it should and regrets that there is no improvement in this regard, especially as the European Commission decided to withdraw the proposal for a revised procedure.

EU economic strategic compass – A more integrated EU economic policy with the single market at its core

An EPC paper emphasises the need, post-coronavirus, to continue to expand the single market and possibly to move towards a single economic territory (SET), as economic policies are increasingly inter-related and need to be addressed as part of a strategic agenda. This could entail a joined-up economic policy approach that would also contribute to ensuring that the EU can collectively reach its overarching objectives, including the digital and sustainability transformations. Similarly, the

SWP underlines the opportunity for the Member States to move towards a more unitary European economic policy in order to benefit more fully from the positive effects of the single market. As suggested by the Bruegel think tank, progress on a more collective vision should also move towards a simpler and fairer taxation within the single market, in particular regarding added value taxation (VAT), corporate income taxation (CIT), digital and environmental taxation.

An EU public procurement agency

In a study for the European Parliament, CEPS and other think tanks have pointed out that, despite a well-developed EU public procurement framework, Member States' overall public procurement performance indicators remain unsatisfactory. Moreover, the EPC recalls the large untapped potential for European public procurement to promote innovation, digitalisation and sustainable growth while reducing budgetary waste and administrative duplication. As Bruegel notes, the Covid-19 pandemic confirmed the crucial need for more preparedness in this area, as some arrangements and experience in international public procurement negotiating procedures require time to become efficient. The creation of an EU public procurement agency would help to ensure a faster reaction capacity in times of crisis. Recent experience illustrates that sufficient funds should be set aside[4] to support such a rapid and effective reaction.

Position of the European Parliament

A European Parliament resolution in December 2018 set out its general position on the EU single market and related policy, especially its support for efforts to further address difficulties caused by excessive multi-layered administrative barriers in several areas, the application of different rules in non-harmonised sectors, and the poor implementation of the mutual recognition principle. The Parliament emphasised that instruments for resolving disputes and ensuring compliance should continue to be improved and take better account of the on-going digitalisation of the economy.

More specifically with regard to services, a Parliament resolution in January 2021 underlined the importance of free movement of services for a resilient single market. It also expressed the need to address remaining unnecessary barriers, for instance, through the extension of the EU professional card and services e-card, and for ensuring enforcement of existing legislation, notably through the newly created Single Market Enforcement Task Force (SMET). The Parliament also called for the point of single contact (PSE) and the single digital gateway to be strengthened, to improve access to information, in particular for small and medium-sized enterprises (SME) and to improve the governance framework through the single market scoreboard. It also stressed the need to tackle unjustified legal complexities and administrative barriers for public procurement within the EU, which result from diverging national implementation of the Directive on public procurement. Regarding recent procurement initiatives, Members of the European Parliament have addressed some of the mistakes made, but also emphasised that the overall strategy on joint purchase of vaccines and emergency medical equipment was the right strategy. A resolution in September 2020 pointed to the need to ensure an effective, resilient and future-proof internal market in which essential products and services for citizens continue to be delivered across the EU at all times and are available to all citizens. As expressed in a November 2020 resolution, the Parliament is also concerned that the environmental and social dimensions should be properly integrated into the single market strategy and that consumer protection is ensured and reinforced when necessary.

Points of blockage

A completed single market could significantly boost EU growth potential,[5] which in turn would help the EU to reduce its debt exposure and to make further progress towards a more innovative, inclusive and sustainable development. There is, however, no consensus on the need for more common action towards deepening and strengthening the single market, in particular when it comes to services and what are known as services of general economic interest (SGEI). More specifically, the Services Directive has only been partially effective, due to incomplete

implementation. Businesses that provide transnational services often face a web of multi-layered administrative burdens and barriers that vary considerably between Member States. Given the complexity of the system, providing clear, accurate and up-to-date information is a challenge. As a result, the system of administrative cooperation is not optimal. The implementation of the Professional Qualifications Directive also remains incomplete, as disproportionate requirements persist. Moreover, under the current EU institutional organisation, the scope for integrated action on economic policy is relatively reduced,[6] as the possibilities for financial incentives, effective reform support or strong enforcement at EU level remain very limited. Regarding taxation, progress on a modernised VAT regime and on simpler and fairer CIT remain elusive, as the necessary political will is still lacking.

Opportunities to move forward

The coronavirus pandemic and its consequences constitute a serious challenge for the integrity of the single market. There is notably a pressing need to ensure remaining restrictions are lifted in a coordinated way, as soon as possible, and to vigorously engage into the implementation of the recovery effort. There is, therefore, an opportunity to tackle existing multi-layered administrative burdens and barriers, including assessing and challenging the justification for new measures introduced by Member States and to reinforce the principle of mutual recognition by default. Besides reducing administrative burdens, electronic services cards could still be redeveloped to facilitate temporary cross-border service provision and secondary establishment. Regarding the need for more integrated and efficient EU procurement, the recent move to European level for the procurement of personal protective equipment, medical goods and vaccines (under rescEU, the Joint Procurement Agreement (JPA) and the EU Emergency Support Initiative (ESI), represents a promising step.[7]

Another opportunity would be to begin to envisage and create additional instruments. Taking EU external action as an example, where political will is increasing, a promising initiative could lie with a reflection on a European economic strategic compass. Such a tool could address the need for: i) economic crisis management; ii) digital preparedness and single market stress testing; iii) enforcement capability development; and iv) reinforced partnerships with like-minded external partners and between Member States. Finally, in the area of taxation, the arrival of a new, more open administration in the United States of America has triggered some optimism on possible positive developments with regards to digital taxation.
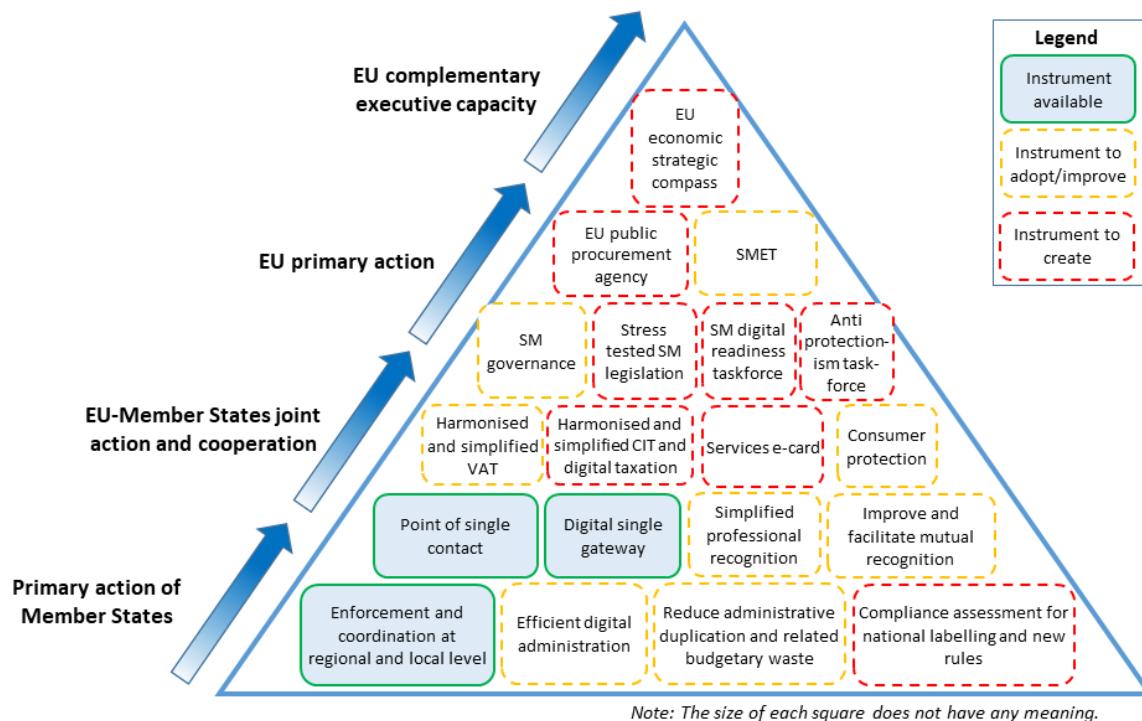

In focus: a European economic strategic compass as complementary executive capacity

European economic policy-makers are faced with the consequences of the coronavirus pandemic on the one hand, and finding answers to the structural challenges such as the lack of EU digital sovereignty and climate change on the other. As SWP stress: a 'soft open method of economic policy co-ordination alone – based on common objectives and legally non-binding recommendations – is hardly a means of committing member states with their heterogeneous interests to a coherent policy'. A **common European economic policy with the single market at its core** is becoming increasingly necessary, and citizens' expectations in this regard are growing. Recognising this challenge, EU leaders acknowledged that the Union needs a long-term vision and assertiveness in its economic policy. Despite these encouraging recent commitments, the Member States views on what constitutes a common European economic policy and which objectives should be pursued continue to differ. Further reflexion and concerted discussion are therefore needed to increase political will and the capacity to act.

Building upon an ongoing EU external action measure, a promising initiative could be to establish a **European economic strategic compass**. As part of such a tool, stress testing of legislation should be generalised, while using the most effective regulatory and non-regulatory tools should be subject to renewed focus, particularly when it comes to leveraging harmonisation and mutual recognition to strengthen and deepen the single market while continuing to improve consumer protection and sustainability. Such a tool would also contribute to overcoming the limits of the functionalist framework that underpin the EU economic policy, so that the fragmentation between increasingly interrelated policy areas (four freedoms, digital single market and sustainable transition) and governance tools (European Semester, budget, technical assistance) is reduced and effectiveness is improved.

The compass would also address the increasing interdependence and international dimension of the single market. The reinforcement of well-developed standards on the European level will allow for the EU to play a more active role as a global standard setter. Reinforcing multilateralism through a rule based order under the World Trade Organization (WTO), while addressing vulnerability and promoting a global level playing field are key strategic areas where a common approach could prove fruitful. This would contribute to ensuring a **strong, thriving and open single market** and to resisting the increasingly louder siren song of protectionism.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Covid-19 measures lifted as soon as possible and in a coordinated way	European Commission / European Parliament / Council	Coordinated approach to the restrictions and re-establishment of free movement	European Parliament resolution P9_TA(2020)0240 and P9_TA-PROV(2021)0007	
2	Effective Single Market Enforcement Task Force (SMET)	European Commission / Member States	Improve the enforcement of existing legislation, improve governance	European Parliament resolution P8_TA(2018)0511 and P9_TA-PROV(2021)0007	
3	Address single market barriers – EU professional card and services e-card, point of single contact (PSE) and single digital gateway	European Commission / European Parliament / Council	Remove unjustified regulatory restrictions, tackle multi-layered administrative burdens and barriers, improve digitalisation and access to information	European Parliament resolution P8_TA(2018)0511 and P9_TA-PROV(2021)0007	Services e-card proposal withdrawn by the European Commission
4	Improve the single market in a way that promotes sustainable production and consumption	European Commission / European Parliament / Council	Complete and deepen the single market, improve governance, improve consumer rights and sustainability of production	European Parliament resolution P9_TA(2020)0318	
5	Make full use of EU public procurement possibilities	European Commission / Member States	Remove unjustified legal complexities and administrative barriers for public procurement, in particular in the field of services	European Parliament resolution P9_TA(2020)0240 and P9_TA-PROV(2021)0007	
Proposals submitted by the European Commission / ongoing processes					
6	Proposal for a coordinated approach to the restriction of free movement, EU vaccine strategy	European Commission / European Parliament / Council	Restore free movement, ensure equitable access for all in the EU to an affordable vaccine as early as possible.	European Commission proposal Commission, Communication COM(2020) 245	
7	Addressing barriers to the single market	European Commission / European Parliament / Member States	Identify obstacles that hamper further single market integration and providing businesses with a level playing field	European Commission, Communication COM(2020) 93	

			European Commission, staff working document SWD(2020) 54	
8	Better enforcement of single market rules	European Commission / Member States	Full transposition of existing EU law	European Commission action plan COM(2020) 94	
9	Action plan for fair and simple taxation supporting the recovery strategy	European Commission / European Parliament / Council	Support the recovery strategy in a time of unprecedented challenges, reduce taxation related administrative burdens and distortions	European Commission Communication COM(2020)312	

Policy suggestions from think tanks and academia / policy examples from third countries

10	Stronger requirements for prompt notification of any measures limiting free movement in the future	European Commission	Develop a culture of preparedness, anticipation, stress testing and better planning	European Parliament, DG IPOL study, DG EPRS briefing	
11	Improve, support and incentivise reform efforts in Member States	European Commission / European Parliament / Council	Effective single market governance	EPC paper, IMF	
12	Improved scrutiny of justification and proportionality test. Facilitate access to information. Improve the notification procedure under the Services Directive.	European Commission / European Parliament / Council	Better enforcement of single market rules and consumer protection	CEPS study	
13	An EU economic strategic compass	European Commission / European Parliament / Council	A more integrated and strategic EU economic policy with the single market at its core – address the need for i) economic crisis management; ii) digital preparedness and single market stress testing; iii) enforcement capability development; and iv) reinforced partnerships	DG EPRS, study German Institute for International and Security Affairs and EPC paper	

| 14 | An EU public procurement agency | Council / European Commission | Help to reduce duplication and budgetary waste while ensuring a rapid capacity of reaction in time of crisis | EPC study, Bruegel paper, DG EPRS briefing | |

[1] The single market finds its legal basis in Articles 4(2)(a), 26, 27, 114 and 115 of the Treaty on the Functioning of the European Union. This section deals more specifically with the single market in goods and services. Issues linked to the resilience of the Schengen Area, to competition policy, to the capital market union to sectoral issues in the tourism and transport sector, and to the digital single market are treated in more detail in other sections.

[2] For a recent review of the beneficial impact of European integration see T. Evas, A. Heflich, N. Lomba, C. Navarra, L. Panella, J. Saulnier, Coronavirus and the cost of non-Europe: An analysis of the economic benefits of common European action, European Parliamentary Research Service, European Parliament, May 2020.

[3] Baldwin vs. Cecchini revisited: the growth impact of the European Single Market, ECB Working Paper series, ECB, 2020.

[4] As Bruegel point out, 'The EU vaccine strategy allocated €2.7bn for advance purchase agreements, research and capacity. This was increased by €1.09bn in September 2020. But these numbers are small compared with the $18bn in the US'.

[5] Deepening and strengthening the single market, including its digital dimension could lift potential EU GDP by around €820 billion per year, according to A. Teasdale, Europe's two trillion euro dividend: Mapping the cost of non-Europe 2019-2024, European Parliamentary Research Service, European Parliament, 2019.

[6] Article 119 of the Treaty on the Functioning of the European Union (TFEU) speaks only of 'close coordination of member states' economic policies', based on 'the internal market and the definition of common objectives'. The Member States are to regard their economic policies as 'a matter of common concern' (Article 121 TFEU) and direct them towards common objectives.

[7] The report on the lessons learned from the coronavirus pandemic to be prepared by the European Commission will offer some insights on what has been learned regarding further strengthening EU resilience.

Developing a joint liability instrument for the EU

The issue in short

In general, when an economic system suffers an endogenous or exogenous shock that compromises the balance of the goods and labour market, it rarely manages to return to equilibrium autonomously. Therefore, interventions are needed to ensure sufficient circulation of liquidity and an adequate economic stimulus.

That was the case for the financial crisis of 2008, which first brought paralysis to the euro-area inter-bank market, because of the mutual distrust of intermediaries, and then a drastic reduction in the cross-border circulation of liquidity, also caused by ring-fencing measures adopted by supervisory authorities. The reaction of the EU institutions to the crisis addressed many missing elements of the economic and monetary union (EMU) architecture. On the one hand, the Eurosystem provided monetary stimulus through non-conventional interventions. On the other, the banking union (BU) was established, currently built on two pillars: the single supervisory mechanism (SSM), for supervising banks established in the euro area and other participating Member States, and the single resolution mechanism (SRM), whose aim is to ensure orderly resolution procedures for failing banks in the BU while minimising the costs for taxpayers. The third pillar, a European deposit insurance scheme (EDIS), has been under discussion for more than five years with only limited progress.

The BU was complemented by an action plan for a capital markets union (CMU), launched in 2015 and revised in 2017, to reduce EU financial markets' fragmentation and encourage investment and liquidity flows across the EU. Further action in this field was recommended by a High-level Forum in an interim report of February 2020. Against this backdrop, the Commission adopted a new CMU action plan on 24 September 2020.

In some euro-area Member States, the sovereign–bank nexus turned the financial crisis into an economic or sovereign debt crisis and vice versa. One consequence of that was that spreads between the yields of securities issued by 'peripheral' countries and the German *Bund* increased dramatically. That resulted from investors pricing in the risk that a political breakdown of the euro could end up in sovereign bonds issued by euro-area countries being redenominated in reborn national currencies.

To tackle this issue, the European Commission was empowered to borrow on behalf of the EU to fund loans made under the European Financial Stability Mechanism (EFSM) established in 2010. Subsequently, supranational issuers (the temporary European Financial Stability Facility (EFSF), later succeeded by the permanent European Stability Mechanism (ESM)) were created, nonetheless with limited capacity and a lending toolkit aimed mainly at addressing – subject to strict conditionality – the liquidity constraints of individual euro-area Member States, experiencing, or threatened by, severe financing problems. Those circumstances prompted a wider debate on a common debt instrument as a potentially powerful instrument to address liquidity constraints in the euro-area Member States concerned.

Against this background, in a July 2011 resolution, the European Parliament requested that the Commission investigate the feasibility of common debt issuance. Later that year, the Commission

followed up by presenting a green paper, in which it examined the feasibility of 'stability bonds', i.e. sovereign bonds issued in common among euro-area Member States. The green paper grouped the options for common issuance into three approaches, presenting their trade-offs, the necessary changes in the existing fiscal framework, and various implementation issues:

1 *Full substitution* of national issuance with stability bond, with *several and joint guarantees*: under this approach, euro-area government financing would be fully covered by the issuance of stability bonds with national issuance discontinued. Participating Member States would be responsible not only for their own percentage contribution to the bond, but also for covering the unpaid contributions of any other state.

2 *Partial substitution* of national issuance with stability bonds *with several and joint guarantees*: Under this approach, stability bonds issuance would be underpinned by joint and several guarantees, but would replace only a limited portion of national issuance.

3 *Partial* substitution of national issuance with stability bonds, which would have *several but not joint guarantees*: under this third approach, each participating country would be responsible for a percentage contribution to each redemption.

In 2018, the Commission published a proposal for a regulation on sovereign bond-backed securities (SBBSs), a new class of low-risk securities backed by a diversified pool of national government bonds.

In the context of the crisis caused by the Covid-19 pandemic, supranational debt instruments have come to the fore as a potential medium-term solution to help the EU rebuild its economies following the crisis and to prevent a symmetrical exogenous shock from producing asymmetrical effects among Member States.

In this setting, the European Parliament and the Council reached an agreement on a major recovery plan for Europe to help repair the economic and social damage caused by the pandemic, kick-start European recovery, and protect and create jobs. The plan includes a boosted EU budget for 2021 to 2024 through Next Generation EU (NGEU), a new temporary recovery instrument worth €750 billion funded with new resources raised on the financial markets through bonds issued by the European Commission on behalf of the EU. For the Commission to start borrowing, all Member States must ratify the new Own Resources Decision in line with their constitutional requirements.

This financing adds to the €540 billion economic package agreed by European leaders at their 23 April 2020 meeting, which includes an instrument for 'temporary support to mitigate unemployment risks in an emergency' (SURE), allowing Member States to receive up to a total of €100 billion in loans from the EU, backed by Member States on a voluntary basis.

While reflecting on structural features of a possible common debt instrument, concrete help in achieving more harmonisation and standardisation in the EU debt market would stem from a pan-European, harmonised and neutral solution for issuing and distributing debt instruments in the EU (see below).

Policy proposals by experts and stakeholders

Before the global financial crisis: Increased market efficiency

In November 2000, following the advent of economic and monetary union (EMU), the 'Giovannini group', whose original task had been to investigate obstacles to cross-border transactions in EU financial markets, produced a report on the issue of coordinated public debt issuance. The group began by noting that, whereas considerable harmonisation of national market conventions had already been achieved in the run-up to the euro's launch, important differences remained in issuance techniques and instruments used by national debt agencies. These differences were a

source of market fragmentation, which translated into euro-area yield spreads. By reducing market fragmentation, greater coordination in debt issuance would therefore result in efficiency gains.

The group considered four hypotheses for tighter coordination in debt issuance, ranging from a limited extension of current procedures, to the most advanced form of coordination, involving the establishment of a single benchmark issuer for the euro area as a whole. In the absence of unanimity in the group concerning the preferred option, and given that the context for assessing the merits of coordinated public debt issuance could change significantly in the coming years, the group decided to monitor the issue, and to hold back on concrete suggestions for the time being.

Managing the financial crisis and preventing new ones

As mentioned above, one of the main consequences of the global financial crisis was the sovereign debt crisis that hit some euro-area Member States and put the resilience of the single currency into question. In this context, several academics and institutions revived the idea of common debt instruments. This time, however, instead of focusing on the benefits of greater market efficiency through increased liquidity in sovereign bond markets, the perceived benefit related to managing the crisis and preventing future sovereign debt crises, reinforcing financial stability in the euro area, facilitating the transmission of monetary policy, and (only then) improving market efficiency.

In a 2010 paper written for the European Parliament, Carlo Favero and Alessandro Missale outlined the three main groups of proposals formulated up to then:

1. A single debt instrument issued by a group of euro-area Member States, through an independent agency, with funds raised and obligations divided between participating issuers in specific fixed proportions. Each participating Member State would guarantee only its share of the joint instrument. While the common liability would trade as a single debt instrument, each participant would be liable only for the debt servicing (i.e. interest payments) and principal redemption corresponding to its share of the bond, and not for the debt of the other issuers. The credit standing of this bond would likely emerge and be perceived by investors as the average of the credit standings of the participating Member States (weighted by their relative shares), while its liquidity could be greater than that of national bonds of the participating issuers depending on the size that its market reached. The authors noted that one proposal characteristic of this first group was that formulated by Paul De Grauwe;

2. A single debt instrument issued by a group of euro-area Member States backed by several and joint guarantees: under this scheme, each participating issuer would guarantee the totality of the obligations of the common instrument, thereby making it an indivisible legal object. The issuing entity could be an independent agency or, a newly created EMU fund for on-lending to a group of participating euro-area Member States. The debt-service obligations of each participating issuer would be specified in relation to the amount of funding obtained, but the cross-default nature of the joint guarantees would give an investor legal recourse to all the participating issuers, in the event that not all the obligations of any issuer were fully met. Thus, according to the authors, the credit standing of this instrument would tend to reflect the creditworthiness of the participating Member States with larger economies. Participation by Germany and France would ensure a lower credit risk premium than the weighted average of the participating Member States even if some of them were of lower credit ratings. The 'blue-red bonds' proposed by Jacques Delpla (and subsequently with Jakob von Weizsäcker) were representative of this category;

3. A debt instrument issued by an EU institution for on-lending to Member States. This institution would lend the funds raised with EU bonds to Member States at an interest rate reflecting funding costs plus, possibly, a margin that might differ across Member States. EU bonds would be backed by the several and joint guarantees of all EU Member States; these guarantees would not be explicit but derive from the EU legal order. If the

common bond were issued by the European Commission, the guarantees would derive from the legal obligations of the Member States under the EU Treaty. If the bonds were issued by the EIB, they would be backed by the capital underwritten by EU Member States. In both cases, EU bonds would be of the highest credit quality and their risk premium should be close to zero. A proposal representative of this last group was that formulated in 2005 by Alberto Majocchi.

In his Single Market Report of 2010, Mario Monti proposed, for the first time, E-bonds as a model to support common issuance backed by several but not joint guarantees. Like the proposal by Paul De Grauwe, E-bonds would fall under 'Option 3' of the Commission's green paper on stability bonds. However, while the De Grauwe scheme would require a complex and rigid system of compensations, E-bonds envisage a simpler enhancement that would avoid losses for the common issuer and hence would not transfer risk across countries. They would be issued by a public entity (a common issuer of a European institutional nature) which would pass on the funding amounts thus raised to Member States by granting them unconditional senior loans. More recently, the E-bond scheme was examined more closely by Gabriele Giudice et al. in a 2019 paper.

Shortly before the Commission's green paper was issued, the German Council of Economic Experts formulated a major proposal, the European Redemption Pact, requiring euro-area Member States to engage in a binding consolidation of their sovereign debt in return for support in a time of liquidity crisis. Under this proposal, the public debt of participating Member States would be split into a part compatible with the Maastricht target of 60 % of gross domestic product, and a part exceeding that threshold to be transferred to a common 'redemption fund' for which the participating members would be jointly liable. At the same time, each country would have to commit to a binding consolidation path, under which it would be obliged to repay the transferred debt autonomously over a period of 20 to 25 years. During the roll-in phase of this mechanism, euro-area Member States would cover their funding needs (for the repayment of outstanding bonds and new borrowing) via the redemption fund until the credit facility was fully utilised. After that, the taking up of debt above the 60 % limit would no longer be allowed, while each country would individually redeem its debt in excess of 60 % according to a strict time-table. Thanks to the joint and several guarantees for the fund, highly indebted member countries would pay a lower interest rate on their transferred debt. While the fund involved common issuance, the Commission was of the view that it did not constitute stability bonds within the meaning of its green paper, because common issuance under this proposal would be temporary and used only for Member States with public debt ratios above 60 % of GDP.

Following the crisis: Breaking the sovereign–bank nexus

According to Markus K. Brunnermeier et al. (the 'Euro-nomics group'), the deterioration of sovereign creditworthiness in Greece, Ireland, Italy, Portugal and Spain during the sovereign debt crisis reduced the market value of their domestic banks' holdings of domestic sovereign debt. This drop in value in turn reduced the perceived solvency of domestic banks and curtailed their lending activities. The resulting bank distress increased the likelihood of them needing to be bailed out by their governments, which led to further sovereign distress, engendering a 'bailout loop'. In addition, the impact of reduced loans led to a drop in tax revenue, also helping to weaken government solvency in these countries, triggering a 'real-economy loop'.

To break this loop, in 2011, the group of economists proposed (with refined versions in 2016 and 2017) that securities should be issued by a European debt agency (EDA) composed of the senior tranche on a portfolio of sovereign bonds issued by EU Member States, held by that agency and potentially further guaranteed through a credit enhancement. This approach inspired the Commission's proposal for a regulation on SBBSs tabled in 2018.

In addition to the arguments outlined above, [Wolfgang Munchau](#) notes two more elements supporting the issuance of common debt.

First, increased fiscal-monetary coordination: according to Munchau, the common liability would be the ideal asset-purchase instrument for the ECB, as in a crisis the stability of the euro area would not be endangered by Member States defaulting on their debt. Furthermore, when the crisis ends, such instruments would still constitute ideal instruments 'to plug the dearth of public-sector investments that has already arisen as a direct consequence of the stability rules'.

Second, the international role of the euro: like a number of commentators, Munchau notes that the current export-driven, primary-surplus model of the EU has made it possible for countries such as the United States or China to issue blackmail threats (e.g. Huawei, Nordstream 2 or the Iran sanctions). He is of the view that a mutualised asset, if combined with deep capital-market integration, would have allowed the EU to use the euro as a foreign policy instrument. Moreover, such an instrument would help the EU pursue bigger goals, such as moving in the direction of having an effective security policy.

In their 2010 paper, mentioned above, Favero and Missale outlined the three main arguments generally put forward against the idea of common issuance.

The first is that the launch of a joint debt instrument would *add* a new market to existing national markets and thus increase rather than reduce fragmentation. The second is that centralised funding would raise coordination issues and would reduce flexibility in the pursuit of country-specific debt-management objectives that would have to be accommodated on national bond markets. However, the strongest argument, according to the authors, is that such bonds would undermine fiscal discipline by removing incentives for sound budgetary policies. At worst, it could create a moral hazard problem, in that a Member State could be tempted to freeride on other Member States' legal obligations to assume its debt in the event of default.

The authors also considered possible legal obstacles to joint liability instruments, which would require Treaty changes.

Position of the European Parliament

In its 2011 resolution, mentioned above, the European Parliament asked the Commission to investigate 'a future system of Eurobonds, with a view to determining the conditions under which such a system would be beneficial to all participating Member States and to the euro area as a whole'. It also noted that the common issuance of Eurobonds requires a further move towards a common economic and fiscal policy and stressed that the overarching aim of Eurobonds should be to reduce sovereign debt and to prevent moral hazard and speculation against the euro.

In February 2012, Parliament adopted a [resolution](#) on the feasibility of introducing stability bonds, where it focused on the potential of such instruments to ensuring the long-term stability of the euro and boosting its international role. Parliament also reiterated its position that, for common issuance of bonds, a sustainable fiscal framework needs to be in place, and that stability bonds could be an additional means of incentivising compliance with the stability and growth pact, if they address the possible moral hazard.

The Parliament further considered the feasibility of the Commission green paper proposals in an own-initiative [resolution](#) adopted in January 2013. While stressing that all existing and future instruments that were part of the economic governance framework of the EU needed to be democratically legitimised, it welcomed as beneficial the prospect of common bonds. It therefore called on the Commission to present a report to the Parliament and Council examining the options

for a roadmap towards common issuance of public debt instruments, paying particular attention to the feasibility of introducing a redemption fund. It called on Member States to consider the introduction of short-term debt in the form of eurobills, as well as to study the feasibility of moving towards a system of 'European safe bonds' or other proposals based on the concept of a basket of bonds. In addition, it noted that a system of partial substitution of national issuance (such as the blue-red bonds) might have significant benefits.

On 16 April 2019, the Parliament passed a resolution to conclude its examination of the proposal for a regulation on SBBSs in first reading and preserve its position for the following term. However, discussions in the Council of the EU on this legislative proposal are at a standstill. During his parliamentary hearing in October 2019, Vice-President Valdis Dombrovskis acknowledged that the Commission would need to 'try to reinvigorate this discussion' on the creation of a European safe asset. (His financial services portfolio has since been taken on by Mairead McGuinness, although he remains the Vice-President with overall responsibility for the policy area.)

In its resolution of May 2020, concerning the new multiannual financial framework, own resources and the recovery plan, the Parliament called on the Commission to present a massive recovery package in line with Parliament's resolution of 17 April 2020; it also called for the Recovery and Transformation Fund to be financed through the issuance of long-dated recovery bonds guaranteed by the EU budget.

Points of blockage

The issuance of common or joint debt instruments, in particular among euro-area countries has long been linked in various ways to the Union's financial integration process and in particular to the implementation of economic and monetary union. However, while common/joint debt instruments present considerable potential advantages, particularly in reducing market fragmentation and enhancing the shock absorption capacity of the system, they also entail challenges. These include coordination issues and reduced flexibility for Member States in issuing debt, a certain degree of risk-sharing between Member States, the potential to undermine fiscal discipline by removing incentives for sound budgetary policies, and the fact that adoption of joint debt instruments would eventually entail the difficult political choice of transferring sovereignty from the national to the EU level. On top of that, as many policy option proponents mentioned above pointed out, moving towards mutualisation of financial risk would require Treaty changes, including greater institutional integration.

In the context of the current crisis caused by the coronavirus pandemic, the hypothesis of common issuance was taken up by the leaders of first nine then eleven EU Member States, and seemingly was examined informally during the video-conference of EU leaders on 26 March 2020. However, no breakthrough was achieved during this conference. Instead, the leaders mandated the Eurogroup to come up with new proposals on further action, to be gradually stepped up as events unfold 'in order to deliver a comprehensive response'. Alternative – possibly complementary – approaches were adopted, such as a special credit line through the European Stability Mechanism.

Opportunities to move forward

The debate on moving towards a common debt instrument crosses, sometimes overlaps with, that on strengthening the EU economic policy, and reflects similar political trade-offs. However it also affects other policy objectives such as:

- Increasing the size and addressing the fragmented nature of European bond markets: If the size of capital markets is measured as just the volume of outstanding bonds and shares, the US and Japanese markets are substantially larger than the EU's. Moreover, the EU capital market is fragmented into national compartments. That implies higher transaction costs and makes it more difficult to manage currency and interest rate risks. As a result, the market is less attractive for investors, and the capacity of the EU to protect itself from economic shocks is reduced.
- Reducing concentration of domestic sovereign bond holdings on banks' balance sheets: Banks tend to concentrate their sovereign bond holdings in their country of domicile, in so reinforcing the 'sovereign–bank nexus'. Studies demonstrate that simple higher diversification requirements are likely to increase the risk profile of most banks in the euro area, while having little effect on contagion risk. Regulatory reform needs to be complemented by an expansion of portfolio opportunities to include an area-wide low-risk asset.
- Addressing increasing TARGET2 imbalances: According to some commentators, the implementation of the ECB's quantitative easing programme contributed considerably to the increase in TARGET2 imbalances registered as of 2015 That effect would not occur if the totality of purchases were carried out by the ECB, or national central banks benefited from the possibility to purchase an area-wide asset instead of domestic sovereigns.
- Enhancing EU financial sovereignty: The lack of a euro-area safe asset also impairs the ability of the euro to achieve a greater international role.

**In focus: European distribution of debt instruments (EDDI)**
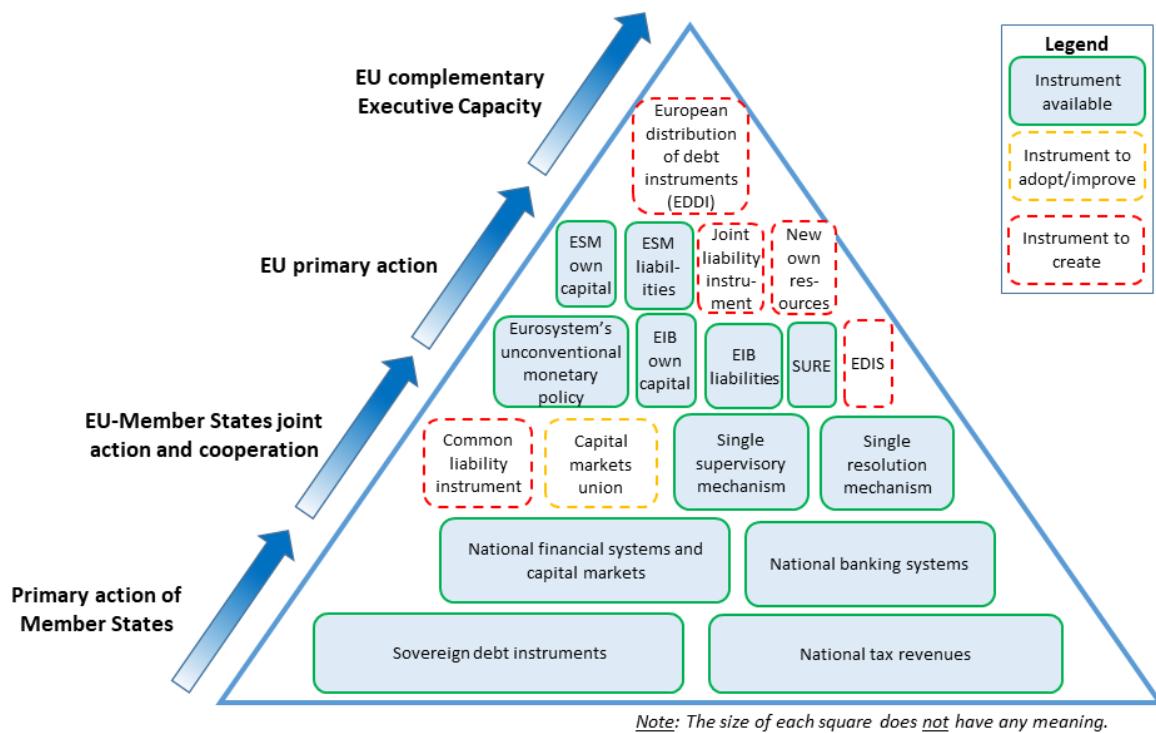
As already noted by the Giovannini group in 2000, important differences exist in issuance techniques and instruments used by national debt agencies. At the current stage, there is still no pan-European, neutral and harmonised channel for the issuance and initial distribution of debt securities that covers the EU as a single domestic market. Instead, unlike the situation in other currency areas (such as the US or Japan), issuers with a European perspective have to use a multiplicity of channels and procedures, either domestic or international, which are not harmonised and do not cover the EU and its investors as a single market. In fact, although large issuers can already reach a wide range of European and international investors, there is no pan-European issuance mechanism and, in particular, none operating in central bank money, offering issuers the possibility to reach all European investors efficiently on an equal basis, and thereby fostering a single and deep European capital market. Moreover, in the existing, largely national, securities distribution channels, the location of issuance could put local actors in a preferential position compared with other investors and market actors in Europe.

The Eurosystem is therefore exploring the possibility to support harmonised issuance and distribution of euro debt instruments in the EU through European distribution of debt instruments (EDDI). Even if the messages are not identical, the results of the consultation show strong agreement on the need for harmonisation along the full debt transaction chain.

In the pre-issuance phase, EDDI would provide a standardised technical toolkit to support the debt issuance process of existing market actors. In the post-trade phase, EDDI would help central securities depositories (CSDs) to provide European issuers with a service to issue debt securities into all national markets on an equal basis (i.e. a domestic EU market).

EDDI would bring standardisation on account of its specification/implementation. It could also support further harmonisation in creating an **EU benchmark debt instrument** through the support of the European debt instrument (technical) standard, including a standardised term sheet template and harmonised rounding and day-count conventions.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does _not_ have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Roadmap towards common issuance of public debt instruments	Commission / Member States		EP resolution	
2	Introduction of short term debt in the form of eurobills	Member States		EP resolution	
3	Investigating the feasibility of proposals based on the concept of a basket of bonds	Commission / Member States		EP resolution	

Proposals submitted by the Commission / ongoing processes					
4	Proposal for a regulation on SBBSs	Commission / EP / Council		Commission proposal	
5	Next Generation EU funding	Commission	Raising new resources on the financial markets through bonds issued by the European Commission on behalf of the EU, backed by a revamped EU budget, including through planned additional own resources	Recovery plan for Europe	
Policy suggestions from think tanks and academia / policy examples from third countries					
6	Single debt instrument issued by a group of euro-area Member States, through an independent agency, with funds raised and obligations divided between participating issuers.	Commission / Member States / European agency		Paul De Grauwe	
7	E-bonds	Commission / Member States / European agency		Single Market Report by Mario Monti Gabriele Giudice et al.	
8	Blue-red bonds	Commission		Jacques Delpla Jakob von Weizsäcker	
9	European Redemption Fund	Commission / Member States		European Redemption Pact proposed by the German Council of Economic Experts	
10	European Safe Bonds (ESBies)	Member States		Euro-nomics group	

Building greater EU food security

The issue in short

Food security has been one of the core objectives of the EU's common agricultural policy (CAP) since its entry into force in 1962 at a time when post-war food shortages were still a vivid memory and Europe was a large net importer of agricultural products.[1] For almost 60 years, the EU has been developing its capacity to ensure a high degree of food security and self-sufficiency, now scoring as one of the most food-secure regions in the world, and from a long-term perspective also.

In 2020, the coronavirus crisis sent shockwaves through food supply chains, affecting the EU too. Both EU and national measures were taken to contain the spread of the disease, such as population lockdowns and the closure of borders. These caused an acute shortage of seasonal labour, bottlenecks in the food chain and many other disruptions, provoking scenes of panic-buying and food-shortage fears. The EU food system proved resilient, supported by a host of sectoral, national and EU policy measures. It adapted quickly to address bottlenecks, and the food supply was generally maintained. However, the disruptions shone a spotlight on some structural weaknesses in the EU's food supply chain. In general, EU food supply chains are long and complex, and partly dependent on the global trade environment. EU farming is heavily reliant on cross-border seasonal workers – whose working and living conditions were exposed by the crisis. The pandemic highlighted the issue of food insecurity for the most vulnerable in the EU, with food banks experiencing a sharp increase in demand. The economic recession may have increased the share of the EU population 'at risk of poverty' by 3 to 4 per cent to between 17.7 and 18.7 per cent in 2020, leading to malnutrition – as cheaper food is often less healthy – with costly health consequences, such as obesity and diabetes. Finally, ensuring food security in the future raises the issue of how to tackle the environmental impact of the EU food system and the role agriculture can play in preserving the natural resources at the base of food production.[2]

Beyond the EU, the crisis also highlighted a number of pre-existing weaknesses in global food systems that constitute potential threats for the future. The International Panel of Experts on Sustainable Food Systems (IPES-Food) identifies three vulnerability fronts:

> increasing prevalence of infectious disease (zoonoses) resulting from human–animal interaction resulting from the destruction of natural wildlife habitat;

> global disruptions in food chains, restricting flows of goods and people, and revealing the precarious situation of farm and food workers in the food chain;

> the incapacity of the system to provide food for those living on the edge of poverty, leading to increased global food insecurity.

Overall, the pandemic has shown that a robust and resilient EU food system capable of securing all citizens access to sufficient, affordable and safe food, including in times of crisis, is an essential component in the design of the EU's strategic autonomy in a changing world.

This paper describes the main policies and instruments (existing, planned or proposed) contributing to EU food security, covering the four dimensions of food security (as defined by the FAO)[3] namely: i) physical availability (supply), ii) economic and physical availability (social dimension), iii) quality (safety and nutrition), and iv) stability over time (sustainability). The debate on food system reform started well before the coronavirus crisis, both at EU and global level, and there are already several reform instruments and initiatives on the table. The pandemic has shed a new light on them and made this debate all the more pressing.

Policy proposals by experts and stakeholders

> ❯ Common agricultural policy (CAP) and common fisheries policy (CFSP)

The common agricultural policy (CAP) is the main EU policy instrument regulating food production, the first vital stage in the food supply chain and as such a crucial element in food security. Since its entry into force in 1962, food security has been a [core objective](#) of the common agricultural policy, as enshrined in the Treaties (Article 39 of the Treaty on the Functioning of the European Union [TFEU](#)). The security of food supplies has continued to be a core objective of the CAP over successive reforms, in which CAP instruments and mechanisms have been adapted in order to allow it to attain its objectives in changing environments – such as EU enlargement, WTO reform rounds, and climate change. The [common fisheries policy](#) (CFP) was launched in 1983, as a structural policy to regulate the market for fisheries products and access to fishing waters, and to modernise EU fishing fleets. It subsequently added the objectives of conservation and management of the fisheries resources in EU waters and in the wider context of international fisheries agreements.

On 1 July 2018, as part of the work on the EU's 2021-2027 multiannual financial framework, the European Commission proposed a package of three regulations with the aim of reshaping and modernising the CAP: [CAP strategic plans](#), the [CAP amending regulation](#) (amending the single common market organisation-CMO) and the [CAP horizontal regulation](#).

The CAP reform, initially intended to enter into force from January 2021, is currently being negotiated by the European Parliament and Council.[4] The Commission proposal provides for substantial reform of the CAP, to equip it for the challenges of the 21st century by pursuing [nine key objectives](#), covering the three sustainability dimensions: economic, environmental and social.

Food security continues to be at the heart of CAP goals: it is specifically mentioned in articles 5 (general objectives) and 6 (specific objectives) of the proposed regulation on CAP strategic plans. It is enshrined in [key objective 1](#): 'support viable farm income and resilience across the Union to enhance food security', while [key objective 9](#) looks at 'improving the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, reducing food waste, as well as animal welfare'.

The ambition of the proposal's objectives is matched by substantial reform of the CAP's design in several areas: division of responsibilities, delivery instruments, financing modalities and the monitoring process. The proposal marks a shift towards increased subsidiarity in assigning responsibilities to the EU Member States, at the level of both planning and monitoring (through for example CAP strategic plans), more flexibility in the allocation of funds to the different policy tools, and a shift away from compliance towards results and performance, at all levels.[5] The CAP reform process will be complemented by the upcoming European Commission communication on the [future of rural areas](#).

While the EU is regarded today as one of the [most food-secure](#) regions in the world, not all EU citizens enjoy food security. According to the FAO,[6] a total of [6.9 million](#) people in the EU were exposed to severe food insecurity over the 2016-2018 period, based on the food insecurity experience scale ([FIES](#)). This figure grows to [33 million people](#) (6.7 % of the EU population)[7] when the indicator combines moderate to severe levels of food insecurity, using the same FIES scale. This combined indicator was introduced for the first time in 2019, and looks beyond hunger to consider situations when meals have been skipped or reduced, and when the quality and variety of food has been compromised. This indicator appears more relevant for EU countries, where severe food deprivation may no longer be of concern but where continuous access to safe, nutritious and sufficient food remains a goal unattainable for sizeable population groups.

The pandemic has highlighted the vulnerability of groups of EU citizens, with food banks experiencing a sharp increase in demand. It has also revealed the dependence of low-income households on social assistance programmes, such as subsidised school lunches, to cover their nutrition needs. A full analysis of the impact of the pandemic has still to be carried out, but it appears that, unless action is taken, the economic recession sparked by crisis may increase the prevalence of moderate to severe food insecurity among vulnerable groups of EU citizens. Already in 2019, before the pandemic, more than 20 % of citizens were at risk of poverty or social exclusion, and in one in three EU countries more than 10 % of the population was unable to afford a meal with meat, fish, chicken or a vegetarian equivalent every second day. Increased prevalence of severe to moderate food insecurity will lead to malnutrition – as cheaper food is often less healthy – and have costly health-related societal consequences in the EU, such as an increase in obesity, diabetes and cardio-vascular diseases.

> The European Social Fund Plus (ESF+)

The European Social Fund Plus (ESF+) was approved in the framework of the 2021-2027 multiannual financial framework / Next Generation EU, with a total budget of €88 billion. It will be the main vehicle, at EU level, to promote social inclusion, fight poverty (including child poverty) and provide food and basic material assistance to the most deprived (integrating the current Fund for European Aid to the Most Deprived - FEAD). Member States are responsible for allocating and monitoring ESF+ funds, but they are compelled to devote at least 25 % of their ESF+ resources to promote social inclusion, 5 % to combat child poverty and 3 % to provide food and material assistance to the most deprived.[8]

3. Food safety and healthy diets

> The General Food Law (GFL) and the European Food Safety Authority (EFSA)

EU food safety policy and consumer protection rules, an area where the EU and Member States have shared competences, ensure one of the highest levels of protection in the world. The general principles of food and feed law are outlined in the General Food Law Regulation, adopted in 2002 after a wide consultation on food safety issues following the outbreak of bovine spongiform encephalopathy (BSE – 'mad cow' disease) crisis. Articles 5 to 10 of the General Food Law (GFL), lay down general principles, requirements and procedures related to decision-making in food and feed safety, covering all stages of the food chain from production and processing to transport and distribution. It also established the European Food Safety Authority (EFSA), a decentralised agency tasked with providing EU decision-makers with independent scientific and technical evaluations concerning risk assessment in food and feed safety issues, guided by the precautionary principle and an obligation of transparency. Moreover, the EU has put legislative frameworks in place on plant and animal health, on novel food and on food information (such as rules on food labelling and the quality scheme), which provide consumers and producers with a high degree of assurance. The improvement of these frameworks and the harmonisation of EU food-labelling schemes are currently the subject of debate and will be subject to review (see below), in order to provide consumers with fair information to make healthy and sustainable choices.

> Diets and health

The concept of food security includes the provision of safe and nutritious food. Good nutrition means an adequate, well-balanced diet suitable for the body's dietary needs. Combined with other life-style factors, good nutrition is a cornerstone of good health. Whereas hunger is the main challenge related to malnutrition in many parts of the world, in Europe obesity presents the most serious nutrition-related health issue. In 2017, more than half of the adult EU population was overweight, which is broken down into obesity (14.9 %) and pre-obesity indicators (36.8 %). At Member State level, 11 of the 22 EU countries for which data for 2014 and 2017 are available show a rise in obesity rates, affecting people with lower levels of income and education disproportionately.[9]

Obesity is a malnutrition problem related to changing consumption and activity habits. While the causes of obesity vary for each person, the problem is generally attributed to poor diets high in fat, salt and sugar; lifestyle choices characterised by low physical activity and high caloric consumption; and sociological and hereditary factors. Obesity is a serious public health problem because it significantly increases the risk of chronic diseases, such as cardiovascular disease, type-2 diabetes, hypertension and certain types of cancer. For specific individuals, obesity may also be linked to a wide range of psychological problems. For society as a whole, it has substantial direct and indirect costs that put a considerable strain on healthcare and social resources.

At international level, the FAO helps countries to develop dietary guidelines in line with current scientific evidence. At EU level, the EFSA gives independent scientific advice on nutrient intake and dietary reference values, but establishing nutrition goals and dietary recommendations is, at the moment, the sole responsibility of national policy-makers and health professionals. The Member States have set out food-based dietary guidelines, adapted to their cultural and nutrition habits.

In terms of actual dietary habits, the average intake of fruits and vegetables is too low among EU citizens, while the intake of red meat, saturated fat, salt and sugar remains too high compared with dietary recommendations. Dietary choices aside, excessive contents of fat, sugar and salt in up to two thirds of packaged food sold in the EU, many of them marketed for children as part of their daily diets, make it even harder for households to make healthy choices. EU initiatives and guidelines to improve nutrition patterns in the EU, also involving the EU food industry and retailers, have so far been of a voluntary, non-binding nature. In the framework of its strategy on nutrition, overweight and obesity-related health issues, the Commission has adopted action plans for targeted, coordinated action, and funds research programmes to make informed proposals to Member States and consumers. The EU school scheme, which provides funds for the distribution of fruit, vegetables and milk to schoolchildren, and for educational measures to reconnect children with agriculture and healthy food are examples of EU initiatives in this field. Some experts have, however, pointed at the need for a fully fledged EU nutrition policy (e.g. harmonised consumer information, harmonised content of nutrients relevant from a public health perspective) through regulation and self-regulation as appropriate, in order to effectively combat malnutrition and obesity and promote the shift towards healthy diets.

4. Sustainability

While the EU food system has achieved high levels of food supply security, food safety and wide consumer choice, there is increasing recognition[10] that it is currently not sustainable in environmental, economic and social terms, and that 'business as usual' is no longer an option.

The food system is a major consumer of energy and emitter of greenhouse gases and air pollution. The amount of energy necessary to cultivate, process, pack and bring food to European citizens' tables accounts for 26 % of the EU's final annual energy consumption, with agriculture the most energy intense phase in the food system, accounting for nearly one third of the total energy consumed in the food production chain. Renewables accounted for just 7 % of the energy used in food production and consumption, compared with 15 % in the overall energy mix. Globally, food systems are estimated to be responsible for 21 to 37 % of greenhouse gas emissions (GHG), 60 % of terrestrial biodiversity loss, and overexploitation of 20 % of the world's freshwater aquifers.

Agriculture accounts for roughly 40 % of the EU's land area. While the EU is the only major system in the world to have reduced GHG emissions (by 20 % since 1990), it is reportedly outsourcing part of the environmental footprint of its food system by importing resource-intense products, such as soybeans and palm oil, from developing countries with lower environmental benchmarks.

Despite the overall level of economic prosperity in Europe, 33 million EU citizens cannot afford a quality meal every second day, food assistance is essential for at least 6.9 million people exposed to severe food insecurity. At the same time, about 20 % of the food produced in the EU ends up as food

waste, at an estimated cost of €143 billion per year (i.e. approximately three times the annual CAP budget). EU farm income is still significantly below average income, although the gap is narrowing.

> The farm to fork strategy

On 20 May 2020, the Commission unveiled its 'A farm to fork strategy for a fair, healthy and environmentally friendly food system', following a consultation with citizens and stakeholders. The 'farm to fork' strategy and the EU biodiversity strategy for 2030 form an integral part of the European Union Green Deal, the roadmap for sustainable growth, striving to make Europe the first climate-neutral continent by 2050.

With the ultimate objective of making the EU food system a global model of sustainability at all stages of the value chain, the farm to fork strategy sets ambitious sustainability targets and an action plan with 27 legislative and non-legislative measures over a timespan running from 2020 to 2024 to make the transition happen. The (aspirational) targets, to be reached by 2030, aim at reducing the use and risk of pesticides by 50 %, reducing the use of fertilisers by at least 20 %, reducing sales of antimicrobials used for farmed animals and aquaculture by 50 %, and achieving a proportion of 25 % of agricultural land under organic farming.

The farm to fork strategy and the biodiversity strategy will therefore have a direct impact on the on-going negotiations on reform of the CAP and its future implementation, with 40 % of CAP expenditure ear-marked for climate-related objectives. As a first step, the Commission has published recommendations to each Member State in respect of their CAP strategic plans, as well as a list of potential agricultural practices that its proposed eco-schemes could support in the future CAP.

The farm to fork strategy addresses some of the weakness in the EU food system revealed by the coronavirus crisis. It also incorporates the lessons learnt from the way EU and international economies reacted to the crisis. The first proposal in this sense is to develop, in the course of 2021, a food security contingency plan to ensure food supply and food security in times of crisis. The plan includes setting up a permanent food crisis response mechanism coordinated by the Commission, involving Member States and possibly, food supply chain stakeholders (see Box: In focus).

Among the wide range of measures envisaged by the farm to fork strategy, some briefly described in the table below, the most systemically relevant is the proposed **legislative framework for sustainable food systems**, to be tabled in 2023. The legislative framework will promote policy coherence at EU and national levels across all elements involved in the food system. This framework could sow the first seed of a truly integrated food policy, drawing up common definitions, principles and requirements and addressing the responsibilities of all actors in the food system. It could be instrumental in breaking down policy silos, and redistributing sustainability costs, incentives and benefits along the value chain. The strategy leaves open the question of what such a framework would look like in practice, and the governance architecture that will underpin it for the purposes of enforcement.

> Research and innovation: Horizon Europe

There is evidence of a close relationship between innovation and the performance of agriculture. EU agricultural innovation can already point to a number of success stories to date. The European Commission places great emphasis on the role of research and innovation as one of the main drivers for the green transformation of the food system, helping to overcome its negative environmental impacts and creating new economic opportunities for its operators along the food chain. The 'farmers of the future' will likely resort increasingly to digitalisation (precision agriculture, automation and robots, connectivity, virtual services and servitisation) and biotechnology (new breeding technologies/synthetic biology, alternative protein sources, food design, bioeconomy), provided that adequate sharing of information occurs and that skills-building programmes are available.

In April 2020, amidst the coronavirus crisis, the European Investment Bank (EIB) launched a programme of loans worth €700 million with a view to unlocking close to €1.6 billion in investment in the sustainable agriculture and bioeconomy sectors.

The EU framework programme for research and innovation for 2021-2027, Horizon Europe, has a budget of €84.9 billion (including €4 billion resulting from the top up of the EP) for funding research and innovation projects and initiatives along six different clusters. Cluster 6 is devoted to food, bio-economy, natural resources, agriculture and environment, and includes a specific section for the 'establishment of primary production, food and bio-based systems based on sustainability, inclusiveness, health and safety; food and nutrition security for all'.

Position of the European Parliament

Two of the building-blocks to ensure EU food security in the decades to come are now under negotiation or scrutiny by EU co-legislators: the reform of the common agricultural policy, and the farm to fork strategy.

The European Parliament's resolution of 30 May 2018 on 'The future of food and farming' (Dorfman report on the Commission communication) set out its priorities for CAP reform. At its October II 2020 plenary, Parliament discussed the three CAP legislative proposals tabled by the Commission, voted on numerous amendments and held a final vote on each file: CAP strategic plans, CAP amendment of the CMO and the CAP financing horizontal regulation. The vote enabled the start of the negotiations with the Council, which had adopted its own position just two days earlier.

As regards the report on 'the farm to fork strategy', after internal negotiations it was decided that the Committee on Environment and the Committee on Agriculture would draw up a joint report, under Rule 58. The draft report was published in December 2020 and a public joint hearing was organised on 4 February 2021. More than 2 000 amendments have been tabled, reflecting the intense debate sparked by the strategy among the various political groups and stakeholders; the Committees on International Trade (associated), Fisheries, Internal Market and Development have all submitted opinions. The discussion and vote on the final report in committee is scheduled to take place before summer 2021.

Points of blockage

The Council adopted its conclusions on the farm to fork strategy in October 2020, broadly welcoming most of the points of the initiative and calling for an overall impact assessment of the strategy. The adoption of Parliament's final resolution on the farm to fork strategy is expected in the coming months.

The trilogue negotiations between Parliament and Council on the CAP reform began on 10 November 2020 and are under way. Beyond the inevitable sticking-points inherent in such a complex negotiation, a key issue of concern is how to align the future CAP with the ambitions of the Green Deal and its associated strategies, such as the farm to fork strategy and the biodiversity strategy. In May 2020, the Commission issued an analysis of the CAP reform proposal, outlining the necessary conditions in order to maintain the level of ambition set by the Green Deal, and in November 2020 it released a factsheet outlining the main points under negotiation between Parliament and Council, and cautioning against diluting the original objectives set out in its proposals.

According to the summary negotiation report made public by Council, 'while the trilogue negotiations held so far allowed the Council and the European Parliament to align their views on several topics, further intensive work will be needed to reach a comprehensive agreement on the whole CAP'. The current Portuguese Presidency of the Council aims to close the CAP negotiations before the end of its six-month term, in June 2021.

Opportunities to move forward

The pandemic has made EU citizens more aware of the importance of food, and its impact on health, the environment and the livelihoods of those who produce it. Food security, safety and sustainability is one of the objectives of the Portuguese Presidency of the Council. One of the first measures implemented by the Commission within the farm to fork strategy will be a contingency plan on food security and a food crisis response mechanism.

The results of the CAP reform negotiations, currently at trilogue phase between Council and Parliament, together with the regulatory and normative initiatives emanating from the farm to fork strategy – most of which will have to be approved by Council and Parliament as co-legislators – will play a key role in shaping a resilient and sustainable EU food system.

The challenge for EU policy-makers and legislators is to reconcile traditionally diverging interests among various stakeholders in the food system, gradually moving from zero-sum scenarios towards a common goal: healthy people, healthy societies and a healthy planet. Such a move would represent a paradigm shift among policy-makers, legislators and stakeholders. It would involve breaking down existing policy silos and refocusing the debate, from the conception of 'food' as a 'normal commodity' to the conception of food as a public good, with public costs and benefits that need to be redistributed all along the food system chain.

The coronavirus crisis has highlighted the pre-existing weaknesses of the EU and global food systems. It potentially provides a window of opportunity to raise the level of reform ambitions, moving faster towards food systems capable of ensuring sufficient, better and healthier food for all. The EU could muster the financial, legislative and normative capacity to advance faster than any other economic bloc in the world, setting global standards for food security and sustainability.
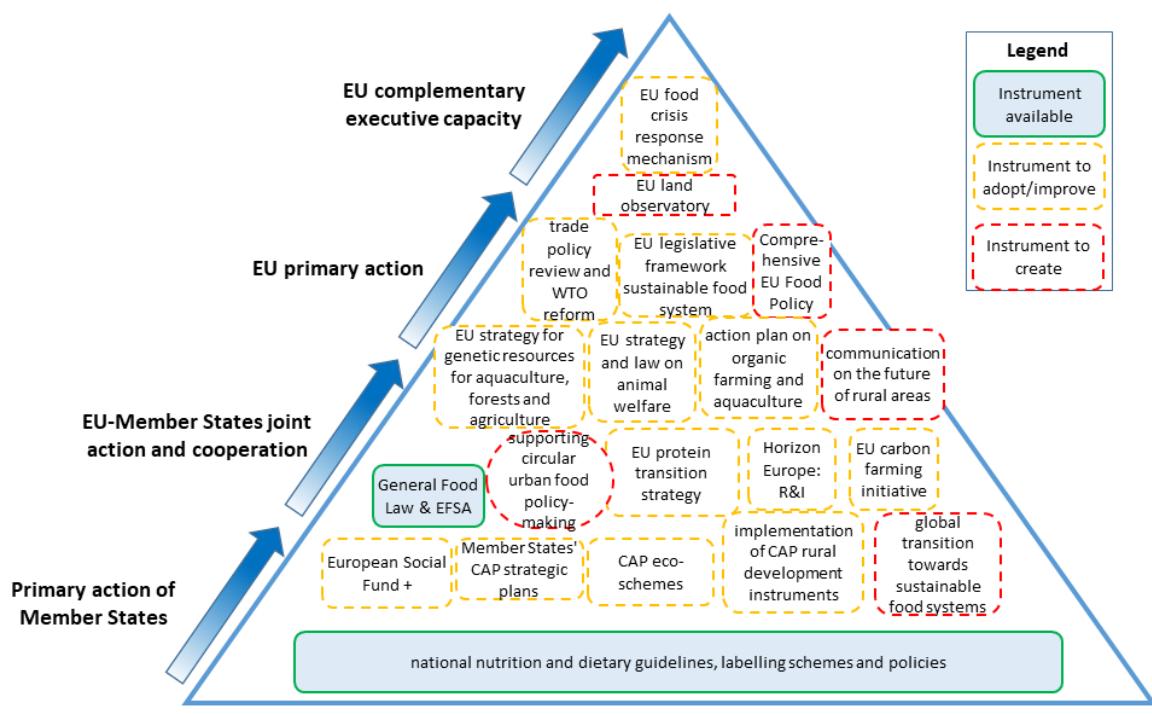

In focus: EU food security contingency plan and EU food crisis response mechanism – creating complementary executive capacity for the EU in times of crisis

One of the first measures to be implemented out of the 27 initiatives announced in the farm to fork strategy is the development of the EU food security contingency plan and its associated **EU food crisis response mechanism**, to be presented in 2021. The initiative builds on the lessons learned from the coronavirus crisis, which reiterated the importance of food security (or capacity to assure the availability of food supply), also underlining the need to improve the resilience of food operators. The **contingency plan** will be aimed at ensuring food supply and food security in times of crisis of any nature (economic, climatic, catastrophic, pests, etc.). In addition to risk assessment and a set of urgent measures to be activated during a crisis, the plan would set out a **food crisis response mechanism** to be coordinated by the Commission and involving Member States.

The crisis response mechanism will take the form of a **permanent forum**, set up by the Commission and in which Member States and, possibly, food supply chain stakeholders will be represented. It will build in existing coordination processes and will convene in the event of a crisis to ensure a coordinated response by the Commission and Member States. The crisis response mechanism is designed to avoid the negative effects of Member States' uncoordinated actions on each other and on the EU's food supply chain, including the single market and international trade. Member States will be involved in the design and setting of this mechanism, which according to the Commission will be non-binding. In preparation of the measure, the Commission has published a road map and a public survey to collect inputs from stakeholders.

In the brief description of the measure it has published, the Commission does not include any additional information apart from the above. It remains to be seen whether the contingency plan might include the use of the CAP crisis reserve in case of need, a financial tool under revision in the new CAP. Equally, it remains to be seen whether the crisis response mechanism will be tasked with preparing crisis prevention strategies, or be instrumental in developing risk management tools targeted to farmers' needs.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	EU land observatory	European Commission	Observatory on farmland concentration and tenure in the EU (collection of data on land market and prices, land use change, soil fertility and erosion) to increase land accessibility, a major obstacle for young farmers	EP resolution	(red)
2	Halving EU-wide food waste by 2030	EU institutions / Member States	In its resolution on the European Green Deal (Jan 2020), the EP called for enforceable EU-wide food waste reduction, in accordance with SDG commitments. Under the farm to fork strategy a proposal could be put forward in 2023 for a legally binding target of reduction.	EP resolution	(yellow)
3	EU strategy and law on animal welfare	EU institutions / Member States	Parliament has consistently advocated a new EU strategy and law on animal welfare. While the farm to fork strategy plans to revise EU legislation, the debate is open on a European animal welfare label. A stricter regulatory framework for animal welfare could prevent, not simply discourage, undesirable practices, such as the long distance transport of live animals.	EP resolution (2015) EP resolution (2020) EP Inquiry Committee	(yellow)

Proposals submitted by the European Commission / on-going processes					
4	EU food security contingency plan and crisis response mechanism	European Commission	Food security contingency plan and crisis response mechanism, coordinated by the Commission and involving Member States (proposal to be made by the end of 2021)	Farm to fork strategy Road map and survey	
5	EU legislative framework for a sustainable food system	EU institutions	The farm to fork strategy announces a legislative framework for a sustainable food system by 2023.	Farm to fork strategy	
6	CAP reform	Member States / European Commission	The Commission has put forward a number of interventions that Member States may use in their CAP strategic planning to increase their environmental ambition, and has issued recommendations to each Member States. It has also published the list of potential agricultural practices eligible under the eco-schemes, to reward farmers for climate services.	CAP strategic plans regulation (Chapter III) Recommenda-tions to Member States Eco-schemes	
7	Horizon Europe: research and innovation	EU institutions / Member States	Horizon Europe (€84.9 billion for 2021-2027) includes in Cluster 6 specific actions on 'establishment of primary production, food and bio-based systems based on sustainability, inclusiveness, health and safety; food and nutrition security for all'.	Part of the MFF 2021-2027 – NGEU	
8	The European Social Fund +	European Commission / Member States	The ESF+ (€88 billion for 2021-2027) will be the main vehicle, at EU level, to promote social inclusion, fight poverty and provide food and basic material assistance to the most deprived (integrating the current Fund for European Aid to the Most Deprived – FEAD).	Part of the MFF 2021-2027 - NGEU	
9	Harmonised EU food labelling schemes	European Commission	The 'farm to fork' action plan announces proposals for food labelling schemes on two fronts: - mandatory front-of-pack nutrition labelling to enable consumers to make health conscious food choices (end of 2022), including origin indication for certain products. - sustainable food labelling framework to empower consumers to make sustainable food choices (in 2024).	Farm to fork Strategy	
10	Action plan on organic farming	European Commission	The farm to fork strategy sets a target of 25 % of the EU's agricultural land under organic farming by 2030 and a significant increase in organic aquaculture	Farm to fork strategy EU biodiversity strategy for 2030	
11	Reduction of chemicals on the fields	EU institutions / Member States	The farm to fork strategy proposes targets by 2030: to cut by 50 % the overall use and risk of pesticides, by 50 % the use of more hazardous pesticides, and by 20 % the use of fertilizers, using existing EU regulatory power. A STOA study on crop protection in the EU analyses different options and their impact.	Farm to fork strategy STOA study	

12	EU carbon farming initiative	European Commission	A new EU carbon initiative, expected in 2021 will promote business opportunities from farming practices that remove CO_2 from the atmosphere, either via the CAP or other public or private initiatives (e.g. market in certificates of carbon removals).	[Farm to fork strategy](#)	
13	Review of EU international trade policy	European Commission	The Commission communication outlines the trade strategy of the EU for the coming years. Reflecting the concept of open strategic autonomy, the strategy prioritises a major reform of the World Trade Organization, including global commitments on trade and climate, new rules for digital trade, reinforced rules to tackle competitive distortions, and restoring its system for binding dispute settlement.	Commission [communication](#)	
Policy suggestions from other EU institutions / Council					
14	Comprehensive EU food policy	EU institutions / Member States	The European Economic Social Committee (EESC) has consistently called for the development of a comprehensive food policy in the EU, with the aim of providing healthy diets from sustainable food systems. A comprehensive EU food policy should improve coherence across food-related policy areas, restore the value of food and promote a long-term shift from food productivism and consumerism to a more responsible food management. The EESC also reiterates that a comprehensive food policy should be complementary to – not replace – a reshaped CAP.	[NAT/711](#) (EESC) [IPES-food](#)	
15	Novel genomic techniques	EU institutions / Member States	The Council asked the Commission to submit, by 30 April 2021, a study regarding the status of novel genomic techniques under Union law.	[Council Decision (EU) 2019/1904](#)	
16	EU strategy for genetic resources for aquaculture, forests and agriculture	EU institutions, Member States	The Council invited the Commission to present an EU strategy for genetic resources for aquaculture, forests and agriculture, based on the work of the Commission on Genetic Resources for Food and Agriculture of the FAO. As a result, primary producers should benefit from easier market access to cultural, climate and locally adapted varieties and breeds.	[Council](#) (Conclusions, farm to fork)	
17	EU protein transition strategy	EU institutions / Member States	The Council asked the Commission to present an EU protein transition strategy to encourage the cultivation of plant proteins for food and feed in the EU, as well as the use of other sustainable protein sources, based on the existing [Commission study](#). The objective is to address the EU import [dependence](#) in plant proteins used for animal feed, at the same time providing new green opportunities for EU farmers.	[Council](#) (Conclusions, farm to fork)	

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Policy suggestions from think tanks and academia / stakeholders				
18	Supporting circular urban food policy-making	European Commission / Member States / local authorities	Examples of urban food policy-making seek to bridge the rural-urban divide and build urban food systems on a broader scale than just urban and peri-urban territories. The Milan Urban Food Policy Pact initiative includes over 200 cities that are building more sustainable food policies.	Milan Urban Food Policy Pact, Ellen MacArthur Foundation

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1   R. Nieminen, Common agricultural policy, EPRS, European Parliament, 2018.

2   E. Bassot, Ten issues to watch in 2021 (Food for All? Food for Thought), EPRS, January 2021.

3   According to the Food and Agriculture Organization of the United Nations (FAO), 'Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life'. This definition was adopted during the 1996 World Food Summit held at FAO headquarters in Rome (An Introduction to the Basic Concepts of Food Security. FAO, 2008.

4   For the years 2021 to 2022, a transitional regulation (Regulation (EU)2020/2220) is in force. The regulation basically extends provisions set out in the preceding regulations, with minor amendments. It will remain in force until the new framework of CAP strategic plans is implemented (due to begin on 1 January 2023).

5   For a summary analysis of CAP reform proposals see: James McEldowney and Rachele Rossi, CAP strategic plans, EPRS, European Parliament, January 2021; Beata Rojek, CAP Amending Regulation (CMO), EPRS, European Parliament, January 2021; Rachele Rossi, CAP horizontal regulation, EPRS, European Parliament, January 2021.

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Reducing energy dependency and enhancing energy efficiency in the EU

The issue in short

Energy efficiency has a significant role to play in reducing energy dependency in the EU and improving security of supply. The EU is now overwhelmingly a net energy importer and its dependence on imports from third countries is actually growing, especially in terms of fossil fuels. This constitutes a security of supply risk, most notably in the oil and gas sector, where the legacy of historical infrastructure and the challenges of transport and storage have led to most Member States relying heavily on a relatively small number of supply countries and pipelines. While the EU has done much to develop legislation to counter security of supply risks, Member States do not always consider the full implications for neighbouring countries of their choices with regard to energy infrastructure and supply arrangements with third countries. One way for the EU to reduce its energy dependence is to increase the use of locally produced, renewable energy sources (RES), and to curb its energy consumption by facilitating energy savings and making improvements in energy efficiency. Policies on energy efficiency and promoting renewables are mutually reinforcing, according to a study by the International Renewable Energy Agency. They not only improve energy security by reducing imports of fossil fuels to the EU, they can also contribute in a very substantial way to EU climate objectives, by lowering greenhouse gas (GHG) emissions.

The European Council recently agreed to reduce GHG emissions by at least 55 % in the EU by 2030, as an important stepping stone towards net zero emissions by 2050. The European Parliament argues that a collective reduction of 55 % is insufficient as an intermediate step and has proposed a 60 % reduction in emissions by 2030. In any case, achieving net zero emissions by 2050 is likely to require more ambitious, binding and enforceable climate and energy goals than those already agreed by the EU for 2020 and 2030. The Commission therefore plans a major revision of EU climate and energy legislation to make sure it is 'fit for 55 %' and in line with the European Green Deal.

A further consideration is the economic impact of the coronavirus pandemic, which according to the International Energy Agency is holding back energy efficiency investment, with a global decline of 9 % reported in 2020. Yet part of the difficulty in developing more unified EU energy policies is that Member States have very different energy mixes. Some are rapidly scaling up their deployment of RES, while others remain heavily dependent on (largely) imported fossil fuels. Less than half of EU Member States make use of nuclear power, with some phasing it out of their energy mix while others look to further tap its potential as a clean energy source. This also affects energy security in the EU's external relations, with Member States adopting very different approaches towards major supply countries such as Russia, which is the largest hard coal (42 %), crude oil (30 %), and methane gas (40 %) supplier to the EU (2018 figures). These contrasting approaches are based not only on Member States' energy needs, but also broader geopolitical considerations, as well as domestic politics. This nationally oriented approach has led to strong divisions within the EU, as showcased by the Nord Stream 2 project, the new export gas pipeline running from Russia to Europe across the Baltic Sea, which is opposed by the Commission and several Member States on the grounds of energy security. Persistent national differences, coupled with the lack of political will to pursue more unified external energy policies, have limited the capacity of the EU to develop its strategic autonomy in the energy field. However, according to data from Eurobarometer surveys, 65 % of citizens would like to see stronger EU action on energy supply and security.

Position of the European Parliament

Energy efficiency continues to be an important theme in the current legislature. The European Parliament's resolution of 15 January 2020 on the [European Green Deal](#) sees energy efficiency as a priority for reaching net-zero GHG emissions by 2050, and calls for **more ambitious and binding national and EU targets for energy efficiency**. It calls for both the EU Energy Efficiency and EU Renewables Directives to be revised and aligned with Europe's greater ambition in the climate field, as the European Commission proposes in its [2021 work programme](#). The resolution also called for a rapid phasing-out of all fossil fuel subsidies in the EU by 2020. The Parliament later adopted a resolution, on 17 September 2020, on [measuring the energy efficiency potential of the EU building stock](#).

Energy security was already an important theme during the previous legislative term (2014-2019). In the resolution of 15 December 2015 on [Towards a European Energy Union](#), the Parliament called for all EU energy infrastructure to abide by principles of energy security, and for the European Commission to be given a greater role in negotiations with third countries, including supply contracts. The resolution called for the EU to negotiate with one voice with third countries, and proposed a **voluntary collective purchasing mechanism for gas**. The resolution noted the direct link between improving energy efficiency and ensuring energy security in the EU, with energy savings lowering the level of dependence on energy imports from third countries.

During the 2014-2019 legislative term, the Parliament played a crucial role in negotiating the legislation behind the [Energy Union strategy](#), most importantly the **Clean Energy package**, which consisted of eight significant legislative proposals on electricity markets, energy efficiency, promotion of renewable energy sources, and governance of the Energy Union. The Parliament also negotiated an earlier package on security of gas supply, consisting of a new regulation on security of supply, a revised decision on intergovernmental agreements in the energy sector, and an EU strategy on liquefied natural gas (LNG) and gas storage.

In trilogue negotiations over the [revised energy efficiency directive](#), which concluded in 2018, the Parliament pushed for a binding 35 % minimum target for EU-wide energy efficiency improvements by 2030, for the energy efficiency to be the first principle to be applied throughout the energy supply chain, and for small and medium-sized enterprises to have non-discriminatory access to energy efficiency services. While trilogue negotiators ultimately agreed a non-binding 32.5 % minimum target for the EU and its Member States, the Parliament is now pushing for more ambitious EU targets that are also binding on individual Member States, as part of the proposed revision of the Energy Efficiency Directive in 2021. Higher energy efficiency targets are in any case necessary to meet the 55-60 % GHG emissions reductions supported by the EU.

In trilogue negotiations over the [revised security of gas supply regulation](#) that concluded in 2017, the Parliament pushed for a stronger role for the Commission in setting regional cooperation mechanisms, together with the powers to fully scrutinise (and potentially block) supply contracts between Member States and third countries, which impact on energy security. Parliament also pushed for a voluntary collective purchasing mechanism for gas (see above) but this was not successful. A similarly robust approach was adopted by the Parliament in earlier trilogue negotiations over the revised EU decision on [intergovernmental agreements in the energy field](#), and in later negotiations over making the [EU Gas Directive applicable to pipelines with third countries](#). As a result, the EU now has significantly more tools at its disposal to guarantee security of gas supply.

Policy proposals by experts and stakeholders

Researchers at Notre Europe (Jacques Delors Institute) addressed energy efficiency and supply risks in their seminal 2016 report '[From the European Energy Community to the Energy Union](#)'. They argued that 'the lack of aggressive approach to energy efficiency with accurate binding targets has prevented more savings of energy in both public and private sectors', while mobilising sufficient

investment is crucial to decarbonising the building sector. They bemoaned the fact that energy taxation remains fully national and does not meet the EU's climate and energy objectives, and call for more emphasis on the external dimension of the internal energy market, where the EU as a whole should try to overcome supply risks by developing more unified positions with third countries.

Annika Hedberg, senior policy analyst at the European Policy Centre, published an article on future-proofing the European energy system, in order to align it fully with the EU's 2050 climate objectives. Hedberg notes that improving energy efficiency lowers the need for energy imports from third countries 'as every one per cent in energy savings cuts EU gas imports by 2.6 per cent', according to EU figures. EU renewable energy production leads to lower imports and higher energy security.

Researchers at Bruegel published a pioneering paper on 'Rethinking the Security of the EU's gas supply', in which they proposed the creation of an EU market for a **gas security margin**, which would 'extend the existing gas storage obligations adopted by some member states for security of supply reasons to the EU level, and would include all of the gas system's flexibility options'. This would ensure that even Member States who remain dependent on a single supplier/infrastructure for gas can access alternative supplies, even if these potentially go unused.

Researchers at the Centre for European Policy Studies (CEPS) published a paper on 'The European Green Deal after Corona: Implications for Climate Policy', in which they note that the renovation of buildings and the broader question of energy efficiency will require massive investment and policy attention of national and local authorities. This constitutes an opportunity to focus on the carbon content of infrastructure and in buildings, for example, by setting EU rules on carbon content as a way to align post-crisis recovery measures with long-term climate objectives.

The Coalition for Energy Savings (a 28-member association) has outlined several priority actions that the EU can take to scale-up energy saving, including the application of energy efficiency first principles to all infrastructure decisions, creating a more favourable environment for energy efficiency services and energy performance contracts, establishing national centres of excellence on efficiency projects, and setting a minimum energy performance standard for data centres.

The Atlantic Council has published a report on improving energy security in Europe, with a particular focus on greater transatlantic cooperation to help deliver the European Green Deal. A related issue brief focuses on specific areas of potential EU-United States cooperation, namely: access to diversified gas supplies, including liquefied natural gas (LNG) from the USA; greater energy savings (since energy efficiency is a shared EU and US priority); and cooperation on nuclear technologies.

Points of blockage

The EU has made progress in facilitating energy efficiency measures and balancing its energy dependence, and is likely to have met its 20 % targets for energy efficiency improvements and share of renewables in final energy consumption by 2020. Yet the former achievement is to some extent a consequence of the reduction in energy use due to the coronavirus pandemic, as certain economic sectors temporarily closed or reduced their level of activity, and it does not necessarily reflect more enduring shifts in consumption patterns. While the EU has agreed to the more ambitious targets of 32.5 % in efficiency improvements and 32 % share of renewables by 2030, these are already insufficient to meet the new EU climate action goal of 55-60 % GHG emissions reductions by 2030, which would set the EU more firmly on the path towards net zero GHG emissions by 2050.

Raising the EU's climate and energy ambitions is not a straightforward process. There are limits to EU action, given that Member States retain important prerogatives on energy policy under Article 194 of the Lisbon Treaty. This includes the right for Member States to determine their energy mix, organise the structure of their energy supply, and set the conditions for exploiting their energy resources. EU energy efficiency targets remain non-binding on individual Member States, with no mechanism to really compel reluctant countries to scale-up their efficiency improvements. Another issue is how to finance energy efficiency improvements, as most of the resources need to come from

the public and private sectors in Member States, which now face further financial constraints due to the negative economic effects of the coronavirus pandemic. The problem is especially acute in the buildings sector, which accounts for 40 % of global GHG emissions, but where the annual renovation rate in the EU is only 1 % of the total EU building stock. Residential buildings are a particular challenge because of their diffuse ownership structures, the balance of private and social housing, split incentives for landlords and tenants, and enduring social problems such as energy poverty.

With regard to energy security, the main legal planks of a unified EU strategy are now in place. Although gas continues to pose the greatest risks for security of supply, EU legislation ensures Member States now face fewer risks of a severe and prolonged disruption in supplies. However, it is not entirely possible to predict how individual Member States will act in an emergency scenario, and how this will in turn impact on supplies to neighbouring countries. Several countries remain quite reliant on a single route for pipeline supplies that leaves them vulnerable to supply disruption, even if more reverse gas flow interconnectors and greater access to LNG import terminals make the EU as a whole much more resilient than in the past. While the European Commission has gained an enhanced role in scrutinising supply contracts and pipelines with third countries, there has been a certain reluctance from some Member States to fully consider the European dimension when developing their supply infrastructure with third countries. This problem was highlighted most vividly by the Nord Stream 2 project, which generated considerable divisions among Member States and made it clear to the rest of the world that the EU still speaks with many voices on energy policy.

Opportunities to move forward

The European Council's recent endorsement of a 55 % target for GHG emissions by 2030 provides the stimulus for a more ambitious reform of the EU directives on Energy Efficiency and Energy Performance of Buildings. The Parliament's long-standing demand for higher goals for energy efficiency improvements that are also binding on individual Member States, could now find more willing support in the Council. The recently agreed Recovery Plan for Europe, with the €750 billion Next Generation EU recovery instrument at its core (see box below), could help to solve the conundrum of how to finance energy efficiency improvements on a large scale across the EU, as all Member States are required to prioritise the green transition in their national recovery plans. Furthermore, the change in the European Investment Bank's mandate to prioritise climate action should also provide more loan funding for energy efficiency and renewable energy projects.

Another challenge is to agree a form of energy taxation that sets minimum standards for all Member States and is fully aligned to EU climate and energy goals. This could provide a major impetus for energy efficiency improvements and the deployment of renewables, reduce the volume of imported fossil fuels in the energy mix, and help to balance energy dependence. A lot therefore hinges on the Commission's forthcoming legislative proposal to revise the 2003 Energy Taxation Directive (ETD), expected in Q2 2021. The ETD has proven hard to reform in the past because of the requirement for a unanimous decision by Council and the limited consultative role for Parliament under this special decision-making procedure. The Commission has put forward arguments in favour of applying qualified majority voting (QMV) as part of the ordinary legislative procedure, to areas of EU energy policy which are still decided by unanimity but have a strong environmental impact, including the minimum taxation of energy sources. A shift towards greater QMV is possible under existing EU Treaties thanks to a '*passerelle* clause' that allows unanimity to be replaced by QMV in aspects of energy policy that serve broader environmental objectives. However, activating this *passerelle* clause requires the Council of the EU to take the initial decision by unanimity.

The forthcoming Conference on the Future of Europe could re-evaluate the precise role of the EU and its Member States in setting energy policies in the framework of the European Green Deal, as well as the decision-making procedures best suited for attaining more ambitious goals for climate action and energy transition. In light of the divisions caused by the Nord Stream 2 project, the

Conference could consider ways in which the EU might develop more unified external energy policies, and become more effective in negotiating with third countries and in international fora.
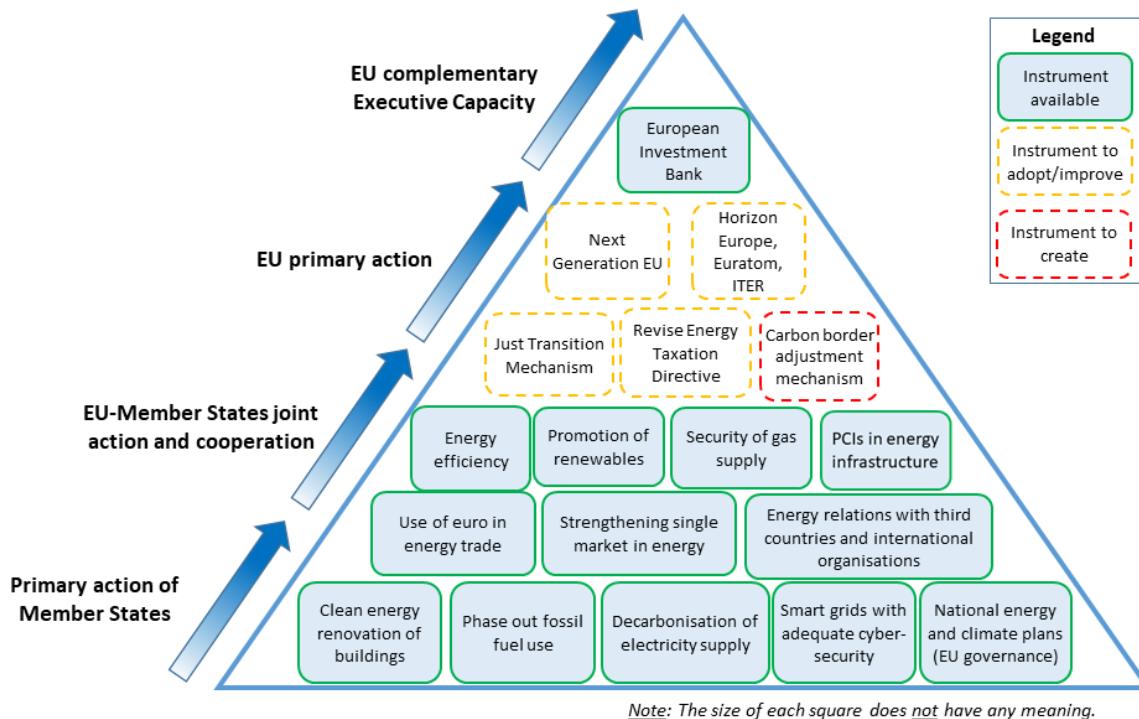

**In focus: Next Generation EU as complementary executive capacity
in climate and energy policies**

The Next Generation EU recovery instrument (NGEU) is a €750 billion temporary instrument that will allow the European Commission to raise funds on the capital market, in order to provide grants and loans to Member States to assist their economic and social recovery from the effects of the coronavirus pandemic. The borrowing will be repaid from the EU budget in instalments between 2028 and 2058, and the EU will be granted additional own resources for this purpose. While any own resources decisions need to be approved by Member State governments as well as their national parliaments, the package of new EU own resources is likely to include a new carbon border adjustment mechanism. This will impose a calibrated charge on goods and materials in specific sectors, which are imported from third countries but not produced to the same environmental standards as in the EU, especially in terms of greenhouse gas emissions and energy use. This will protect European producers from unfair competition and encourage higher global standards.

The bulk of NGEU funding is through the Recovery and Resilience Facility (RRF), which will provide up to €312.5 billion of grants and €360 billion of loans to support Member State investments and reforms, to be allocated until end 2023. Three of the seven flagship areas prioritised for RRF investment relate to energy policies: 'Power Up '(clean energy and renewable technologies); 'Renovate' (energy efficiency of buildings), and 'Recharge and Refuel' (sustainable transport and refuelling). Each Member State needs to develop a Recovery and Resilience Plan (RRP), which must include a minimum of 37 % of expenditure related to climate, including measures for energy savings and promotion of renewables. The Commission will assess RRPs, which must be submitted by 30 April 2021 in the context of the modified 2021 European Semester. RRF funds are disbursed on request of the Member State concerned, and only after approval from the ECOFIN Council.

Beyond the RRF, NGEU will also provide additional resources to mainstream EU programmes with a strong climate and energy dimension, channelled through the new Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU, €47.5 billion), including the European Regional Development Fund and the European Social Fund. More resources will be allocated to the InvestEU initiative, which includes strategic energy infrastructure. NGEU will also provide €10 billion of the total €17.5 billion allocated to the new Just Transition Fund to help regions with a high reliance on fossil fuel industries adapt to the clean energy transition. Climate expenditure targets range from 100 % for the Just Transition Fund, 30 % for InvestEU, and 25 % for REACT-EU.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Binding targets on energy efficiency	European Commission / European Parliament / Council	Parliament has called for more ambitious and binding EU and national targets on energy efficiency by 2030.	European Parliament resolution, P9 TA(2020)0005	
2	Collective EU purchasing of gas supplies	European Commission / European Parliament / Council	Parliament has called for a voluntary collective purchasing mechanism for gas supplies to the EU, to strengthen security of supply and the EU's weight in negotiations with third country producers.	European Parliament resolution, P8 TA(2015)0444	

Proposals submitted by the European Commission / ongoing processes					
3	Revise Energy Efficiency and Buildings Directives	European Commission / European Parliament / Council	European Commission proposes to revise Energy Efficiency and Energy Performance of Buildings Directives to align them with more ambitious EU climate goals for 2030 and 2050. Revisions may include higher and more binding national targets for energy efficiency improvements, and faster rates of building renovation. The new 'renovation wave for Europe' strategy aims to double renovation rates in the next 10 years	European Commission Communication COM(2019) 640 final European Commission Communication COM(2020) 662 final European Commission 2021 Work Programme, Annexes COM(2020) 690 final	■ (green)
4	Stronger role for the euro in energy markets	European Commission / Member States	Commission recommends to increase use of the euro in international energy market transactions. This could strengthen single market, reduce currency risks, improve contractual terms, and secure energy supplies.	European Commission recommendation, C(2018) 8111	■ (yellow)
5	Increase use of QMV in EU energy policies	European Commission / European Parliament / Council	Commission proposes to increase use of QMV in EU energy policies that are currently subject to unanimity in Council (with only a consultative role for Parliament). Areas where QMV could be expanded include energy taxation, and other policies for climate and environment.	European Commission Communication, COM(2019) 177 final	■ (red)
Policy suggestions from think tanks and academia / policy examples from third countries					
6	Stronger action to improve energy efficiency and security	European Commission / European Parliament / Council	European Commission should set more binding and accurate energy efficiency targets for Member States to meet. Energy taxation should be less national, more harmonised and in line with climate and energy goals. More emphasis on external dimension of Energy Union. EU should negotiate more collectively with third countries/international fora.	Notre Europe, From the European Energy Community to the Energy Union	
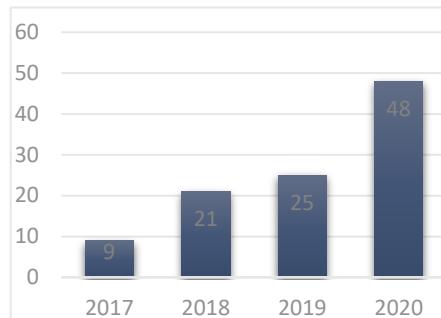
7	Establishing EU market for a gas security margin	European Commission / European Parliament / Council	Develop an EU-wide regulated market for a gas security margin. This would ensure all Member States can access alternative supplies without having to rely on new infrastructure, and without having to relinquish contracts with their main suppliers.	Bruegel, Rethinking the Security of the EU's gas supply	
8	Introduce carbon content rules for buildings and for energy infrastructure	European Commission / European Parliament / Council	Introduce EU carbon content rules for new and renovated buildings and for new energy infrastructure, as important measures to support the economic recovery from the coronavirus pandemic while meeting long-term climate goals.	CEPS, The European Green Deal after Corona	

Countering disinformation in the EU

The issue in short

It is increasingly visible that the corrosive effect of online disinformation on democracies has become a systemic geopolitical challenge and societal threat, further accelerated by the coronavirus pandemic. The infodemic – an over-abundance of both accurate and false information – accompanying the Covid-19 outbreak has exemplified the dangers. In addition to an increasing number of countries using social media to spread computational propaganda and disinformation – 81 in 2020, up from 71 countries in 2019, according to the Oxford Internet Institute (OII) – private companies are increasingly engaging in manipulation campaigns. The OII found 65 companies offering computational propaganda since 2018. In 2020, such companies were deploying political computational propaganda in 48 countries.[1]

Figure 1 – Countries with evidence of manipulation campaigns by private firms

Source: Oxford Internet Institute

Disinformation constitutes a powerful tool to disseminate hate speech and hate crime, racist content, foster discrimination with a negative impact on the state of democracy, the rule of law, fundamental rights, equality and non-discrimination, pluralism, tolerance, justice and solidarity.

The pandemic's inherent, continuous uncertainty has increased the vulnerability to disinformation and created a 'perfect storm' for false information. Moreover, growing social, economic and health inequality exposes new wedge issues; divisive themes that can be exploited to pit people against one another (= demand). At the same time, the pandemic has sparked a global battle of narratives: Since early 2020, authoritarian states such as China and Russia have been engaging in increasingly aggressive information campaigns that include celebrating their own handling of the pandemic and own vaccines, while silencing domestic criticism; highly visible global aid and vaccine offensives; spreading conspiracy theories about the origin of the virus; working to undermine trust in democracies' handling of the crisis, discrediting Western vaccines and fuelling vaccine hesitancy.[2]

In parallel, the pandemic has boosted a handful of already powerful tech companies and further eroded advertising revenue for traditional news media,[3] thus adding to an existing media crisis and increasing the risk of information vacuums, as well as declining civic engagement. Meanwhile, while there are low costs for the supply side – including those acting with malign intent – deceptive techniques are becoming ever faster, cheaper, cleverer and more widely available and profitable,[4] with artificial intelligence (AI) enabling computational propaganda, deep fakes and (political) micro-targeting using data-mining to tailor messages to specific users. The combination of increased vulnerability to disinformation, fast evolving techniques and more global actors with ideological, strategic or financial interest in spreading manipulative information, creates a toxic cocktail that calls for a multifaceted and – ideally – coordinated cross-border approach.

Policy proposals by institutions and experts

The EU's broad approach to countering online disinformation and boosting democracy

As the fast-evolving and multi-faceted pressure on Europe's info-sphere keeps growing, internal and external pressure on the European Union (EU) to curb disinformation, strengthen its strategic communication efforts, and ensure that people have access to accurate information, whilst at the same time protecting its key values such as freedom of expression and media freedom, continues to mount. The EU's response is moving towards a whole-of-society approach that takes all actors and 'stakeholders', including citizens as arguably the most important stakeholders of democracy, into account.

Since the creation of the East StratCom Task Force under the European External Action Service (EEAS) in 2015 – upon a request from the European Council to counter pro-Kremlin information campaigns – the EU has continued to step up its action to counter third-country disinformation. Following the 2016 United States Presidential election and the United Kingdom referendum on EU membership, and ahead of the 2019 European Parliament elections, the European Commission launched an action plan against disinformation (APAD) in 2018, based on four pillars: improving EU institutional capabilities to detect, analyse and expose disinformation; joint, coordinated responses; mobilising the private sector (notably major tech companies, with the voluntary 2018 Code of Practice); and raising awareness and improving societal resilience.

Amid the pandemic, the EU further intensified these efforts – as laid out in the June 2020 Joint Communication on Tackling Covid-19 disinformation – mobilising online platforms, Member States and civil society to counter these risks for open societies. The immediate response to coronavirus disinformation included work already under way. An EEAS StratCom team, EUvsDisinfo, has collected hundreds of examples of coronavirus-related disinformation. The Rapid Alert System (RAS) has also been utilised amid the pandemic. An ADAP pillar, the RAS was launched in March 2019 among EU institutions and Member States to share information and coordinate responses to disinformation, including with the G7 and North Atlantic Treaty Organization (NATO), with whom the EU has increased their cooperation on hybrid threats and disinformation in recent years, notably through the Hybrid Centre of Excellence in Helsinki in 2017.

Other EU actions include those envisaged in the December 2020 European democracy action plan (EDAP), which seeks to strengthen the resilience of EU democracies, as announced in European Commission President Ursula von der Leyen's Political Guidelines. The EDAP addresses the EU institutions, national governments and parliaments and countering disinformation is one of three specific measures proposed. It focuses on three major areas of action: empowering citizens to make informed decisions; capacity-building; and online platforms' obligations and accountability. The EDAP underlines media literacy and critical thinking as tools to help all citizens competently navigate news and develop a critical understanding of social networks.

The European Commission will support national media literacy campaigns in cooperation with the European Digital Media Observatory (EDMO, set up in 2020, a hub for fact-checkers and researchers, which further contributes to the fight against disinformation and strengthening societal resilience to false content), and the Media Literacy Expert Group. Linked to this, the revised Audiovisual Media Services Directive requires Member States to promote the development of media literacy skills. The EDAP proposes boosting EEAS strategic communication activities and taskforces and increase support for national authorities' capacity-building, independent media and civil society in third countries. It also opens up the possibility to extend the cooperation in the RAS to the EU Agency for Cybersecurity (ENISA), EDMO and Europol.

The obligations of online platforms are detailed in the proposed Digital services package, which includes proposals for a Digital Services Act and a Digital Markets Act and is widely expected to have global standard-setting impact ('Brussels effect') on the role of the major online platforms, including by demanding greater accountability on content moderation, advertising and on algorithmic

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processes. By kicking off its 'digital decade', the EU hopes to meet the 'need for more democratic governance over technology', as Margrethe Vestager, Executive Vice-President of the European Commission for a Europe Fit for the Digital Age/EU Commissioner for Competition and High Representative of the European Union for Foreign Affairs and Security Policy (HR/VP), Josep Borrell, stated in March 2021.

In its December 2020 conclusions, the Council called for further enhanced responses at EU level to counter hybrid threats, including disinformation, underlining that the Covid-19 pandemic makes the EU and its Member States more vulnerable. The Council highlighted the EU's multidisciplinary and multi-stakeholder approach and called for further strengthening of the strategic communication task forces within the EEAS and the RAS, with a view to developing a comprehensive platform for Member States and EU institutions.

Reflecting the increased level of internal coordination within the EU institutions as regards countering mis- and disinformation, as envisaged in recent action plans, EU institutions and agencies – including Europol – have designated webpages on Covid-19 and false information related to the pandemic and are making coordinated efforts to raise awareness.

Initiatives for transatlantic international democratic cooperation

Fighting malign information operations enabled by AI: whereas the EDAP does not focus specifically on the role of AI in the amplification of disinformation to undermine democracy, the US National Security Commission on Artificial Intelligence (NSCAI) proposed an International Task Force to Counter and Compete Against Disinformation, modelled after the Global Coalition to Defeat ISIS in March 2021. In its Third Quarter Recommendations to the US Congress, the NSCAI proposed a Strategic Dialogue for Emerging Technologies (SDET) between the USA and the EU.

Cyber-response: The Paris Call for Trust and Security in Cyberspace – established by French President Emmanuel Macron during the Internet Governance Forum held at Unesco and the Paris Peace Forum in November 2018 – is positioning itself as an international 'tool for a wide range of actors to interact on the inclusive governance of cyberspace', including on fighting disinformation. A number of EU Member States and stakeholders, as well as EU agencies and bodies, have signed the call. Canada plays a key role in the third principle – protecting the integrity of democratic elections – which includes combating disinformation, alongside the Alliance for Securing Democracy and the Transatlantic Commission on Election Integrity by the Alliance of Democracies.

Allies' push for liberal democratic and international norms: Australia, which has been the target of disinformation campaigns waged by the Chinese Communist Party (CCP), further accelerated by the pandemic, co-authored a Cross-Regional Statement on the Covid-19 related infodemic, along with a small group of countries including Latvia and France. Endorsed by 130 countries and the EU, the statement underlined the responsibility of states, regional organisations, the United Nations, as well as mass media, social media platforms and NGOs in helping people tackle mis- and disinformation to increase societal resilience. Australia's clash with Facebook and Google over the country's News Media Bargaining Code, which would make tech giants pay Australian media companies for using their content prompted Canada – which is mulling similar legislation – and the UK to declare support for Canberra in the face of the pressure from the online platforms.

Position of the European Parliament

In its consistent push for a coordinated European response to disinformation, the European Parliament has used a mix of tools in recent years: non-legislative resolutions and hearings, as well as its budgetary power. This latter was instrumental in the allocation of the first real budget to the East StratCom Task Force, whose work the Parliament has consistently supported. Parliament's continuous calls for a coordinated EU response to foreign disinformation have become even more visible in the context of the pandemic: In a resolution adopted on 17 April 2020, Members stressed that disinformation about Covid-19 is a key public health problem, that everyone should have access

to verified information, and that free, independent and sufficiently funded media is vital for democracy. In April 2020, Parliament organised an exchange of views with HR/VP Josep Borrell on an EEAS special report on the narratives and disinformation around the pandemic, released earlier that month. In a 25 November 2020 resolution, Members condemned the rise of authoritarian nationalism and disinformation campaigns spreading distrust and weakening democratic societies and international cooperation. In another 25 November resolution, the Parliament highlighted that measures combating disinformation should focus on fostering a plurality of opinions through the promotion of high-quality journalism, delivering reliable, fact-based and verified information, and on building media literacy. All measures to combat disinformation, including those taken in the context of the Covid-19 emergency, need to be necessary, proportionate, transparent, temporary and subject to regular oversight, and avoid any drift leading to public monopoly or concentration of information sources.

Reflecting the Parliament's acknowledgement of the multifaceted threats to democracy and its seemingly increasing appetite for concrete action, it set up a 12-month temporary Special Committee on foreign interference in all democratic processes in the EU, including disinformation (INGE), in September 2020. This mandate has since been extended to 18 months. The INGE committee is expected to suggest action for tackling hybrid threats and foreign information campaigns that are harmful to the EU. The first INGE working document, published in January 2021, criticised that 'Europe has long acted as if it had no reason to fear and nothing to protect', noting 'loopholes, lack of coordination, lack of sufficient resources, lack of legislation, and even a certain lack of imagination'.

As regards the aforementioned digital services package related to the role and responsibilities of online platforms, the Commission's proposals now reside in the Internal Market and Consumer Protection (IMCO) Committee with a view to forming the institutional position. Christel Schaldemose (S&D, Denmark) is rapporteur for the DSA and Andreas Schwab (EPP, Germany) is rapporteur for the DMA. The Transatlantic Legislators' Dialogue (TLD) put tech platforms' accountability on its agenda in 2019. This and other themes linked to democratic resilience will likely be more present in future transatlantic parliamentary dialogues.

In addition to the ongoing work carried out by the European Parliament's administration, including the Spokesperson's Unit (set up in 2018 to counter false narratives about the Parliament), the European Science-Media Hub (ESMH) has a specific section dedicated to the infodemic.

Points of blockage

As information threats are fast-evolving, adaptive and opportunistic, the slowness of government responses remains a problem, not least for a multinational governance structure such as the EU. Here, some experts argue that the agility and independence of non-governmental actors (NGAs) means they are better suited to respond swiftly and credibly to state-sponsored disinformation campaigns.[5] At the same time, governments' slow reaction has also led to uneven emerging efforts to boost international cooperation to counter disinformation.

The pandemic has put governments across the world under immense pressure to protect their citizens. Vaccine-related 'battles of narratives' continue to strain ties between democratic allies, with the potential to deepen divisions over ties with China and Russia, with the latter expected to use such rifts to achieve lifted sanctions. Linked to this, democratic and collective cognitive resilience in EU Member States is tied to the safety and plurality of the media landscape; strong and independent public broadcasters; access to reliable, verified general-interest knowledge, as well as media literacy and critical thinking; aspects neglected in some Member States. For example, the European Commission opened infringement procedure against 23 Member States for failing to enact the revised Audiovisual Media Services Directive (AMSD), which strengthens the independence of media regulators, encourages the transparency of media ownership and promotes media literacy. Only four EU Member States (Denmark, Hungary, the Netherlands and Sweden) had enacted the

AMSD. Looking further ahead in other parts of our infosphere, the lack of coordination in countering authoritarian meddling, including in universities and academia, could potentially have long-term negative consequences. Cuts in funding for research and universities could make universities in and beyond the EU even more vulnerable to foreign funding and cooperation with strings attached.

At the same time, recent developments – including the role of conspiracy theories spread by former US President Donald Trump in inciting the 6 January insurrection at the US Capitol – have shown that the lines between domestic and foreign attempts to undermine democracy are increasingly blurred, as confirmed in a declassified report on foreign threats to the 2020 US federal elections, published by the Director of National Intelligence on 16 March 2021. While the perceived weaknesses in democratic systems are unsurprisingly celebrated as a victory for authoritarian state actors, links between foreign activities and domestic terrorism are under growing scrutiny. As the Norwegian intelligence services' 2021 threat assessment noted, right-wing extremists in Europe perceive the siege of the US Capitol as a 'prelude to a coming racial war in the West'. Such groups have used the fragmentation of the infosphere, with Twitter, Facebook and YouTube takedowns of Trump's and QAnon social media accounts prompting migration waves to more marginal right-wing social media, to groom vulnerable individuals in encrypted corners of the internet.

In the face of increasingly sophisticated disinformation and linked recruitment campaigns with potential security implications, intelligence cooperation to monitor and pre-empt such activities is set to increase. With Brexit, the EU lost a member with close-knit international intelligence links, including through the Five Eyes alliance. Shifting intelligence cooperation constellations could potentially hamper the EU's insight and ability to counter information threats from anti-democratic state and non-state actors. Moreover, the EU's ties with some like-minded democracies appear less solid than five years ago. The conduct of former President Trump shook the faith in the USA as a beacon of liberal democracy, and the impact of Brexit on the role of the UK as an EU ally is still evolving.

In the face of coordinated malign information campaigns targeting democracies, as well as growing pressure on independent media and press freedom in Europe and across the world, the importance of coordinated strategic communication as well as the availability of and access to independent national and international broadcasting with stable funding appears to be growing. The evolving 'battle of narratives' could accelerate attacks on such broadcasters' independence and credibility. Recent CCP attacks against the British Broadcasting Corporation (BBC) have increased over the latter's investigations into CCP disinformation. Against this backdrop, seeming attempts to politicise the US Agency for Global Media (later reversed by President Joe Biden), whose mandate is to promote unbiased news in support of freedom and democracy abroad, including via globally respected and influential Voice of America (VoA) and Radio Free Europe/Radio Liberty (RFE/RL), showed the need to boost the voice of democracies across the world. Weakening the voices of the BBC, VoA and RFE/RL would constitute a historic strategic win for authoritarian actors in the battle of narratives.

Opportunities to move forward

The societal and economic repercussions of the pandemic, in combination with the ongoing infodemic, accelerated geopolitical competition and recent domestic political violence in the USA, all increase the sense of urgency to defend and reinvigorate democracy at home and in the world. At the same time, these multifaceted threats call for a whole-of-society approach, requiring close (international) cooperation and coordination across policy areas, within and among institutions and democratic governments (including NATO and EU Member States), as well as with all stakeholders, notably media, the tech industry and civil society.

This has created a momentum for transatlantic and international alliances in the arena of advancing democracy, coinciding with grand initiatives to boost democracy on both sides of the Atlantic. The Conference on the Future of Europe – officially launched in the European Parliament on

10 March 2021 by the Presidents of the European Parliament, Commission and Council of the EU – aims at providing a more visible impact of the EU's future policies and ambitions.[6] At the same time, reflecting that the new administration has made strengthening democracy abroad a foreign policy priority, President Biden stated in his first foreign policy address that the proposed Summit of Democracy will 'rally the nations of the world to defend democracy globally, to push back the authoritarianism's advance'.

The transnational character and repercussions of anti-democracy disinformation make it increasingly clear, as experts have long argued, that democracies need to work together to boost the global information sphere, increase the resilience of democracy as a system and subsequently make substantive investment in empowering citizens, increasing citizens' collective cognitive resilience by boosting their (media and news) literacy and, importantly, ensuring that all citizens have access to reliable information – not only about current wedge issues (such as vaccines and coronavirus-related restrictions), but also, pre-emptively, potential future wedge issues that could be used to pit population groups against one another.

**In focus: Democratic alliances to counter disinformation**
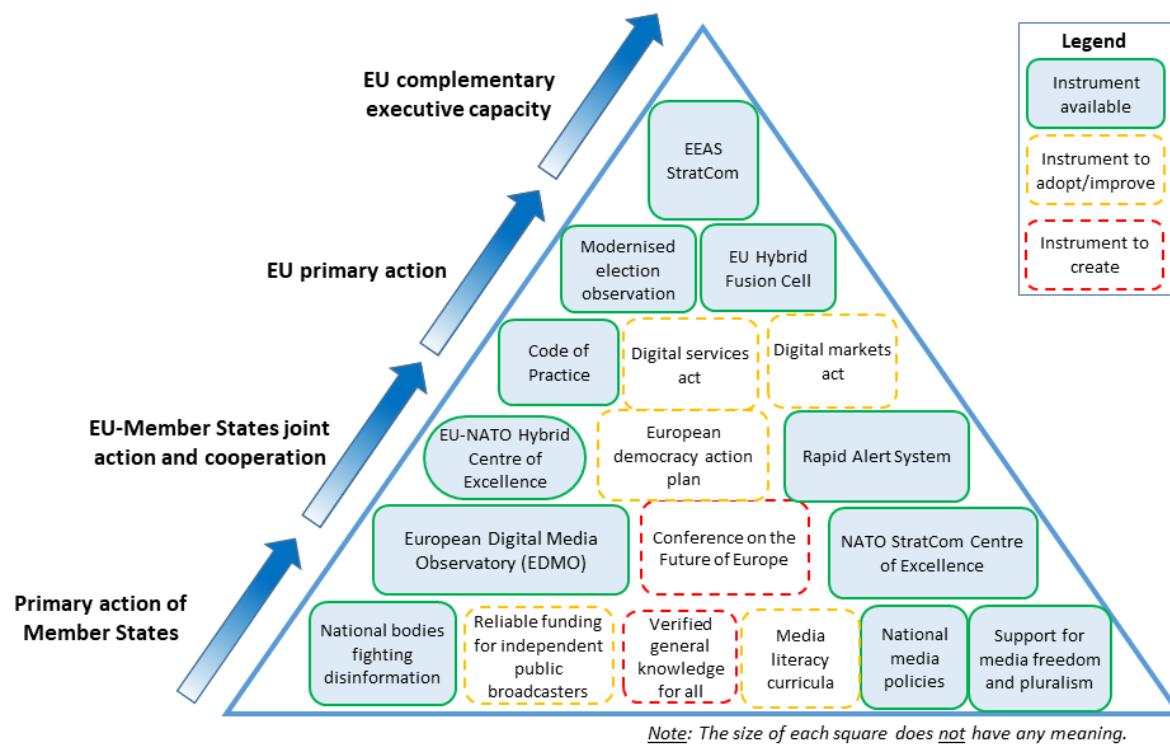
In the light of the strategic, systemic challenges of disinformation stemming from authoritarian state actors as well as anti-democratic extremist domestic forces, researchers and institutions alike have long argued that democratic states must work together to counter global information threats. This seems particularly pertinent in the face of increasingly visible cross-border cooperation between anti-democratic forces, where the interests and techniques of adversarial authoritarian states sometimes overlap with domestic anti-democratic, extremist forces.

Cooperation with other liberal democracies, including in the G7 and NATO, to coordinate counter-disinformation measures and make the digital sphere compatible with democratic values is crucial. The importance of the UK, currently chairing the G7, as a democratic ally in this arena, including in the field of global broadcasting, cannot be over-estimated. The momentum for boosting democracy also entails exploiting a window of opportunity to come together to clamp down harder on disinformation, while simultaneously strengthening the backbone of democracy, including in the form of the EU's fundamental freedoms. The new Conference on the Future of Europe and President Biden's planned Summit of Democracy are important initiatives where the parliamentary democratic dimension could play a visible role. In this context, the European Parliament provides an example of how a culture of compromise works in the interests of citizens, as it manages to come to an agreement on trade deals and major budgets despite language barriers, cultural and ideological divides.

Democracy and tech: Illustrating the necessity for coordinated democratic approach, recent developments in Australia are seen as a preview of future confrontations with tech platforms, especially regarding who should pay for online news content, as well as who should decide what news to pay for. In Europe, France's demand for digital tax payment from Facebook and Amazon reportedly sparked tension with the previous US administration. However, the appointment of well-known critics of the major online platforms to important posts in the Biden administration seems to signal a tougher stance on 'Big Tech', with the potential to align transatlantic approaches and cooperate at the interface between technology and democracy, including a EU-US trade and technology council (TTC); one of the proposals for transatlantic cooperation in the EU-US Agenda for Global Change adopted by the European Commission and the HR/VP in December 2020.

The European Parliament, including the INGE committee, is preparing a number of initiatives aimed at exploring the potential for democratic alliances to defend democracy against disinformation and foreign interference, including an interparliamentary summit/meeting on foreign interference planned for late spring/early summer 2021, initiated by the INGE committee.

Pyramid of instruments available to the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Expansion of EU strategic communication	European Council/EEAS	Broadening mandate and resources of the EEAS StratCom task forces; expansion and modernisation of EU communication strategies to make EU values and actions visible within and beyond the EU	INGE committee, European Parliament resolution	(red)
2	Boost media freedom and literacy	European Commission/ Member States	Strengthening media freedom: protecting journalists, countering hate speech, disinformation; boost information, digital and media literacy	European Parliament resolution	(yellow)
3	Enhanced EU-US cooperation to defend democracy	EU institutions, USA	Consolidated cooperation between the EU and the USA to defend multilateralism, international law, shared democratic values, the rule of law and human rights	European Parliament resolution	(red)

Proposals submitted by the European Commission / ongoing processes					
4	Action plan to counter disinformation	European Commission/EEAS/ European Parliament/Council	Boost capabilities to counter disinformation, better coordination, online platforms, societal resilience	European Commission Communication	
5	European democracy action plan	European Commission/EEAS/ European Parliament/Council	Strengthen democracy: capacity-building; empowering citizens; obligations and accountability of online platforms. Modernised election observation activities.	European Commission Communication	
6	Digital services act	European Commission/ European Parliament/Council	Greater accountability of online platforms on content moderation, advertising and on algorithmic processes	European Commission Communications	
7	EU-US Agenda for Global Change	EU-USA	Transatlantic dialogue on the role of online platforms to protect societies and democracies against algorithm-fuelled propagation of hate speech and disinformation; joint EU-US tech agenda	European Commission Communication	
Policy suggestions from think tanks and academia / policy examples from third countries					
8	Intelligence cooperation	NATO Member States	Enhanced cooperation to counter disinformation, including a special unit within the Joint Intelligence and Security Division	NATO 2030	
9	International cooperation	Democratic states, including the EU, the USA	Sanctions (and other financial) tools against disinformation actors and their sources of funding, retaliatory sanctions as a deterrent.	For example: CEPA/Atlantic Council	
10	International cooperation	Democratic states	International Task Force to Counter and Compete Against Disinformation	US National Security Commission on Artificial Intelligence (NSCAI)	
11	Transatlantic cooperation	EU+USA	US-EU alliance for democratic technology governance	Cyber Policy Center, Stanford University	
12	Offensive campaigns to counter disinformation	EU/USA/the West	Step up pro-democracy and anti-corruption strategic communication, raise costs for disinformation	Thomas Kent, Jamestown	

| 13 | Coordination of counter-disinformation efforts in EU institutions | EU institutions | Coordinate terminology, framework for analyses and assessment, consistent formats. | Carnegie Endowment for International Peace | |

1   See also StratCom CoE's 2018 report 'The Black Market for social media manipulation' and its Social Media Manipulation Report 2020.

2   For details, see euvsdisinfo.eu. Most recently, in March 2021, the US State Department's Global Engagement Center, which monitors and analyses foreign disinformation, stated that online publications linked to Russian intelligence were used in a campaign to undermine confidence in Western Covid-19 vaccines, questioning their efficacy and safety.

3   The big online platforms have absorbed most of the advertising revenues that used to fund traditional media, weakening the latter's role and making many people more reliant on social media for news; roughly two-thirds of US adults and over half of Europeans get their news on social media.

4   According to the Global Disinformation Index, online advertisement spending on disinformation domains amounts to US$235 million a year.

5   Kent, T., Striking back - overt and covert options to combat Russian disinformation, Jamestown, 2020.

6   This mirrors the outcome of a March 2021 Eurobarometer survey suggesting a strong desire for more citizen participation in this process.

Making Europol an EU 'FBI'?

The issue in short

Part of the process of making the EU more resilient means providing security for European citizens and European democratic societies. In recent years, new, increasingly complex cross-border, cross-cutting and constantly evolving security threats have emerged, highlighting the need for closer cooperation on security at all levels. The 'traditional' threats of organised crime and terrorism, which have become increasingly dynamic and complex phenomena, have been joined by evolving threats such as cyber-crime, chemical, biological, radiological and nuclear weapons, and hybrid activities of various kinds.

In order to deal with all of these threats and challenges, a strong 'European security ecosystem' is necessary, to foster cooperation and information exchange, ensure strong external borders, provide for cyber-security, protect public places and critical infrastructure, strengthen security research and innovation, and develop future-orientated skills. It has been shown that as a result of the coronavirus pandemic, cases of cyber-crime, including child sexual abuse, have increased.[1] Moreover, extremists and terrorists could benefit from a diminished focus on counter-terrorism and recruit vulnerable individuals, using online narratives assigning blame to 'others' and offering simple 'solutions'. The current pandemic could also fuel the emergence of new forms of violent extremism linked to conspiracy theories, apprehension of perceived governmental over-reach, and technophobia.

The European Union Agency for Law Enforcement Cooperation (Europol) stands at the centre of the current 'European security ecosystem', as it is directly or indirectly involved in dealing with all of these security threats. Its mission is to support Member States in preventing and combating all forms of serious international and organised crime, cyber-crime and terrorism. Europol's role and significance for security in Europe has grown over the last two decades, most recently through its enhanced mandate in 2017, but the evolution of the criminal and security risk landscape since then has created new challenges. These new and evolving challenges could be addressed by strengthening Europol, which currently has no executive power and therefore cannot conduct investigations on its own or make arrests; its core activities consist of acting as the EU's criminal information exchange hub and providing operational support and expertise for Member States' criminal investigations.

This paper looks at proposals to further develop Europol, potentially giving it executive powers, and paving the way to turning it into a genuine European FBI-type body, something analysed by academics[2] and frequently called for by European politicians. The paper will also point to the need to strike the right balance in the debate on upgrading Europol between strengthening security measures and upholding common EU values, notably those relating to (personal) data protection, and the need for democratic accountability.

Position of the European Parliament

The European Parliament has long been an advocate of strengthening Europol in order to address organised crime and terrorism at European level more effectively, albeit subject to certain conditions, notably respect for data protection and democratic oversight. In 2017, Parliament set up a Special Committee on Terrorism (TERR), which made extensive recommendations for immediate or longer-term actions aimed at preventing terrorism, combating its root causes, protecting EU

citizens and assisting victims. Its final report, together with other resolutions, outlines a number of proposals in this regard.

Exchange of information between Member States, EU agencies, and third countries

In 2015, the Parliament stressed the need to exchange information between Member States and EU agencies, focusing on Europol and the European Union Agency for Criminal Justice Cooperation (Eurojust), but also on the Schengen information system (SIS), the Passenger Name Record (PNR) and the advanced passenger information system (APIS). In 2017, it called for Europol to become a veritable hub for law enforcement information exchange and cooperation in the field of counter-terrorism in the EU and for better exchange of information and cooperation between Europol, Eurojust and third countries regarding terrorist financing.

Financing of Europol

The Parliament has repeatedly expressed its frustration that Europol did not receive the necessary resources to carry out the activities expected from it. Considering the increased responsibilities and vital role of Europol and Eurojust in strengthening European law enforcement and judicial cooperation to fight against terrorism, the Parliament has called for appropriate funding and staffing for both agencies.

Security as shared competence

In February 2017, when reflecting on possible evolutions of and adjustments to the current institutional set-up of the European Union, Parliament concluded that 'security would be better ensured if it were not an exclusive competence of the Member States'. It therefore proposed 'that it be made a shared competence in order to facilitate the establishment of a European investigation and intelligence capacity within Europol under the control of the judiciary' and stipulated that 'in the meantime, in accordance with Article 73 TFEU, there is nothing to prevent the Member States from creating this type of cooperation between their services'.

A genuine European bureau of investigation and counter-terrorism

The Parliament has not only called for enhancing the mandate and resources of Europol, but also considered the creation of a single agency for police and judicial cooperation. It has also considered it 'necessary, in view of the intensity of the terrorist threat, to upgrade the EU's capacities in the fight against terrorism and international organised crime'. It stressed that, 'beyond strengthening coordination between the competent authorities and agencies in the Member States, Europol and Eurojust should receive genuine investigation and prosecution competences and capabilities, possibly by a transformation into a true European Bureau of Investigation and Counter-Terrorism, with due parliamentary scrutiny'.

Consolidating the institutional framework

The idea of strengthening EU agencies dealing with counter-terrorism and security, is not only limited to Europol and Eurojust, but also includes the European Public Prosecutor's Office (EPPO). Consequently, the Parliament has called on the Council to expand the powers of the EPPO to include the fight against organised crime and terrorism.

Data protection and democratic accountability

The Parliament has stressed that 'all data collection and sharing, including by EU agencies such as Europol, should be compliant with EU and national law and based on a coherent data protection framework offering legally binding personal data protection standards at an EU level'. Finally, it has called for efforts to ensure 'proper democratic and judicial oversight at the appropriate levels, including through the ongoing revision of Europol's mandate'.

Policy proposals by experts and stakeholders

Commission activities and proposals

In the EU's security union strategy and the counter-terrorism agenda for the EU, the European Commission has recently outlined numerous initiatives to strengthen the EU's activities in the fight against organised crime and terrorism, picking up on many ideas from the European Parliament or external stakeholders. In its political guidelines, the European Commission has called for improved 'cross-border cooperation to tackle gaps in the fight against serious crime and terrorism in Europe', and argued that the European Public Prosecutor's Office should be able to investigate and prosecute cross-border terrorism.

Most recently, on 9 December 2020, the Commission made a legislative proposal for strengthening Europol's mandate that would allow Europol to cooperate more effectively with private parties and exchange personal data with them; to process large and complex datasets more easily; and to offer effective support for a specific criminal investigation in a Member State or by the EPPO. In this context the proposal also suggests clarifying that Europol should also be able to ask 'in specific cases where Europol considers that a criminal investigation should be initiated, the competent authorities of a Member State to initiate, conduct or coordinate an investigation of a crime which affects a common interest covered by a Union policy'. It also wishes to boost Europol's role in research and innovation, enable Europol to enter data into the Schengen information system; strengthen Europol's cooperation with third countries; reinforce Europol's cooperation with the EPPO and strengthen parliamentary oversight and accountability of Europol.

A single 'criminal justice cooperation' body

As shown in earlier EPRS research,[3] in 2011, some academics have raised the idea of merging Europol and Eurojust into a single 'criminal justice cooperation' body, considering that the separation made at EU level between police and judicial authorities is artificial, if not counter-productive.[4]

Europol's views

Based on its day to day experience, Europol has listed the following suggestions in the context of further developing and facilitating its activities, aiming to:

> update its information processing capacity, for example by updating its legal basis to provide sufficient legal certainty for the processing of personal data;
> specify its status as a service provider, for example by providing specific rules regarding the use of its infrastructure to enable exchanges of information between private parties and also, where appropriate, with the general public;
> facilitate its external-relations regime, as currently procedures for unrestricted cooperation with third countries are very complex;
> strengthen its scope for cooperation with private parties, by creating a legal basis for requesting personal data directly from private parties;
> further develop its staff, including a new category of 'Europol expert' and a pool of 'guest experts'.

Points of blockage

There are two fundamental challenges when it comes to turning Europol into a genuine 'European FBI': Member States' resistance to further integration in areas of core state powers and concerns regarding data protection and accountability.

Resistance to further integration in areas of core state powers

EU cooperation has developed significantly in the area of justice and home affairs (JHA), leading to the institutionalisation of Member States' cooperation in this area, for example regarding a common

EU counter-terrorism policy at EU level.[5] Today, Article 4 of the Treaty on the Functioning of the European Union (TFEU) stipulates that the area of freedom, security and justice is a shared competence between the EU and the Member States. However, at the same time, 'national security' is still an exclusive Member State competence, as stated in Article 4(2) of the Treaty on European Union (TEU) and Article 72 TFEU. The development at European level of security-related EU structures is often considered by Member States to be an infringement of national sovereignty. Even those favouring reinforcement of Europol's capacity to support the operational work of national law enforcement authorities in the fight against cross-border crime and terrorism stress that Europol's role is of a 'supportive' nature, and mainly for analysis and information-sharing. Academics confirm that Europol's evolution is still 'constrained' by the Member States' reluctance to allow any supranationalisation.[6] Experts identify the idea of increasing Europol's capacity to request cross-border investigations as the most controversial issue in the Commission proposal, as Member State governments will probably see their sovereignty affected by this.[7]

Fundamental rights, data protection and accountability

Research has shown that the focus the EU and individual Member States put on security while trying to protect their citizens can be challenging from a fundamental rights perspective.[8] Security measures can interfere with rights and freedoms protected by the EU Charter of Fundamental Rights. Moreover, there is a pronounced fear that giving further powers to police forces in general, and Europol more specifically, could impact on the rights of citizens to the protection of their personal data. This fear is also shared by experts and civil rights organisations, notably EDRI and Statewatch, which warn against 'data laundering' if the data is received from third countries that cannot guarantee a sufficient level of rights protection.[9]

The European institutions are well aware of the need to strike the right balance between increasing measures to fight terrorism and upholding common EU values, notably that of personal data protection. In its proposal of 9 December 2020 to strengthen Europol's mandate, the European Commission stressed the importance of providing for appropriate safeguards to protect fundamental rights, and in particular the right to protection of personal data. However, the measures envisaged do not include the establishment of a fundamental rights officer within Europol or the provision of mandatory fundamental rights training for all Europol staff, as demanded by some stakeholders.

Regarding the democratic accountability of Europol, some academics criticise a certain lack of accountability and democratic oversight of Europol and the organisations it collaborates with, namely intelligence service organisations that are less accountable than itself.[10] Some researchers identify limitations to the parliamentary control mechanism, the recently established Joint Parliamentary Scrutiny Group (JPSG) on Europol, thereby confirming the criticism of some MEPs.[11] The European Data Protection Supervisor has also stressed that a stronger mandate for Europol would also need a stronger oversight role over the agency. In this context, the European Commission has proposed to further strengthen parliamentary oversight and accountability of Europol by introducing new reporting obligations vis à vis the Joint Parliamentary Scrutiny Group.

Opportunities to move forward

The numerous terrorist attacks across Europe in recent years, together with the growing concerns of EU citizens, have resulted in the European Union paying an increased level of attention to the issue of internal security. Analysis shows that European Council activities on security have often been a reaction to specific crisis moments – first and foremost, to terrorist attacks in the EU.[12] Not only as a result of recent terrorist attacks across Europe, but also due to the changing security environment, there is currently both a need and political momentum to strengthen the EU's contribution to the security of EU citizens, notably by enhancing the role of Europol. Academics argue that 'internal security 'crises' have turned out to be opportunities for Europol to demonstrate its importance.[13] This process has been facilitated by the conjunction of political willingness, at

European and national levels, to reassure European citizens by showing that decision-makers are reacting to these 'threats' through the growth of Europol.

At the moment, there is a certain convergence of positions between the various EU institutions, Member States and stakeholders (Europol) on numerous elements regarding the strengthening of Europol, as long as this goes hand in hand with appropriate personal data protection and democratic accountability. All EU institutions agree in principle on the need to strengthen Europol as a veritable hub for law enforcement information exchange and cooperation in the field of cybercrime, organised crime and counter-terrorism in the EU, including a high level of data protection as well as to provide Europol with appropriate, future-oriented resources in terms of funding and personnel. The 2021-2027 multiannual financial framework brings an increase in funding of at least 10%, but this is far from what Europol was asking for.

While Member States see Europol's 'core tasks' as information-sharing, analysis and operational support, Parliament and the Commission could envisage providing Europol with an investigation capacity in the fight against terrorism and international organised crime. Boris Pistorius, Minister for Interior Affairs for Lower Saxony in Germany and co-chair of Europol's Joint Parliamentary Scrutiny Group, goes beyond the common Council position of strengthening Europol and argues that 'in the medium term, [Europol] must also have its own executive powers'.

The objective of turning Europol into a true European FBI-like body has also found political support from various European political parties, calling, not least, for:

> the establishment of more joint investigation teams;
> provision of more expertise to Europol;
> establishment of a European police academy;
> increased data sharing and a greater number of Europol data analysts;
> enhanced Europol capacities in digital forensics and biotech;
> a European decryption hub to decipher terrorists' messages;
> the right for Europol to initiate investigations and pro-actively execute law enforcement activities in the Member States.

The call by the European Council of 10-11 December 2020, for the co-legislators to examine the Commission's proposal on strengthening Europol's mandate, with a view to its rapid adoption, further strengthens the political momentum for moving forward with the strengthening of Europol.
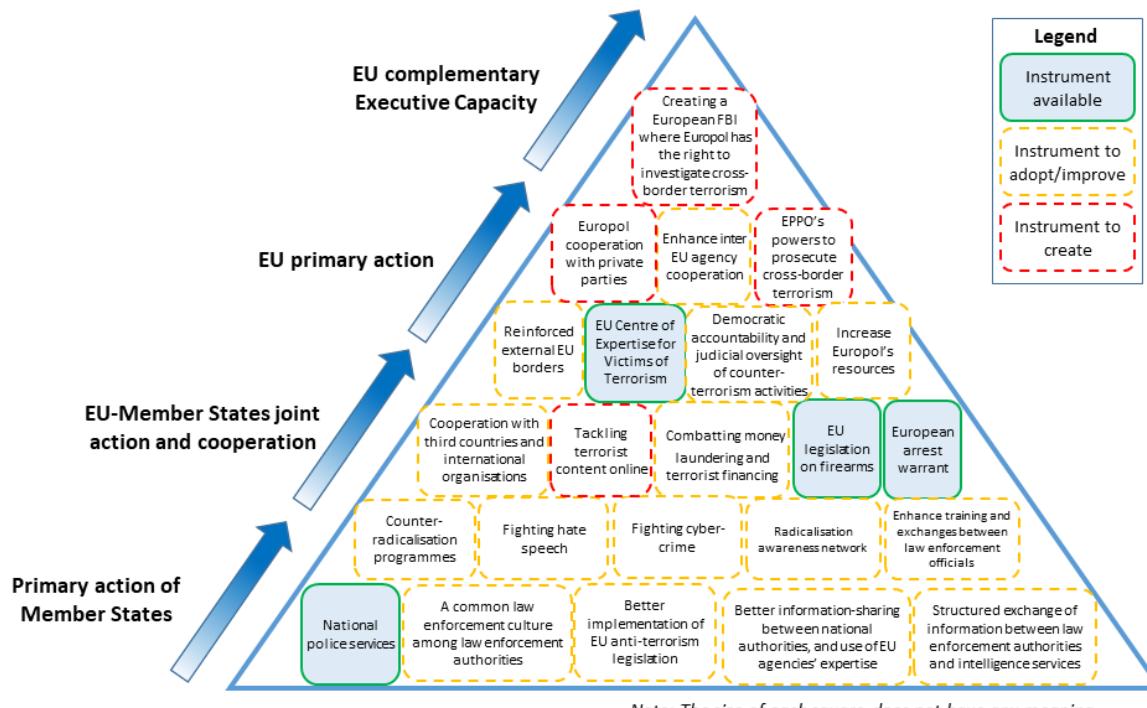
In focus: Creating additional executive capacity for the EU by providing Europol with the right to initiate investigations and with executive powers

Europol has already evolved and developed over the years, and the European Commission's recent proposal to further update Europol's mandate already provides for the strengthening of Europol's capabilities and tools to support Member States more effectively in countering serious cross-border crimes and terrorism.

While this already includes the proposal to further facilitate Europol's requests to initiate cross-border investigations, it stops short of granting Europol the **right to initiate (and conduct)** new investigations and execute law enforcement activities itself, as requested by the European Parliament. Such an evolution could be complemented by the creation of a standing **operative Europol corps,** similar to Frontex. Europol itself has already considered this idea and stressed the ''need to establish a pool of 'guest experts' under the aegis of Europol. Along the line of the EBCGA model ('standing corps') and elaborating the 'guest officer' concept at the migration hotspots, a group of law enforcement experts on various matters would be established for deployment at Member States' request'. In a further development, this operative Europol corps would be able to apply **coercive measures** (i.e. searching a person or different forms of deprivation of liberty, e.g. apprehension or arrest). Currently this is not compatible with European law, as Article 88 TFEU stipulates that 'the application of coercive measures shall be the exclusive responsibility of the competent national authorities'. Thus, providing Europol with such executive powers, turning it into a European FBI, would require a Treaty change. At the same time security should become a **shared competence** as called for by the European Parliament.

If Europol's competences were to be enhanced through Treaty change, it will also be necessary to upgrade the roles of Eurojust and the EPPO at the same time, and to provide more **EU-level (political and legal) accountability**.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Better cooperation and exchange of information between Member States and EU agencies	Commission / EP / Council / Europol	Making Europol a veritable hub for law enforcement information exchange and cooperation in the field of counter-terrorism Better and fuller exchange of information and cooperation between Europol, Eurojust and third countries regarding terrorist financing	EP resolution	🟨
2	Making security a shared competence	Commission / EP / Council	Making security a shared competence and facilitating the establishment of a European investigation and intelligence capacity within Europol under the control of the judiciary	EP resolution	🟥
3	A European bureau of investigation and counter-terrorism	Commission / EP / Council	Giving Europol and Eurojust genuine investigation and prosecution competences and capabilities, possibly by means of transformation into a genuine European bureau of investigation and counter-terrorism, with due parliamentary scrutiny	EP resolution	🟥
4	Strengthening Europol's investigation capacities	Commission / EP / Council	Strengthening Europol's capacity to request the initiation of cross-border investigations	EP resolution July 2020	🟨
5	Strengthening parliamentary scrutiny	Commission / EP / Council	A strengthened mandate for Europol should go hand in-hand with adequate parliamentary scrutiny	EP resolution July 2020	🟨
Proposals submitted by the European Commission / ongoing processes					
6	Consolidating the institutional framework	Commission / EP / Council / EPPO	The European Public Prosecutor's Office should be able to investigate and prosecute cross-border terrorism.	Commission political guidelines	🟨
7	Requesting cross-border investigations	Commission / EP / Council / Europol	Increasing Europol's capacity to request opening of cross-border investigations	Proposal to update Europol mandate	🟨
8	European Innovation hub for internal security	Commission / EP / Council / Europol	Europol could deliver common solutions to shared security challenges and opportunities, which Member States might not be able to exploit alone.	EU's security union strategy	🟨

Policy suggestions from other EU institutions / Council					
9	Sufficient financial and human resources	Commission / EP / Council	Adequate resources to help Europol face the new challenges posed by technological developments and the evolving security threat landscape	European Council, October 2018 Council, Oct 2020 Council, Nov 2020 Dec 2020, Council conclusions	
10	Cooperation between Europol and private parties	Commission / Council / Parliament / Europol / private parties	Easier access to data from private parties could help Europol in its investigations into child sexual exploitation material, terrorism, financial or organised crime.	Council conclusions 2 Dec 2019; Council 10 points on Europol future	
11	Cooperation between Customs authorities and Europol	Europol / Member States	Increasing the number of customs liaison officers in Europol	Council presidency report Nov 2019	
Policy suggestions from think tanks and academia / stakeholders					
12	A single 'criminal justice cooperation' body	Commission / EP / Council	Merging Europol and Eurojust into a single 'criminal justice cooperation' body	Prof. Gert Vermeulen	
13	Increased resources for Europol	Commission / EP / Council / Europol	Gradually doubling the budget earmarked for Europol in the 2021-27 MFF.	Europol	
14	Specify Europol's status as a service provider	Commission / EP / Council / Europol	Providing specific rules regarding the use of Europol's infrastructure for exchanges of information between private parties and the general public.	Europol	
15	Europol's cooperation with third countries	Commission / EP / Council / Europol	Facilitate Europol's procedure for unrestricted cooperation with third countries;	Europol	
16	Stronger oversight	Commission / EP / Council	A stronger mandate for Europol needs at the same time lead to a stronger oversight role over Europol.	European Data Protection Supervisor	

[1] EPRS, 'Towards a more resilient Europe post-coronavirus', EPRS, 2020.

[2] See for example John D. Occhipinti (2003), *The Politics of EU Police Cooperation: Toward a European FBI?*, or Rhodri Jeffreys-Jones 'The idea of a European FBI' in L. K. Johnson (2007), *Strategic Intelligence: Understanding the Hidden Side of Government*.

[3] É. Bassot, Unlocking the potential of the EU Treaties, EPRS, July 2020.

[4] G. Vermeulen, 'Free gathering and movement of evidence in criminal matters in the EU: Thinking beyond borders, striving for balance, in search of coherence', Maklu, 2011.

[5] C. Kaunert, and S. Léonard, 'The collective securitisation of terrorism in the European Union' in West European Politics Volume 42, Issue 2, 2018.

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[9] Statewatch website, Europol: plans afoot to legalise unlawful acts, July 2020.

[10] J. Jansson, 'Building resilience, demolishing accountability? The role of Europol in counter-terrorism', *An International Journal of Research and Policy*, Vol. 28(4), 2018.

[11] M. Schinina, 'What balance between Eurojust and Europol from a parliamentary angle?', *New Journal of European Criminal Law*, Vol. 11, Issue 2, 2020.

[12] R. Drachenberg, The role of the European Council in internal security policy, EPRS, June 2018.

[13] A. Piquet, 'Supranational activism and intergovernmental dynamics: the European Police Office as a supranationalist opportunist?', *Journal of Contemporary European Research*, Vol. 13, Issue 2, 2017.

Strengthening Schengen governance and EU border management

The issue in short

The Schengen area of free movement is generally [regarded](#) as 'one of the major achievements of European integration'. The re-introduction of internal border controls has high social, economic and political [costs](#), as they affect people' lives and livelihoods. Prolonged or unjustified internal EU border controls disrupt the functioning of the single market, create legal uncertainty, diminish mutual trust between Member States and ultimately undermine the legitimacy of the European Union (EU), with the risk of the Schengen *acquis* unravelling. Despite efforts to devise a [coordinated](#) response to the crisis caused by the coronavirus pandemic, extensive controls and restrictions at internal borders have profoundly affected the functioning of the Schengen area, exacerbating pre-existing issues and triggering new calls for reform.

> Key identified shortcomings of the Schengen system
>
> ❯ Partial implementation and limited enforcement of the Schengen rules
> ❯ Lack of clarity or limited scope of the existing rules
> ❯ Shortcomings of the Schengen evaluation and monitoring mechanism
> ❯ Shortcomings related to compensatory measures

There is wide concern that the Member States **do not fully and consistently apply the rules** set out in the Schengen Borders Code ([SBC](#)). A 2016 [study](#)[1] for the European Parliament found that the Member States' justifications for reintroducing internal border controls 'have been woefully inadequate' and that the European Commission has hesitated to enforce the SBC rules. In 2018, a follow-up [study](#)[2] questioned the justifications provided by a number of Member States for extending internal border controls. Another [study](#),[3] published during the pandemic, found that certain Member States failed 'to provide robust independent and scientific evidence demonstrating the proportionality of internal border checks and intra-EU travel bans'. Whereas the [European Commission](#) has suggested alternative measures to border control, such as police checks, all three studies expressed concerns about the proportionality, necessity and discriminatory character of these checks.

A **number of revisions of the SBC** in the last decade have aimed to improve and adapt the rules to evolving challenges. However, the latest European Commission [proposal](#) (from 2017) aiming at extending the time limits for internal border controls has been widely criticised and failed to muster sufficient political support. Notwithstanding the '[multiple crises](#) of the last five years', the studies on Schengen commissioned by the European Parliament have repeatedly concluded that Schengen is still 'fit for purpose' (2016, 2020) and 'crisis-proof' (2018). In the context of the pandemic, it is argued that the SBC lacks specific provisions to deal effectively with crises other than those related to external borders.[4] However, the 2020 study on Schengen found that the coronavirus restrictions 'do not show that the rules are not "fit for purpose" and that legislative changes of the SBC are currently necessary'.

With regard to the functioning of the Schengen Evaluation and Monitoring Mechanism ([SEM](#)), a 2019 [special report](#) by the European Court of Auditors criticised the 'long time it took the Member States to remedy weaknesses identified', which was 'due to a lack of binding deadlines for the adoption of evaluation reports and the implementation of corrective actions'. The report also noted the European Commission's failure to fulfil its obligation to report annually to the Parliament and the Council. In its [report](#) on the functioning of the SEM, published in November 2020, the Commission identified a number of key deficiencies of the SEM, including: an excessively lengthy evaluation process; limited effectiveness of the unannounced visits; insufficient use of thematic evaluations; lack of political visibility of the results of evaluations; limited integration of fundamental rights aspects.

The smooth functioning of the Schengen area of free movement depends on the **effectiveness of compensatory measures** to strengthen external border checks, tackle irregular migration, carry out returns, implement a common visa policy, and combat cross-border crime. Recent legislation in these areas, such as on the establishment of the European Border and Coast Guard (EBCG) and the development of European information systems for borders and security, sought to improve Schengen compensatory measures, although many of these improvements are still to take full effect. The 2020 European Commission report on the SEM found that, although 'no Member State has serious deficiencies', their current management 'does not yet guarantee a uniform level of control at the EU's external borders'. The Commission identified a number of shortcomings of the SEM, such as: inadequate strategic planning; limited resources; deficient use of information systems; and alleged violations of fundamental rights. It also highlighted shortcomings in the areas of visa policies (e. g. inconsistent use of the Visa Information System), and return policy (e.g. lack of reliable statistics).

Position of the European Parliament

The European Parliament has [condemned](#) the introduction and continuation of internal border controls both before and during the pandemic and stressed the need to assess the necessity and proportionality of border controls before introducing and prolonging them. In its [resolution](#) of 19 June 2020, the Parliament criticised the 'little justification' and the 'lack [of] sufficient detail' provided by the Member States in their official notifications, and called on the European Commission 'to **exercise appropriate scrutiny** over the application of the Schengen acquis', and 'to enhance its reporting to the Parliament'. Parliament urged discussions to begin on a Recovery Plan for Schengen to ensure the return to a fully functioning Schengen area. In another [resolution](#) of 24 November 2020, the Parliament called for a better coordination of coronavirus measures and reiterated the need to prepare contingency plans to prepare for the future. The Parliament has [supported](#) the use of targeted police controls, which 'may prove more effective than internal border controls'. In a 2019 [resolution](#), the Parliament proposed an amendment stating that, prior to introducing border controls, Member States 'should, where necessary and justified, consider using more effectively or intensifying police checks'. In June 2020, Parliament [called](#) on Member States to consider alternative measures, such as 'police checks within the territory' and 'minimum health checks.'

The European Parliament has been cautious about **revising the Schengen rules**, insisting that substantial safeguards are put in place. In its 2018 resolution on Schengen, Parliament emphasised the need to establish clear rules that 'reflect the new challenges and diffuse threats to internal security,' but recalled that 'any changes should not be a further avenue for prolonging internal border controls'. In its 2019 resolution on a European Commission proposal to revise the SBC, the Parliament opposed extending the time limits for temporary border controls and questioned the effectiveness of the proposed risk assessment to be conducted solely by the concerned Member States. It proposed to explicitly prohibit the prolongation of measures taken under a specific procedure 'by virtue of, or combined with, measures taken under another procedure'. Furthermore, in its 2018 resolution on Schengen, the Parliament suggested a number of improvements to the functioning of the SEM, including addressing delays in the implementation of decisions and action plans; enhancing the value of unannounced on-site visits; increasing coherence between the SEM

and Frontex's vulnerability assessment tool; and allocating sufficient resources for the implementation and follow-up of Schengen evaluations. In the midst of the pandemic, the Parliament called for the establishment of 'a truly European governance of the Schengen area', inviting the European Commission to present a proposal to reform the Schengen governance.

The Parliament has insisted on the need to strengthen the EU's external borders and to improve migration and asylum policies, as part of a holistic EU approach to migration. In its 2018 resolution on Schengen, it deplored the 'inadequate' implementation of the European integrated border management (EIBM) strategy and expressed 'great concern regarding the implementation of the EBCG Regulation', while stressing the need to strengthen fundamental rights aspects. It expressed concern about deficiencies in the implementation of EU information systems, and recalled the high priority given to the reform of the European asylum system. The Parliament also called on the Member States to 'further develop mutual cross-border police cooperation through joint threat assessment, risk analysis and patrols'. The Parliament has reiterated its call on the Council to complete the accession of Bulgaria and Romania to the Schengen area.

Policy proposals by experts and stakeholders

Several studies on Schengen commissioned by the European Parliament in recent years put forward a number of recommendations for improving the Schengen system, including: ensuring greater scrutiny and evaluation of police checks (2018 study); establishing an independent and effective complaints mechanism for individuals subject to police and surveillance travel measures (2020 study); developing the scope and focus of the SEM to allow for 'a more systematic and independent assessment of internal border checks, police border checks and travel restrictions (2020 study); improving cross-border operational police cooperation in the fight against crime, in cooperation with relevant EU agencies (2018 study). Another 2020 study,[5] recommended the introduction of mechanisms in the SEM that would allow broader conclusions to be drawn from evaluations, such as providing 'national Schengen fitness checks' covering all Schengen aspects, and providing insights into 'structural and horizontal strengths and weaknesses of Schengen across Member States'.

A 2019 paper[6] called on the Parliament to focus on measures to 'ensure the establishment of an independent complaints mechanism and an EU border monitor to evaluate allegations of fundamental rights violations' at the EU's external borders. In an analysis[7] of the coronavirus-related restrictions on freedom of movement, the authors recommended the establishment of an 'EU-wide Schengen Stress Test' to provide a 'periodic country-by-country "quali-quantitative" assessment of the state of free movement, Schengen rules and asylum legislation across the Union'. Another paper[8] recommended strengthening Schengen coordination structures at both operational and political levels, for example by establishing a Schengen Council 'to provide for strengthened "early warning" as well as crisis management mechanisms in order to counteract uncoordinated sovereignty reflexes'.

Points of blockage

The unprecedented and massive reintroduction of internal border controls within the Schengen area during the pandemic has exacerbated pre-existing issues and deepened tensions between Member States. Despite renewed calls to reform Schengen, there is as yet no shared vision as to the direction and scope of such reform. The 2020 terrorist attacks in France and Austria have triggered new suggestions on overhauling the Schengen system, which reiterate linkages between the Schengen area of free movement and its compensatory measures. The holistic approach would ensure fully functioning asylum and migration systems, based on strong external borders and effective measures to fight against organised crime and terrorism. The European Commission's new pact on migration and asylum seeks to revive the efforts to reform the EU asylum system while proposing a comprehensive approach that better integrates different EU policy areas on borders, asylum, return and external cooperation on migration. The limited enthusiasm among Member

States and stakeholders for the new pact and any delays in finalising asylum reform may affect the pace of the Schengen reform. Moreover, there is a risk that the ongoing pandemic may derail the implementation of key actions at the EU's external borders and within the Schengen area.

Opportunities to move forward

A 2019 EPRS study analysing the untapped potential of the EU Treaties identified possible actions on external borders (Article 77(2)(d) TFEU), which include: increasing information exchange and operational cooperation between EU agencies and Member States; developing cooperation with third countries; fostering technological modernisation of border management; and strengthening the EU's capacities in search and rescue operations.

In its communication on the new pact on migration and asylum, the European Commission announced a strategy on the future of the Schengen area and the revision of the SBC and the SEM. As part of a more structured political dialogue, the European Commission launched a Schengen Forum gathering relevant stakeholders. The first Schengen Forum took place on 30 November 2020 and discussed possible ways to improve the Schengen system. A public consultation on the future of the Schengen area was launched by the Commission in January 2021.
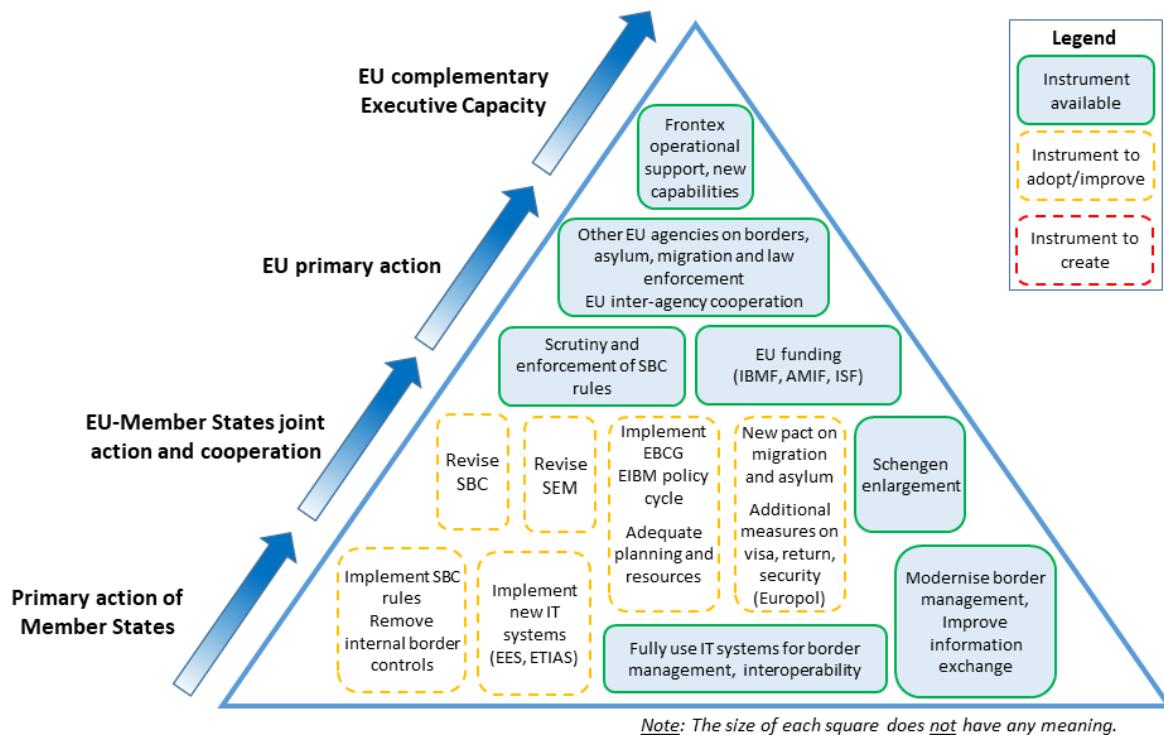
On 13 November 2020, the EU home affairs ministers issued a joint statement on the recent terrorist attacks in Europe, reiterating the need to reinforce external borders by implementing the new information systems, to increase law enforcement cooperation and strengthen Europol's mandate. A number of measures entering into effect in 2021 are expected to strengthen the EU's external borders, such as the roll out of new capabilities for Frontex (including a 5 000 standing corps); the launch of the EIBM policy cycle; the full effect of the amended Visa Code and the adoption of the amended Visa Information Systems Regulation. Progress on the new pact on migration and asylum, which includes a proposal on a new screening procedure at EU borders, will also be essential.

In focus: Strengthening EU executive capacity to reinforce the Schengen system through EU agencies

The European Parliament has supported the establishment of the EBCG and the increased EBCGA/Frontex role in providing operational support to Member States, monitoring external borders, assessing vulnerabilities, and conducting return operations, while upholding fundamental rights. It proposed to involve the relevant agencies (Frontex, Europol, European Asylum Support Office (EASO), European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA), and Fundamental Rights Agency (FRA)) in the risk assessment that would be required from a Member State reintroducing temporary border controls. To improve the SEM, the Commission also suggested increasing synergies and cooperation with EU agencies and national quality control mechanisms, including between the SEM and Frontex's vulnerability assessments, and making use of targeted risk analyses by the FRA and Europol. The 2019 EPRS study on unlocking the potential of the EU Treaties identified a potential value in further EASO involvement in Frontex activities, and 'possibly by merging both agencies and creating a unique European Border and Asylum Agency'.

The cooperation between Frontex and other relevant EU agencies in one component of the EIBM concept that is currently operationalised. Allegations of push backs at the EU's external borders that may involve Frontex reiterate the need to fully implement fundamental rights standards and mechanisms at the EU's external borders. During the pandemic, the European Centre for Disease Prevention and Control was called upon to support the implementation of a common EU approach to lifting restrictions to the freedom of movement. The new pact on migration envisages several new roles for EU agencies, such as the monitoring of asylum systems by the new EU Agency for Asylum and support for creation of a fundamental rights mechanism by FRA. The European Commission has proposed to strengthen the mandate of Europol, to enable the agency to process large and complex datasets.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Implement Schengen rules / Remove internal border controls	Member States / European Commission / European Parliament / Council	Better use of alternative measures, such as police checks, information exchange and health checks	European Parliament resolutions, P9_TA(2020)0175 P9_TA(2020)0315	
2	Enforce Schengen rules	European Commission / European Parliament / Council	Stronger European Commission scrutiny; enhance reporting to the European Parliament and the Council	European Parliament resolutions, P8_TA(2018)0228 P9_TA(2020)0175	
3	Improve the functioning of the SEM	European Commission / European Parliament / Council	Faster procedures; increase coherence between evaluation mechanisms; establish a 'truly European governance'	European Parliament resolutions, P8_TA(2018)0228 P9_TA(2020)0175	
4	Strengthen external EU borders	European Commission / European Parliament / Council / Member States / EU agencies	Implement the EBCG Regulation; Frontex's standing corps; return operations; information systems; respect of fundamental right; reform EU asylum system	European Parliament resolution, P8_TA(2018)0228	

5	Complete Schengen enlargement	European Commission / European Parliament / Council	Accession of Bulgaria and Romania to Schengen	European Parliament resolution, P8_TA(2018)0497
6	Adequate funding	European Commission / European Parliament / Council	Funding to support the management of external EU borders (e.g. EU agencies, IBMF)	European Parliament resolutions, P8_TA(2019)0176

Proposals submitted / announced by the European Commission

7	New Schengen strategy	European Commission / European Parliament / Council / Member States	A regular and structural political dialogue on the future of Schengen; Schengen forum	European Commission communication COM(2020) 609 final
8	Revision of SBC	European Commission / European Parliament / Council	Proposal to amend SBC to take account of the lessons learned from the coronavirus crisis	European Commission communication COM(2020) 609 final
9	Revision of the SEM	European Commission / European Parliament / Council	Proposal to improve the SEM: faster procedures; better use of unannounced visits; improve synergies between the SEM and vulnerability assessments; involvement of EU agencies	European Commission report COM(2020) 779 final
10	Implementation of EIBM	European Commission / European Parliament / Council / EU agencies	Launch the multiannual strategic policy and implementation cycle of EIBM	European Commission Communication COM(2020) 609 final
11	New pact on migration and asylum	European Commission / European Parliament / Council	Progress on the reform of the EU asylum system; improvements of border management, return and migration policies	European Commission New pact on migration and asylum
12	Visa policy	European Commission / European Parliament / Council	New Visa Code; adoption of VIS Regulation; proposal to digitalise visa procedures	European Commission Communication COM(2020) 609 final

Policy suggestions from think tanks and academia

13	Improve the SEM/Schengen governance	European Commission / European Parliament / Council	Full and independent review of internal border checks

'Schengen fitness checks' and overall insights on Schengen

Establish a Schengen Council

EU-wide Schengen Stress Test | European Parliament study (2020), p.79; 13

European Parliament study (2020), p.76 |

				EUIDEA policy paper (2020), p.15	
				CEPS paper (2020), p.41-42	
14	Establish fundamental rights mechanisms	European Commission / European Parliament / Council	Independent complaints mechanism at internal borders Independent complaints mechanism at external borders	European Parliament study (2020), p.78-79 RSCAS Policy Paper (2019), p.9	
15	Cooperation between EU agencies	European Commission / European Parliament / Council	Possible creation of a European Border and Asylum Agency	EPRS study (2019), p.126	

1   Internal border controls in the Schengen area: is Schengen crisis-proof?, study, Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, June 2016.

2   The Future of the Schengen Area: Latest Developments and Challenges in the Schengen Governance Framework since 2016, study, Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, February 2018.

3   In the Name of COVID-19: Schengen Internal Border Controls and Travel Restrictions in the EU, study, Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, September 2020.

4   Joannin P., Restoring free movement in the Union, Fondation Robert Schuman, June 2020.

5   The state of play of Schengen Governance, study Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, November 2020.

6   Carera S., The State of the Schengen Area in the Light of the 2019 European Parliament Election, RSCAS Policy Paper, European University Institute, February 2019.

7   Carrera and Luk N.C., Love thy neighbour? Coronavirus politics and their impact on EU freedoms and rule of law in the Schengen Area, Centre for European Policy Studies (CEPS), April 2020.

8   De Somer M., Tekin F., Meissner V., Schengen under Pressure: Differentiation or Disintegration?, EUIDEA policy paper, European University Institute, September 2020.

Developing an integrated EU migration policy

The issue in short

The term migration crisis, as defined by the International Organization for Migration (IOM), describes 'complex and generally large-scale migration flows, as well as the mobility patterns caused by a crisis that often lead to considerable vulnerabilities for affected people and communities, and pose serious migration management challenges in the longer term'.

In recent years, notably in 2015 and 2016, Europe has had to respond to the most severe migratory challenge since the end of the Second World War. In 2015, the arrival of unprecedented numbers of refugees and irregular migrants in the EU exposed a series of deficiencies and gaps in EU policies on asylum, external borders and migration, which were not sufficiently geared to addressing those challenges.

Although the share of irregular arrivals to the EU dropped dramatically between 2015 and 2020, the pressure on national asylum systems, especially in some Member States, remains high. Furthermore, the nature of migration flows, in terms of numbers and composition, has changed since 2015. Migrants disembarked following search and rescue (SAR) operations now represent a significant share of arrivals (50 % of total arrivals by sea in 2019), and the share of migrants from countries of origin whose nationals have a low chance of being granted international protection has increased, such as applications from citizens of countries who do not need a visa to enter the Schengen area, which accounted for more than a quarter of all applications. The migration situation thus remains fragile.

What is more, a number of megatrends have been identified by the OECD, including geopolitical instability, environmental changes and extreme weather events, and changes in demography and the future of work, as well as a global economic crisis and the as yet uncertain impact of the coronavirus crisis on migration patterns. Combined with the EU's attractiveness as a continent in which to seek asylum, respectful of international norms, these could bring about a migratory crisis of as yet unseen proportions at the EU's borders.

The impacts of any future migratory flow into the EU will thus depend on the EU's capacity to lead on the international scene (through external funds (the Neighbourhood, Development and International Cooperation Instrument – NDICI), partnerships with specific countries, and engagement at multilateral and UN levels), to manage its external borders effectively, to help those in need while upholding international obligations, to help those who have the right to enter and remain on EU soil to integrate and to design labour and social policies fit for purpose. As the European Commission has acknowledged, the above situation means relaunching and adapting the reform of the common European asylum system (CEAS), initiated during the 2015 migration crisis, with a view to putting in place a comprehensive pact on asylum and migration that is more efficient, harmonised and fair, and more resistant to future migratory pressures. In addition, since migration is part of the external policy of the EU, it continues to require a system of cooperation and agreements with third countries based on full respect for international human rights norms and international humanitarian law.

Position of the European Parliament

Since the entry into force of the Lisbon Treaty, the European Parliament has been actively involved, as a full co-legislator, in the adoption of new legislation dealing with both irregular and regular immigration. The Parliament has also adopted numerous own-initiative resolutions addressing migration.

The Parliament's April 2016 resolution encapsulates its position on all relevant EU policies on migration and asylum and is the institution's point of reference in this area. It underlines the need for a holistic EU approach to migration. Indeed, to address both the migratory pressure at EU borders and EU demographic challenges in an effective way, EU policy should optimise the benefits of legal migration and offer protection to those in need. At the same time, it should tackle irregular migration and improve management of the EU's external borders. In practical terms, the Parliament recommends increasing financial and technical support for frontline Member States, strengthening the role of EU agencies active in these policy areas, such as the European Asylum Support Office (EASO) and the European Border and Coast Guard (Frontex), and providing appropriate equipment and resources in connection with both the processing of applications and the protection of external borders. It also identifies tools to promote the concepts of internal and external solidarity, such as relocation, mutual recognition of positive asylum decisions, operational support measures, a pro-active interpretation of the current Dublin Regulation and the Temporary Protection Directive, resettlement, humanitarian admissions and visas, search and rescue at sea, and the civil protection mechanism. The resolution refers to the external dimension of migration, which is addressed in detail in the Parliament's resolution on the role of EU external action in addressing refugee and migrant movements. The Parliament links the prevention and fight against irregular immigration with the need to secure the EU's external borders, combat smuggling and human trafficking, provide legal and safe channels for migration and mobility, and address the root causes of irregular immigration through partnership with and funding to third countries. It also calls on the Commission to amend the regulation on the European border surveillance system to ensure its greater use based on effective exchange of information, risk analysis and search and rescue operations.

Border control has become a key aspect, with Frontex being widely criticised by prominent NGOs and media for its reported involvement in push-back operations. Parliament's Committee on Civil Liberties, Justice and Home Affairs discussed alleged push-backs on Greek territory on 1 December 2020, and the committee subsequently established a Frontex Scrutiny Working Group in February, charged with monitoring the agency's activities, and in particular its compliance with fundamental rights.

Policy proposals by experts and stakeholders

In recent years, academia, civil society organisations and think thanks have debated the topic of migration extensively. While a multitude of ideas and suggestions have been put forward, some key elements seem to be widely acknowledged, namely the need to design a fair and effective system, taking into consideration the solidarity aspect. Ideally such a system would somehow be 'stress resistant' to potential shocks in terms of migratory waves.

The European Policy Centre (EPC) and the Odysseus Network have argued that the existential nature of the migration crisis requires a 'new European consensus' between the Member States and the EU institutions, in order to build sustainable migration and asylum policies for the future. Their analysis looks at the progress achieved since the European Council meeting in Tampere in 1999 and presents some ideas and suggestions around which a new European consensus on migration could be built.

The 2019 MEDAM report notes that the EU must design its policies for border management and asylum in line with humanitarian principles, account for the attitudes of European voters and ensure

a fair sharing of responsibility for refugee protection among Member States and with host countries in the rest of the world.

The Jacques Delors Institute has set out five detailed proposals for a comprehensive policy on asylum, migration and mobility, including standardised conditions of access to asylum across the Union, the construction of a 'federal-type' agency for external border control, similar to the governance structure of the European Central Bank, reform of the legal framework for legal migration, re-evaluating how best to develop the EU's relationship with countries of origin, and the strengthening of integration through mutual learning of national approaches.

In February 2019, CEPS suggested that 'adopting and implementing a migration and asylum union based on more intra-EU institutional solidarity and supervision' should be a core priority for the Commission. Recommendations for achieving this included establishing a fully operational EU Asylum Agency, achieving institutional solidarity and the development of a 'professional culture of border and coast guards' under the remit of Frontex, and enforcing timely and correct implementation of common EU standards in the area of asylum by all EU Member States.

Similarly, some argue that a rethink of external migration and refugee policies is urgently required. Future decision-makers could thus focus their work on four guidelines: an honest, evidence-based debate that takes sufficient account of the complex, long-term effects on countries of origin and transit, as well as on migrants and refugees themselves; respect of European and international law; a fair division of responsibility among EU states and with non-EU partner countries, and decision-making taking place within and not outside the EU's political institutions.

The asylum and migration pact, presented by the European Commission in September 2020, which, the Commission claims, should be resistant to future migratory pressures and remain flexible in times of crisis, has been criticised by numerous stakeholders in the domain of migration and asylum. In October, the European Council on Refugees and Exiles (ECRE), the Danish Refugee Council, Human Rights Watch and the International Rescue Committee issued a joint statement, in which they regretted that the Commission had missed the opportunity to offer a fresh start and fundamentally reform the EU's previous approach, instead increasing its focus on externalisation, deterrence, containment and return.

As regards the external dimension of the migration policy, ECRE points out various flaws in the EU's approach to make EU external funding, including development assistance, conditional on third country governments' willingness to increase cooperation on readmission, and to use other external policies, such as trade or security policy, to further the EU's return objectives. ECRE also criticises the pact's strong focus on external cooperation and its specific elements.

Points of blockage

Since 2015, in response to the migratory challenges, the EU has embarked on a broader process of reform aimed at rebuilding its asylum and migration policies based on four pillars: saving lives and securing the external borders; establishing a strong EU asylum policy; reducing the incentives for irregular migration by addressing its root causes, improving returns and dismantling smuggling and trafficking networks; and providing more legal pathways for asylum-seekers and more efficient legal channels for regular migrants.

Despite the relative effectiveness of these actions in helping to secure the EU's external border, reduce the number of irregular migrants arriving at the border and increase cooperation with third countries, the EU has encountered many more difficulties in providing more legal pathways for refugees and in reforming the CEAS. Deficiencies in the CEAS mean asylum-seekers are not treated uniformly, and recognition rates in different EU countries vary. Furthermore, the geographical situation creates an unbalanced distribution of responsibilities among Member States, as 90 % of asylum applications are concentrated in 10 EU Member States. The two most controversial issues preventing EU Member States from reaching a compromise on the CEAS have been the principles

of solidarity and fair sharing of responsibility for asylum-seekers, on the one hand, and the reform of the Dublin system (the cornerstone of the legal framework that determines the EU Member State responsible for examining asylum applications), on the other. While the issue could have been dealt with in Council using qualified majority voting, this legislative matter was declared a matter for the EU Heads of State or Government. However, until now, the European Council has failed to secure unanimous agreement, owing to very different views on what to do with refugees and asylum seekers once they arrive on EU territory.

In September 2020, the European Commission submitted a proposal on asylum and migration management to replace the 2013 Dublin Regulation that determines the EU Member State responsible for examining asylum applications. While the proposal 'essentially preserves' the current criteria for determining this responsibility, it would also make changes and additions to the regulation, especially on solidarity and responsibility-sharing for asylum-seekers among Member States. It remains to be seen whether this proposal, together with other elements of the package, will help to bring a breakthrough in the internal dimension of the EU's migration and asylum policy.

Opportunities to move forward

Despite the lack of political will during the reform of the CEAS package, there is, however, still room for more EU action in EU asylum and migration policy. A 2019 EPRS study outlines possible further scope for action in the area of immigration, asylum and border policies. Concretely, ideas proposed by institutions, academics and stakeholders, on the basis of Article 80 TFEU on the principle of solidarity and fair sharing of responsibility, include doing more to pool relevant tasks and resources at EU level, and compensating frontline Member States financially and through other contributions. E. Tsourdi suggests that a fairer, structural sharing of responsibility could be achieved by means of either greater integration between the EU and national administrations, which poses a number of challenges, or a compensatory mechanism that finances relevant expenditure through the EU budget.

ECRE made recommendations to improve the functioning of the CEAS by means of enhanced intra-EU solidarity tools. Several recommendations relate to more effective sharing of financial resources and expertise and to strengthening the role and resources of the EASO, which was identified as a key actor in enhancing responsibility sharing.

Regarding Article 77(2)(d) on the gradual establishment of an integrated management system for external borders, the above-mentioned study lists legislative harmonisation, support for transnational cooperation, and coordination of public procurement or financial support as possible measures for developing such a system. More action could be envisaged in terms of increasing the EU's supervisory, regulatory and operational tools in the field, such as information exchange and operational cooperation between EU agencies and Member States; cooperation with third countries' authorities; and boosting the technological modernisation of border management, e.g. through the uniform automation of border checks, the use of space-based products and services for border management, and working further on the interoperability of IT systems for border management and on European integrated systems to control and detect illegal movements of certain products. In addressing irregular migration on the basis of Article 79(2)(c), the paper suggests further harmonising national rules in relation to standards and procedures for adopting return decisions, boosting Member States' cooperation with each other and with third countries to improve the management of returns, further promoting voluntary returns, for instance by establishing common rules to incentivise it, and granting the EU executive powers in relation to the adoption or execution of return decisions. On the fight against smuggling, future action could include improving the existing EU legal framework in order to align it with international standards, especially with regard to the protection of smuggled migrants and persons providing 'humanitarian assistance'; doing further work to identify, capture and dispose of vessels used by smugglers; enhancing cooperation between Member States, EU agencies and third countries to tackle

smuggling; enhancing the implementation of sanctions for the employment of irregular migrants; or modifying the existing legislation to oblige Member States to issue residence permits for migrants cooperating with competent authorities.

**In focus: Potential widening of the EBCG and EASO mandates
as complementary executive capacity**

Although the recent Commission communication on the asylum and migration pact, as noted by experts, preserves the status quo when it comes to the role of EU agencies and opportunities presented by administrative integration, the idea of further strengthening the role of EU agencies in the area of migration and border controls would reinforce the concept of interstate solidarity and overcome policy implementation gaps.
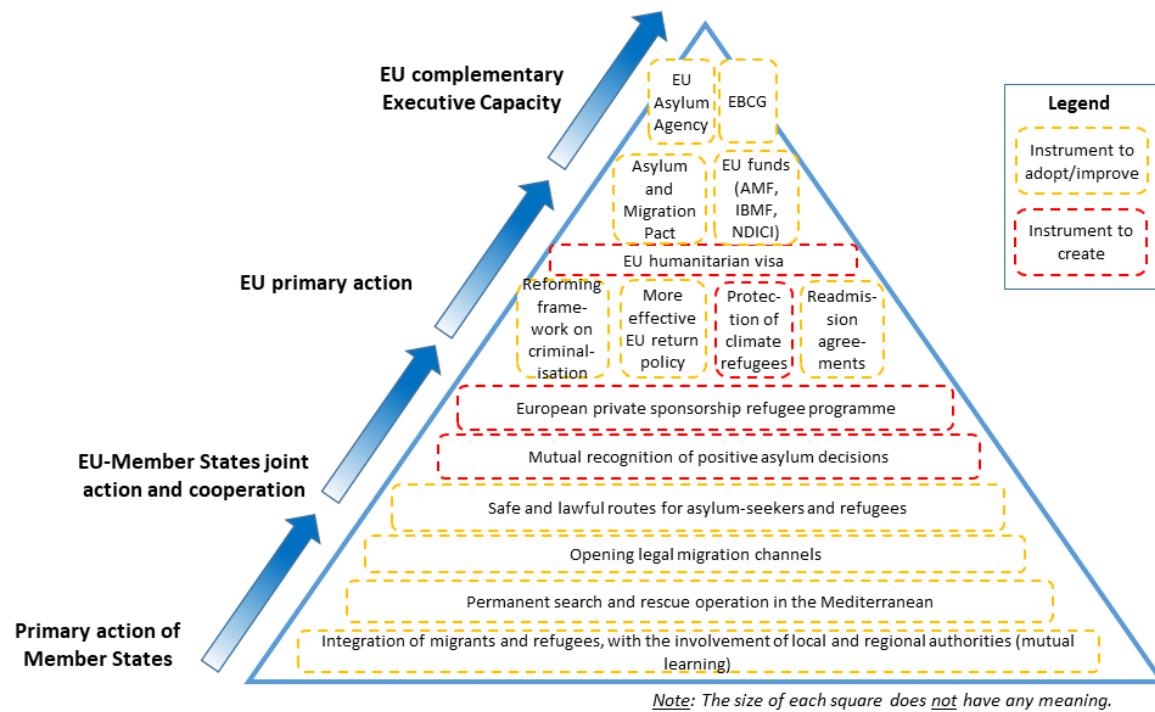
The widening of the EBCG or EASO mandates would support the idea that the EU is gradually moving towards the creation of some sort of 'integrated European administration', which might also be seen as the building-up of a '**complementary executive capacity**' at EU level. So far the functioning of the agencies in the area of freedom, security and justice has been driven mainly by emergencies, while the EU now seems to be moving towards a more structural form of responsibility sharing. This development could also be seen as a step towards a different level of solidarity, whereby Member States put together staff and equipment for the benefit of the whole EU in a more effective way, realising economies of scale.

However, to overcome the Member States' asymmetric responsibility, caused either by geographical location or by the existing legal set-up (i.e. the current Dublin system) when it comes to border control and asylum a step further could be the full **Europeanisation** of these policies. This would imply the full substitution of national authorities by the **EBCG** in the context of external border management, which would be organised centrally with well-trained staff. This would also imply the establishment of centralised assessment of asylum claims in the form of **an EU asylum agency** allowing full harmonisation of procedures and consistency in the evaluation of protection needs.

There are also opportunities for the EU to move forward in the area of the external dimension of migration, centred around strengthened partnerships with countries of origin and transit, a new comprehensive strategy with Africa, mobility partnerships, visa facilitation and readmission agreements. All this requires a more strategic, flexible and policy-driven programming of the EU's external funding through NDICI, of which 10 % could be used for migration-related action. For those policies to be successful, coherence between the internal and external policies of the EU, and between the external instruments themselves is crucial. Cooperation on migration with third countries must go beyond return and readmission, taking into account the impact of remittances received from the diaspora on the countries of origin.

The key to coping with crisis situations is both a well-functioning border management system and integrated national asylum systems, in order to reduce significant differences in capability and the consequent issues of trust and cooperation among EU Member States.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Establishing a European humanitarian visa	Commission / EP / Council	European humanitarian visas could be issued to persons seeking international protection to allow those persons to enter the territory of the Member State issuing the visa for the sole purpose of making an application for international protection in that Member State	EP resolution, P8_TA(2018)0494	
2	Permanent search and rescue operation in the Mediterranean	Commission / EP / Council	Developing a permanent, robust and effective EU search and rescue operation to prevent the loss of lives at sea and ensure predictable disembarkation mechanism of rescued persons.	EP resolution, P8_TA(2016)0102	

3	Developing safe and lawful routes for asylum seekers and refugees into the EU	Commission / EP / Council / Member States	Opening up of safe and legal channels for asylum-seekers and potential migrants through more effective family reunification arrangements and resettlement programmes, setting up humanitarian corridors, allowing and processing of asylum claims outside the EU or at the EU's external borders	EP resolution P8_TA(2016)0102 and P8_TA(2017)0124	
4	Mutual recognition of positive asylum decisions (introducing the concept of the 'European refugee')	Commission / EP / Council	Currently only negative decisions are recognised through the Dublin system. The mutual recognition of positive decisions would provide individuals with enhanced opportunities for integration.	EP resolution, P8_TA(2016)0102	
5	Greater use of the European border surveillance system (Eurosur)	Commission / EP / Council	Amending and improving the Eurosur system for information exchange, risk analysis and search and rescue operations to ensure its greater use by Member States	EP resolution, P8_TA(2018)0228	
Proposals submitted by the European Commission / ongoing processes					
6	New pact on asylum and migration	Commission / EP / Council	Developing a more efficient, fair and harmonised framework that is more resistant to future migratory pressures. It should ensure international protection for those who need it and be effective and humane towards those who have to be returned	Commission communication COM(2020) 609 final	
7	Open legal migration channels	Commission / EP / Council	Adopt the EU Blue Card proposal to establish faster, simpler and more inclusive access for highly skilled third-country nationals to Member States' labour markets and recognition of refugees' existing qualifications and skills, which is crucial for the successful integration of refugees and migrants in the long-term	EP resolution, P8_TA(2016)0297 EPRS briefing, Revision of the Blue Card Directive	
8	Dispose of sufficient EU funding	Commission / EP / Council	In the context of negotiating the next MFF, it is of utmost importance to agree on sufficient EU funding, which will be essential to support Member States in managing the EU's common external borders and addressing continuing needs in the areas of asylum, early integration, return and	EP resolution, P8_TA(2016)0102 EPRS Briefing, Migration and border management: Heading 4 of the 2021-2027 MFF	

			cooperation with third countries (AMF, IBMF, NDICI)	EPRS Briefing A new neighbourhood, development and international cooperation instrument	
9	Improving the effectiveness of the EU return policy	Commission / EP / Council	Establish harmonised standards and procedures to be used by Member States for returning third-country nationals staying irregularly on their territory	EP resolution, P8_TA(2016)0102 EPRS Briefing, Recasting the Return Directive	

Policy suggestions from think tanks and academia / policy examples from third countries					
10	Readmission agreements and arrangements as a basis for circular migration	Commission	Negotiating readmission agreements and arrangements with priority countries could lead to a functioning circular migration scheme.	CEPS, The Externalisation of the EU's Labour Immigration Policy	
11	Creating an 'EU leverage coordination mechanism for returns'	Commission / EP / Council	The aim of this would be to create an EU-wide coordination platform that would help Member States facing difficulties in cooperation with third countries on readmissions. Possibly also granting executive powers to the EU in relation to the adoption or execution of return decisions	EU Council Presidency discussion paper, Policies and tools to enhance readmission cooperation, EPRS study: Unlocking the potential of the EU treaties (2020), pp. 40-41	
12	Strengthen inter-agency cooperation	Commission / EP / Council	Further involvement of the European Asylum Support Office in European Border and Coast Guard activities, possibly by merging both agencies and creating a single European border and asylum agency	EPRS study: Unlocking the potential of the EU Treaties (2020), pp. 38-39	
13	Mutual learning of integration processes	Commission / Member States	The Commission, on the basis of Article 79 TFEU, could take the initiative to organise a form of open method for coordination based on the adoption of integration targets, leaving it to the Member States to choose the means by which to achieve them.	Jacques Delors Institute, For a European policy on asylum, migration and mobility	
14	Reforming EU legal framework on criminalisation	Commission / EP / Council	The current EU legal framework could be reformed to provide for a mandatory exemption from criminalisation for 'humanitarian	EP Policy Department study, Fit for purpose? The Facilitation Directive	

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	of people smuggling and those providing humanitarian assistance		assistance' in cases of entry, transit and residence.	and the criminalisation of humanitarian assistance to irregular migrants	
15	Addressing the needs of environmental and climate related refugees	Commission / EP / Council	There are several ways to better address root causes and consequences of the climate change-migration nexus in Europe and beyond. Most Latin American countries provide for legal migratory options for victims of natural or environmental disasters.	EP Policy Department study, Climate Change and Migration L.F. Freier; J.P. Gauci, Refugee Rights Across Regions: A Comparative Overview of Legislative Good Practices in Latin America and the EU	
16	European private refugee sponsorship programme	Commission / EP / Council	Such a programme, similar to the one existing in Canada, is one of a number of possible pathways to admission that could support refugees' arrival to the EU in safety and dignity while complementing existing resettlement programmes.	European Commission study, Feasibility and added value of sponsorship schemes as a possible pathway to safe channels for admission to the EU, including resettlement, Government of Canada, Private sponsorship of refugees program	
17	Budget specific human rights monitoring and evaluation activities when cooperating with third countries on migration	Commission / EP / Council	All agreements with third countries and all arrangements for external action could be adopted following a comprehensive compliance system that ensures conformity with fundamental rights, covering the pre-conclusion, design, adoption, implementation, evaluation and review phase	EP Policy Department in-depth analysis, EU External Migration Policy and the Protection of Human Rights	

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Strengthening EU civil protection measures for climate extremes

The issue in short

Extreme weather events, projected to increase in frequency and scale, such as floods, drought, storms and heat waves, are likely to have potential **impacts on human health and ecosystems**. With half of Europe's population living within 50 kilometres of a coastline, rising sea levels give further cause for concern. The 2018 IPCC scientific report particularly warns of the consequences of a warming world. In Europe, citizens have had to move due to extreme weather events and on a global scale the concept of climate refugees is likely to require extra attention in coming decades. While altering the distribution of disease vectors, climate conditions can also cause significant changes to global food production and increase migration flows. A decade ago, the *Lancet* published a paper on the health effects of climate change, calling it 'the biggest global health threat of the 21st century'.

Climate change has longer-term **consequences for economic sectors** such as fisheries, due to increasing seawater temperature and acidity, as well as for agriculture and food production, with droughts and floods impacting crop yields and livestock productivity. Unsustainable practices, such as deforestation and wetland removals across the globe, can further exacerbate the climate crisis.

Civil protection is the protection of people, the environment and property against natural and manmade disasters. According to the European Commission's recent disaster risk report, nearly 100 000 lives and more than €500 billion in economic costs resulted from natural disasters between 1998 and 2017. Infectious diseases and heatwaves claimed the most lives, with storms, floods and earthquakes generating the highest costs.

In the 2020 EPRS mapping of structural risks facing the European Union, of the 66 risks analysed, roughly one third can be negatively impacted or further amplified by climate change.

The universal 2015 Paris Agreement aims to limit global warming to well below 2°C and pursue efforts to limit it to 1.5°C by the end of this century. The European Green Deal, supported by all European Union (EU) institutions, aims to make the EU climate-neutral by 2050. With this strategy, the EU takes a leading role in addressing the global climate crisis and fulfilling its obligations under the Paris Agreement.

The transformation towards a carbon-neutral society is progressing with a range of targets, tools and commitments to reduce emissions. However, many climate change impacts will continue over the 21st century, even if manmade emissions are reduced or even stopped in the future. Ensuring adequate civil protection measures will remain necessary.

Position of the European Parliament

In its resolution of November 2019, the European Parliament declared a climate and environment emergency and requested full alignment with the 1.5°C objective, urging European and global actors to 'urgently take the concrete action needed in order to fight and contain this threat before it is too late'. It went even further in its January 2020 resolution on the European Green Deal, advocating a fundamental right to a safe, clean, healthy and sustainable environment and to a stable climate for all people living in Europe.

The Parliament's April 2020 [resolution](#) on EU coordinated action to combat Covid-19, calls on the European Commission to **strengthen all components of crisis management and disaster response** to protect the lives and livelihoods of EU citizens, and to further strengthen instruments such as [rescEU](#). The Parliament's [position](#), adopted on 16 September 2020, on the [Commission proposal](#) to strengthen the Union Civil Protection Mechanism (UCPM), calls for the Union's capacity to be significantly increased. This would confer the power to adopt delegated acts to the European Commission, to determine Union disaster resilience goals and define strengthened competences for the leading Union agencies to manage the rescEU capacities. It further suggests that the Union should autonomously acquire equipment and develop logistic hubs across the Union, to ensure an efficient disaster response. The Parliament included several mentions of prevention and preparedness for extreme weather condition impacts including landslides, floods, forest and wildfires. Trilogue negotiations have yet to begin.

Taking into account the [Parliament's call](#) for a European Health Response Mechanism to be established to strengthen the EU response post-coronavirus and the simultaneous focus on climate risks in the European Parliament position on revising the UCPM, a possible future combined [Climate Emergency Office](#) should not be considered far-fetched.

In September 2018, following severe European forest fires, the [Parliament](#) called for further scientific research into risk assessment mechanisms, prevention and early detection systems. The need to develop uniform systems and tools to keep track of the progress and effectiveness of national adaptation plans and actions, was emphasised in the Parliament's [resolution](#) on the 2019 UN Climate Change Conference in Madrid (COP25). In both resolutions, the Parliament called on the Commission to further strengthen EU policies as regards climate adaptation and particularly forests.

In October 2020, on the basis of [Article 225](#) TFEU, the Parliament adopted a [resolution](#) calling on the European Commission to propose a legal framework to halt and reverse EU-driven global deforestation, targeting companies placing forest and ecosystem-risk commodities and derived products on the EU market. As part of the [European Green Deal](#) a [legislative proposal](#) on [deforestation](#) is expected, along with a new [EU forest strategy](#), to enhance prevention of disaster risk events and damage as well as secure forest resilience.

The Parliament's [demand](#) to focus on opportunities offered by the recovery packages to transform and build resilient European economies, in line with the European Green Deal and the digital agenda, could also include climate resilience action on tools, practices and skills in vulnerable sectors. A recent European Parliament [paper](#) explores how post-coronavirus European recovery funds could assist in the transition.

Policy proposals by experts and stakeholders

In a recent Nature Climate Change [article](#), researchers point to the need for compound risk-preparedness schemes to ensure adequate disaster responses in situations of multiple crisis simultaneously. The research refers primarily to managing climate-related disasters during the coronavirus pandemic, pointing to limitations in existing frameworks. It calls for long-term climate adaptation strategies to include pandemic preparedness, ensuring climate-resilient infrastructure, to safeguard basic services.

Since 2015, the Horizon 2020 programme has funded the platform for climate adaptation and risk reduction (PLACARD), aiming to provide dialogue, knowledge exchange and collaboration between the Climate Change Adaptation (CCA) and Disaster Risk Reduction (DRR) communities. A May 2020 PLACARD [report](#) on bridging CCA and DRR in the European Green Deal, outlines three key policy recommendations. First, the report calls for a focus on ensuring that the Covid-19 recovery initiatives are climate-compatible and on building long-term resilience (suggesting among other measures the inclusion of climate-related risks via an amendment of the European Directive on non-financial disclosures ([Directive 2014/95/EU](#))). Secondly, it suggests to link insights from CCA and DRR to

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galvanise multi-level, country and sector cooperation to manage future risks. The third and final recommendation is to seek improved communication by harmonising key terms across CCA and DRR and building structures for cooperation.

In a 2019 PLACARD policy brief dedicated to foresight on climate extremes, the risk of frequent weather extremes exceeding the capabilities of individual Member States to save lives and limit economic damage is mentioned. In view of this, the possibility to strengthen existing measures at EU level including the UCPM and solidarity-based funding is mentioned. The brief goes on to point to the need for further collaboration and agreements on logistics and resource distribution, while ensuring knowledge- and data-sharing mechanisms and expert cooperation across the CCA and DRR areas.

On water-related vulnerabilities, the European Environment Agency (EEA) stresses, in its latest 'State of the Environment' report, the need in the near future to better understand and monitor the climate-water-ecosystem-agriculture nexus and connected issues with energy needs. In the area of air pollution measures, the EEA recently pointed out that 'aligning action to mitigate air pollution with action to mitigate greenhouse gas emissions is critical to fostering synergies in key sectors, including agriculture, energy and transport'.

Public expectations and stakeholders such as Fridays for Future and Climate Action Network Europe have put a focus on the link between climate change risks and the impacts on citizens' fundamental rights, demanding robust, comprehensive and concerted political actions to build resilience and reduce inequalities.

Points of blockage

So far, the UCPM has relied on a voluntary system of mutual assistance based on solidarity, however when invoked by France in the context of the coronavirus pandemic in January 2020, participating countries failed to respond, due to concerns regarding their own needs. The area remains a Member State responsibility, with the UCPM available to offer assistance at the request of Member States.

The European Commission proposal to further strengthen rescEU and the UCPM, will confer complementary executive capacities to the EU level and allow the Commission to autonomously procure equipment. Parliament's suggestion to bestow the power of adopting delegated acts to the Commission to 'define strengthened competences of leading Union Agencies to manage the rescEU capacities', might be too broad a notion for some Member States.

As noted in an earlier EPRS paper, in March 2020, the President of the European Council, Charles Michel, proposed an EU-level crisis centre, covering not only health, but all crises. However, the uptake was minimal and since then the idea has not (so far) resurfaced.

An argument can be made that the coronavirus situation was a high impact, low probability event, that does not call for such far-reaching revision of UCPM (see below), which was recently revised in 2019 to respond better to forest fires, earthquakes and flooding events, where it has served the Member States well. Furthermore, the EU Solidarity Fund already exists to finance operations in the field of civil protection.

Although PLACARD advocates greater EU level capability regarding resilience towards climate-related disaster risks, it also warns of possible pitfalls. As disaster readiness normally entails a need for fast decision-making, the worry is that extra capability at EU-level risks slowing down response times, due to the slow development of guidelines and possible over-regulation.

On 30 November 2020, the Council agreed its mandate for negotiations with Parliament, on the revision of UCPM. Council's mandate includes Union-level disaster resilience goals, limited to transboundary disasters with high impact. The resilience goals should however be based on scenarios also taking account of climate change-related risks. The possibility for the European

Commission to adopt delegated acts, in relation to disaster resilience goals, is removed in the Council's position.

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In focus: The current Union Civil Protection Mechanism (UCPM) as an opportunity for complementary executive capacity related to the climate emergency

RescEU: To be able to protect its citizens more effectively, the EU decided to strengthen its response capacity in 2019, by creating a common European reserve of resources, 'rescEU'. It is meant as a safety net and last resort when national voluntary capabilities become overburdened.

Emergency Response Coordination Centre (ERCC): The ERCC is the 24/7 situation room that coordinates civil protection operations, following country requests. When activated, it seeks information on members' capacities and coordinates their deployment. It provides real-time information-sharing, including via the Common Emergency Communication and Information System (CECIS) and by using EU satellite maps from the Copernicus Emergency Management Service. It monitors global risks and events and can be scaled up in times of crises. Through the European Commission Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO), it receives information from 40 field offices worldwide. Its disaster response has mainly covered forest fires (30 % of disasters between 2015 and 2018), floods (18 %), and to a lesser degree, storms and earthquakes. It was activated by France during the coronavirus crisis.

European Civil Protection Pool (ECPP): The ECPP (also referred to as 'the voluntary pool'), brings together and co-funds 110 relief teams and various experts and equipment that are kept on standby in the EU countries in which they are based. They train together, can be rapidly deployed globally and function autonomously in disaster zones. They could be further strengthened, especially in border areas

European Disaster Risk Management: Through this 2019 initiative, the EU wants to help Member States to develop policies to improve mechanisms for preventing, preparing and responding to disasters by publishing updated risk overviews, research and knowledge sharing, peer reviews of operational set-ups, enhanced international cooperation through the global UN Sendai Framework, and deploying advisory missions to areas prone to disaster.

Source: Adapted from Schmertzing, L., EU civil protection capabilities, *EPRS Ideas Paper, 2020*

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Some of the above capabilities could be pooled and further developed under the umbrella of a **European Climate Emergency Office (ECEO)**, making the EU complementary action stronger and more visible for the general public.

Opportunities to move forward

The pandemic has demonstrated the great value of preparedness. For the climate crisis, there is an opportunity to strengthen preparedness for and adaptation to climate change impacts, such as weather extremes or health impacts. The EU can play a leading role in ensuring disaster resilience.

The latest Eurobarometer surveys indicate that there is consistent support for more EU action when it comes to climate change, including adaptation and air quality. At the same time, cases are being brought before the courts by citizens arguing their states have an obligation to protect them. In the Netherlands, the Supreme Court ruled in favour of the citizens, establishing that the government has a legal duty to prevent dangerous climate change. A similar case is currently before the European Court of Human Rights, brought by six Portuguese citizens against 33 countries. Although most of the cases focus on the obligation to make ambitious mitigation efforts, the latter case was brought by a group of young people stating their fear of the impacts of climate change.

The Conference on the Future of Europe is meant as an opportunity for citizens to have their say on what the Union does and how it works for them. Commission President Ursula von der Leyen has pledged to follow up on what is agreed, with legislative and even treaty change if needed. With the
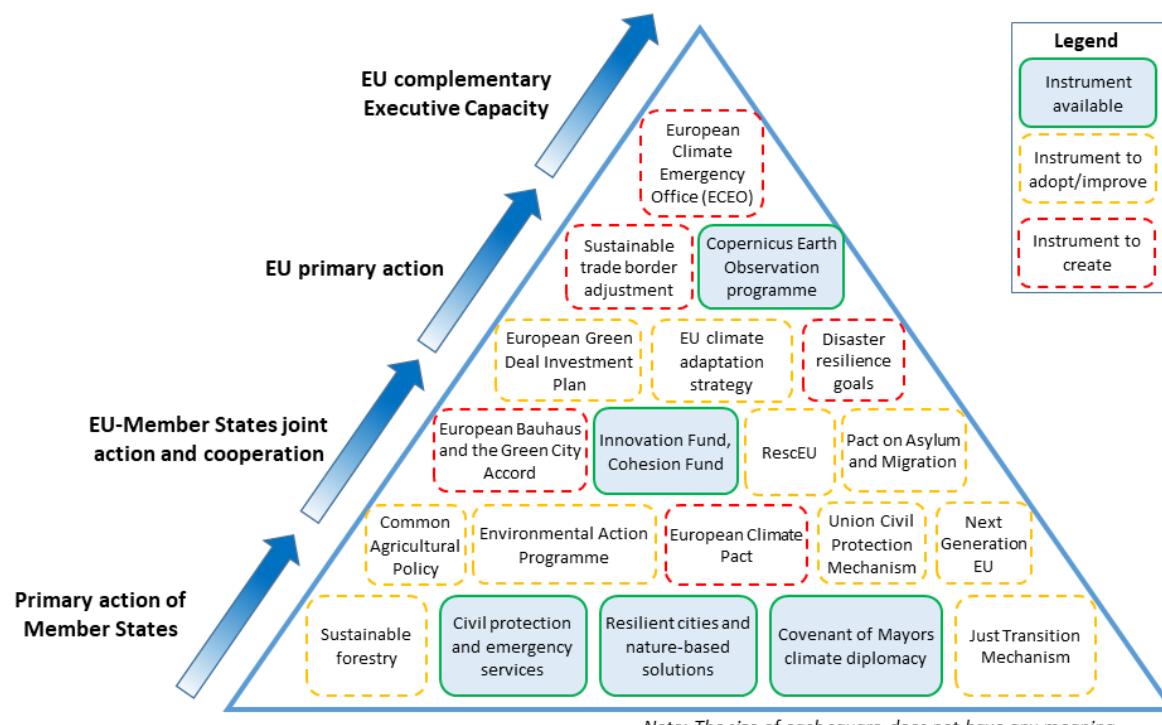
citizen-level momentum on the necessity of climate action, and discussions to take place on the topic of the European Green Deal, the Conference could give rise to further EU capabilities.

Coinciding with the forthcoming Conference is the recent 20th anniversary of the Charter of Fundamental Rights of the European Union, Articles 35 and 37 of which could give further impetus to EU measures for civil protection and preventive actions, related to climate change impacts.

The current legal basis for EU involvement in civil protection, most notably through activation of the Union Civil Protection Mechanism (see box above) in case of natural disasters, lies in Article 196 TFEU and in the solidarity clause in Article 222 TFEU. Under Article 222, the EU and its Member States should act jointly to provide assistance to another Member State that is the victim of a natural or man-made disaster. In subparagraph 4 of Article 222, the European Council is required to regularly assess threats in order to enable effective action. In the new climate adaptation strategy, adopted on 24 February 2021, the Commission has stated its intent to increase monitoring and recording of climate-related losses and physical risks using the Risk Data Hub. To increase understanding of climate-related health risks specifically, the Commission launched the European Climate and Health Observatory under the Climate-ADAPT platform.

The 2020 EPRS publication, Unlocking the potential of the EU Treaties, states that, based on the practice of the European Court of Justice (ECJ), articles of the Treaties should be interpreted dynamically, adapting to the challenges currently faced by the Union. With this in mind, Article 222(4) TFEU could come to play a significant role in future climate action to prevent and ensure robust preparedness towards the impacts and consequences of extreme weather events. The Cohesion Fund may further come into play to finance Disaster Resilience Goals actions, pursuant to the underused Article 192(5) TFEU.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Aligning legislation with Aarhus Convention	European Parliament	Allowing citizens access to challenge acts with impact on environment	European Parliament 15 January 2020 resolution on European Green deal	(green)
2	Extending UCPM / EU Health Response Mechanism	European Parliament / Council / European Commission	Beyond pandemic preparedness, adaptation, preparedness and response measures could be strengthened for climate change impacts, including health impacts	European Parliament resolution of 17 April 2020 on the Covid-19 pandemic 2020/2616(RSP)	(yellow)
3	Sustainability tariffs or EU certification label on certain imports / trade agreements	European Parliament / European Commission	Build climate action more deeply into its trade policy. Restrictions on trade in commodities to prevent deforestation and land use change in third countries. A responsible products border adjustment mechanism to reflect negative climate practices.	European Parliament resolution of 22 October 2020 to halt and reverse EU-driven global deforestation 2020/2006(INL)	(red)
4	Recovery and reconstruction package with European Green Deal and Digital Agenda at its core	European Parliament / Council / European Commission	Building societal resilience through: Skills transitioning for new jobs or knowledge on adaptation/resilience in key sectors, Social agenda for action on energy poverty, digital tools for risk monitoring and knowledge sharing	European Parliament 15 May 2020 resolution on MFF, own resources and recovery plan, EPRS briefing	(yellow)
Proposals submitted by the European Commission / ongoing processes					
5	Climate-resilient agriculture	European Commission / European Parliament / Council	The greening of the common agricultural policy. Farmers to adapt, increase the sector's resilience towards climate change impacts, delivering carbon faming benefits	Farm to Fork Strategy COM(2020) 381 of 20 May 2020	(yellow)
6	Climate adaptation strategy / disaster resilience goals / Member States' adaptation plans	European Commission	New EU adaptation strategy; Integrate sustainable forestry and wetlands management, ensuring data on climate-related risks	The new EU Strategy on Adaptation to Climate Change COM(2021) 82 final Supporting the green transition factsheet	(green)

			Implement Disaster Resilience Goals in a legal framework in Member State adaptation plans and preparedness efforts. Implement 'Destination Earth' monitoring initiative. Climate-proofing vulnerable sectors such as agriculture and fisheries		165
7	Support for pioneering cities / European Bauhaus	European Parliament / Council / European Commission	Using European Bauhaus initiative to build innovative resilient cities less at risk of 'heat island' effect, today killing thousands of citizens annually.	EPRS Ideas paper and the European Bauhaus	
8	New Pact on Asylum and Migration	European Commission / European Parliament / Council	Developing a more efficient, fair and harmonised framework that is more resistant to future migratory pressures, including climate change.	European Commission text COM(2020) 609 final	
Policy suggestions from think tanks and academia					
9	European Climate Emergency Office		Coordination across agencies on all aspects relating to the climate emergency. Ensuring adequate and responsive preparedness and risk monitoring with DG ECHO and Member States. Ensuring adequate 2050 climate neutrality action and resilient environmental practices across Commission agencies, Member States and sector associations. Share best practice.	EPRS Study on treaty potential and policy suggestions made in Nature Climate Change scientific article on disaster preparedness.	
10	European Climate Pact	European Parliament / Council / European Commission	Make the Climate pact a true citizen action tool: Create incentives for climate-friendly lifestyles; Individual carbon budgets + trading; Strengthen voluntary corps; Citizens' shelter and resources emergency registry	EPRS Ten opportunities for Europe, and EPRS Ideas paper, Climate pact	

Protecting Europe's natural heritage and biodiversity

The issue in short

Biodiversity underpins the functioning of ecosystems, which provide a wide range of direct and indirect contributions essential to human life, such as the provision of food, fuel and medicines, crop pollination, climate regulation through carbon storage and control of local rainfall, water and air filtration, mitigation of the impact of natural disasters, and soil formation.

Worryingly, however, biodiversity is continuing to decline at an alarming rate, both globally and in Europe. The European Union's Natura 2000 network of protected areas – which is the corner-stone of nature conservation in Europe and covers 17.9 % of the Union's land territory and 9.7 % of its marine waters (2019) – has important and positive effects for many species and habitats. However, the latest assessment of the state of nature by the European Environment Agency (EEA) shows that, despite significant efforts, 81 % of habitats and 63 % of species protected under EU legislation still have a poor or bad conservation status. The proportion of protected birds with poor or bad status has increased over the last six years. Agricultural activities, such as intensification or abandonment of grasslands, are the most commonly reported pressure on them overall, followed by urban sprawl and leisure activities and forestry. Pollution of air, water and soil adversely affects most habitats and species. Almost 50 % of all pollution-related pressures are associated with agriculture. Most of Europe's marine area (93 %) is under multiple pressures from human activities. For both marine and terrestrial ecosystems, climate change is a rising threat.

Addressing the wide range of pressures affecting marine and land ecosystems means, among other things, adequate and effective mainstreaming of biodiversity protection objectives into other policies and sectors. According to the EEA assessment, significant efforts remain necessary to put this cross-sectoral approach into practice, including adapting the common agricultural policy (CAP) and common fisheries policy (CFP) so that they become tools for biodiversity protection. More broadly, to tackle environmental challenges relating to biodiversity, as well as climate change and resource use, there is a need to rethink core production and consumption systems, in particular those relating to food, energy, mobility and construction, and interactions with nature.

Such an approach would also entail looking at the effects of EU production and consumption beyond its borders. Beyond the intrinsic value of nature protection, addressing the EU's global ecological footprint would avoid a disconnect between domestic and international policy agendas, and enhance the credibility of the leadership role the EU aims to play at the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity, where the post-2020 global biodiversity framework is to be adopted. It would also be instrumental in reducing the risk of future pandemics, as evidence shows that biodiversity loss and pandemic risk share common drivers.

The European Green Deal aims to build a sustainable economy within the EU. In addition to the EU biodiversity strategy for 2030, specifically geared towards the preservation of natural capital, it includes initiatives covering resource use (a new circular economy action plan), more sustainable farming (farm to fork strategy), forestry (imminent new EU forest strategy) and fisheries (upcoming action plan to preserve fisheries resources and protect marine ecosystems), as well as pollution (chemicals strategy for sustainability and a zero pollution action plan for air, water, and soil in the pipeline).

Policy proposals by experts and stakeholders
Ensuring policy coherence

In a 2020 special report on biodiversity and the CAP, the European Court of Auditors (ECA) made recommendations, including measures to enhance the contribution of direct payments (pillar 1) and rural development (pillar 2) to farmland biodiversity; and to develop reliable farmland biodiversity indicators with which to assess the positive and negative impacts of CAP instruments.

A paper supported by over 3 600 scientists and researchers has recommended aligning all CAP elements, without exception, with the principles of sustainability, multi-functionality and public payments for public goods. Actions proposed to improve support for biodiversity protection and restoration include securing and enhancing budgets for agri-environment-climate measures and eco-schemes and other environmental measures in both pillars; restoring the pre-2009 requirements for Member States to set aside at least 10 % of utilised agricultural area for nature and semi-natural habitats; expanding support for low-input production, with minimal or no chemical fertilisers or pesticides (e.g. organic farming); expansion and longer-term maintenance of fallow land and extensive grazing on high nature value farmland; channelling support to efficient ('dark green') measures; and achieving coherent and synergistic policy design across pillars.

In a series of three papers, the Institute for European Environmental Policy (IEEP) has put forward a roadmap to realign rural land use and functioning ecosystems. Restructured agricultural policy measures are a fundamental part of the proposed policy agenda, but there are other elements. Proposals include setting up a new long-term EU funding mechanism for ecosystem management and restoration that could support larger-scale and longer-term initiatives, without being tied to CAP conditions or distributional logic. The idea of a separate funding line for nature protection that is independent of the agricultural budget is also supported by the European Economic and Social Committee (EESC). The Committee also takes the view that protecting biodiversity as a 'public good and value' should become a 'useful source of income' for farmers and forest owners.

The EU biodiversity and farm to fork strategies envisage a set of measures to relieve agricultural pressures on biodiversity, such as increasing organic farming to more than 25 %; reducing the overall use of and risk from pesticides by 50 % by 2030; and bringing back at least 10 % of agricultural areas under high-diversity landscape features. As regards forests, actions envisaged include the adoption of a dedicated EU forest strategy in 2021, with a roadmap for planting 3 billion trees by 2030, and the strict protection of all remaining EU primary and old-growth forests.

In a study for the European Parliament's Agriculture Committee, experts note some concerns that the changes required for the new CAP to live up to the Green Deal ambitions (e.g. in terms of land protection and organic agriculture) are not matched by economic gains. Farmers' organisations and some Member States see a risk that in a globalised economy, the more 'virtuous' European behaviour would displace the various environmental issues through higher imports and be worsened by distortions of competition. The environmental and social clauses set out in recent trade agreements, barely enforceable, do not reassure them against a loss of competitiveness.

When it comes to protection of the marine environment, a study for the Parliament's Committee on Fisheries has identified a major need for better alignment of the common fisheries policy (CFP), the Marine Strategy Framework Directive (MSFD) and the EU nature directives under an integrated policy. Research into over 700 European marine protected areas (MPAs) showed that nearly 60 % of them are commercially trawled, and at levels higher than non-protected areas, casting doubt over the achievement of true nature conservation outcomes. In heavily trawled areas, the abundance of sensitive species (sharks, rays, and skates) had decreased by 69 %.

In a November 2020 special report, the European Court of Auditors (ECA) found that EU MPAs provided limited protection of marine biodiversity in practice, and that provisions to coordinate fisheries policy measures with measures to protect the marine environment did not work as

intended. Identifying a discrepancy between the ambition of promoting blue growth and the objective of achieving good environmental status of marine waters under the MSFD, some researchers recommended that the EU implement stronger management of environmental impacts, better spatial planning of their locations (e.g. through the Maritime Spatial Planning Directive), and more practical measures to conserve marine ecosystem structure and functioning (such as limiting physical impacts of bottom trawling, preventing overfishing, and avoiding bycatch of marine biota). The new action plan to conserve fisheries resources and protect marine ecosystems announced by the Commission for 2021 may address some of those issues.

The EU biodiversity strategy for 2030 has the ambition to protect at least 30 % of the land and 30 % of the sea in the EU (including Natura 2000 and nationally designated areas). At least a third of these protected areas (representing 10 % of EU land and 10 % of EU sea) should be under stricter protection (currently, 3 % of land and less than 1 % of marine areas are strictly protected in the EU). All protected areas should be effectively managed, with clear conservation objectives and measures, and appropriate monitoring. Furthermore, a Commission proposal for legally binding EU nature restoration targets to restore degraded ecosystems is expected in the autumn of this year. To enhance effectiveness, the EEA suggests setting standards (e.g. for the ecological quality of new designated areas and restoration areas). Ensuring sufficient financial and human resources would also be key to the success of nature conservation policy.

Financing biodiversity action

While the focus has been mainly on climate action, many experts and stakeholders have emphasised the need to build biodiversity protection into the economic response to the coronavirus crisis to achieve a green recovery. Recent examples include papers by international experts; and the Organisation for Economic Co-operation and Development (OECD). The OECD recommends making sure that economic recovery measures do not compromise biodiversity (by attaching environmental conditionality to bailouts; screening ex-ante, and monitoring ex-post, stimulus measures for their biodiversity impacts); scaling up investment in biodiversity conservation, sustainable use and restoration (e.g. by setting biodiversity spending targets for Covid-19 stimulus measures and recovery plans); and putting a price on biodiversity loss (reforming subsidies harmful to biodiversity; scaling up economic incentives for biodiversity). Globally, the total cost of subsidies damaging nature is around US$4 to 6 trillion per year, according to a conservative estimate.

The EU's post-coronavirus recovery funds offer an important opportunity for natural capital investment in ecosystem resilience and regeneration. Under the recently adopted Recovery and Resilience Facility (RRF), which will provide €672.5 billion in loans and grants over the coming years, Member States' resilience and recovery plans are expected to include a minimum of 37 % expenditure related to climate and environmental sustainability. Measures included in national recovery and resilience plans should comply with the principle of 'do no significant harm' enshrined in Article 17 of the 'taxonomy regulation', meaning that they should not be detrimental to environmental objectives, including the protection and restoration of biodiversity and ecosystems.

Under the EU's biodiversity strategy for 2030 at least €20 billion a year should be unlocked for spending on nature. A significant share of the 30 % of the EU budget dedicated to climate action would be invested in biodiversity and nature-based solutions. The European Parliament secured the introduction of an annual biodiversity spending target of 7.5 % in the multiannual financial framework (MFF) from 2024, aiming to reach 10 % in 2026 and 2027.

A report on financing biodiversity action commissioned by the European Committee of the Regions (CoR) recommends that more funding for nature be accompanied by simplification of procedures to increase uptake of available funding. More attention should be given to the promotion of nature-based solutions, and the mainstreaming of biodiversity in spatial planning and urban development. The EU should establish a binding policy with respect to compensation of biodiversity loss due to

infrastructure development. It could consider an EU land degradation neutrality objective. Requirements on no net loss or net gain could be set for all projects supported by EU funds.

Some researchers advocate more equitable species-focused conservation funding in the next decade, with greater consideration for invertebrates.

Using technological innovation

Technological innovation has a role to play in the protection of biodiversity and ecosystems. Analysts from the European Policy Centre (EPC) suggest exploring the untapped potential of digitalisation. Policy recommendations made to the EU include optimising data management and the use of digital solutions (e.g. artificial intelligence, sensors, robotics) for the benefit of ecosystem restoration and nature protection; designing financing instruments in such a way that they help address biodiversity loss, including by improving relevant data management, basing investment decisions on gathered knowledge, and developing and deploying necessary digital solutions; encouraging cooperation between relevant (global or European) stakeholders to optimise data collection and sharing; using data from satellites, sensors and other sources more readily to launch infringement procedures against Member States that are not complying with environmental regulation and rules; and enhancing global cooperation (improving global biodiversity databases and electronic information exchange). Care should be taken to address the greening of digital solutions (i.e. address their environmental and climate impacts).

Enhancing the EU framework on land and soil protection

Tackling soil degradation is instrumental for achieving the EU's domestic and international biodiversity and climate goals. Accordingly, there have been a number of calls for enhanced EU action on soil protection, both from EU institutions (European Court of Auditors; Parliament) and the scientific community (European Academies' Science Advisory Council). As part of the EU biodiversity strategy for 2030, the 2006 EU soil thematic strategy is expected to be updated to address soil and land degradation in a comprehensive way and to help achieve land degradation neutrality by 2030.

In its recommendations for a common EU food policy, the International Panel of Experts on Sustainable Food Systems (IPES-Food) supports, not least, the adoption of a framework directive on land and soil. An attempt to adopt a binding overarching framework of this kind failed in 2014.

The EEA has identified the lack of a comprehensive and coherent policy framework for protecting Europe's land and soil as a key gap to address, and has stressed the need for binding EU targets.

Addressing the EU's global ecological footprint

EU policy options for protecting biodiversity beyond its own borders have been discussed, among others, by authors of an analysis for Parliament's Environment Committee, by the Institute for European Environmental Policy and the European Policy Centre, in particular in relation to pandemic risk reduction. Recommendations include setting legally binding sustainability criteria for deforestation-free, conversion-free and degradation-free agricultural commodities with instruments to ensure full traceability; introducing appropriate labelling, coupled with awareness-raising campaigns on the role of consumption in biodiversity loss; revising illegal wildlife trade action in the EU and at EU borders; using foreign aid to halt destruction of natural habitats in developing countries; and using trade agreements as leverage to protect nature worldwide.

Position of the European Parliament

The European Parliament declared a climate and environment emergency in November 2019, with a call to address inconsistencies in related EU policies, in particular through a far-reaching reform of agricultural, trade, transport, energy and infrastructure investment policies. Prior to the adoption of the EU biodiversity strategy for 2030, the Parliament had called for a move away from voluntary commitments and for legally binding targets to be set for the EU and its Member States, including

specific ones to reach at least 30 % of protected terrestrial and marine areas and to restore at least 30 % of degraded ecosystems at EU level by 2030. It stressed the need for a comprehensive assessment and a significant increase in EU coastal and marine protected areas; and for a greater emphasis on good and sustainable management of protected areas. The Parliament's demands included EU-wide binding reduction targets in the upcoming revision of the EU Directive on the Sustainable Use of Pesticides; action to reduce the EU's global footprint so as to avoid inconsistency between its domestic and international actions; the inclusion of binding and enforceable trade and sustainable development chapters in all future trade agreements; the phasing-out of harmful subsidies, and coherence between all EU funds and programmes so that no expenditure under the EU budget can contribute to biodiversity loss.

In October 2020, the Parliament called on the Commission to present a proposal for an EU legal framework to halt and reverse EU-driven global deforestation, based on mandatory requirements for due diligence, reporting, disclosure and third-party involvement for companies placing forest and ecosystem-risk commodities and derived products on the EU market. Penalties should be imposed in cases of non-compliance with these duties, and access to justice and remedy be ensured for victims of such breaches. The future framework should guarantee not only the legality, but also the sustainability of the harvest, production, extraction and processing of the commodities in the country of origin, and include the protection of human rights. It should also cover high-carbon stock and biodiversity-rich ecosystems other than forests, such as marine and coastal ecosystems, wetlands, peatlands or savannahs. The Commission is expected to present a proposal for a regulation aimed at minimising the risk of deforestation and forest degradation associated with products placed on the EU market in the second quarter of this year.

In January 2021, the Parliament made several policy recommendations in the light of the new action plan to preserve fisheries resources and protect marine ecosystems, and the revision of the CFP. It welcomed the proposal to have at least 30 % of sea area in the EU protected, and called for a third of this area to benefit from a high level of protection, including areas where all catches and all economic activities are prohibited (i.e. no-take zones). Any legislative proposal should be accompanied by impact assessments based on the best available scientific advice and in close coordination with local communities and authorities. The Parliament also stressed the need for a comprehensive and coherent approach when establishing protected areas, by not only limiting commercial fishing activities but also tackling other activities, such as fossil fuel exploration and exploitation, mining, large-scale aquaculture, dredging, offshore wind farms and transport.

An own-initiative report on the EU biodiversity strategy for 2030 is in preparation, with a vote scheduled in April 2021 in the Environment Committee (ENVI). The ENVI committee is also working on the issue of enhanced soil protection.

Points of blockage

Better integrating EU biodiversity objectives into the new CAP faces a number of challenges, including misalignment of timing between negotiations of the CAP reform, the 2030 biodiversity and the farm to fork strategies.

The EU is competent to act in most areas of environment policy. Its action is, however, limited by the principle of subsidiarity and the requirement for unanimity in Council on certain topics, such as land use. Subsidiarity concerns played a major role in the failure to adopt the proposed soil framework directive, with some Member States maintaining that soil was not a matter to be negotiated at EU level. The Commission withdrew its proposal in 2014.

Persistent problems in areas such as biodiversity loss are intrinsically linked to patterns of production and consumption that are unsustainable but well-established. The transition to sustainability, which implies rethinking not only technologies and production processes, but also consumption levels and social practices, represents both an opportunity and a challenge. However,

policies in the EU will only have a limited impact on the planet if other countries pursue opposing strategies. International cooperation is therefore fundamental. The UN Environment Programme (UNEP) has recently presented a blueprint in this direction.

Opportunities to move forward

2021 offers a number of opportunities for global cooperation on sustainability and coordination of efforts 'across silos' for a green and resilient recovery. Those include COP15 of the UN Convention on Biological Diversity in China, COP26 to the UN Framework Convention on Climate Change in the United Kingdom, COP15 of the UN Convention to Combat Desertification, the G20 and G7 summits, and many other multilateral meetings.

At EU level, the European Green Deal provides an integrated policy framework for making the EU's economy sustainable. Legislative proposals to be presented this year, notably on ecosystem restoration and on minimising deforestation and forest degradation risks associated with products placed on the EU market, will give concrete form to some of the ambitions of the EU biodiversity strategy for 2030. On the financial front, the RRF, the main component in the €750 billion Next Generation EU recovery package, aims to provide substantial support for investment in the green transition, including biodiversity.
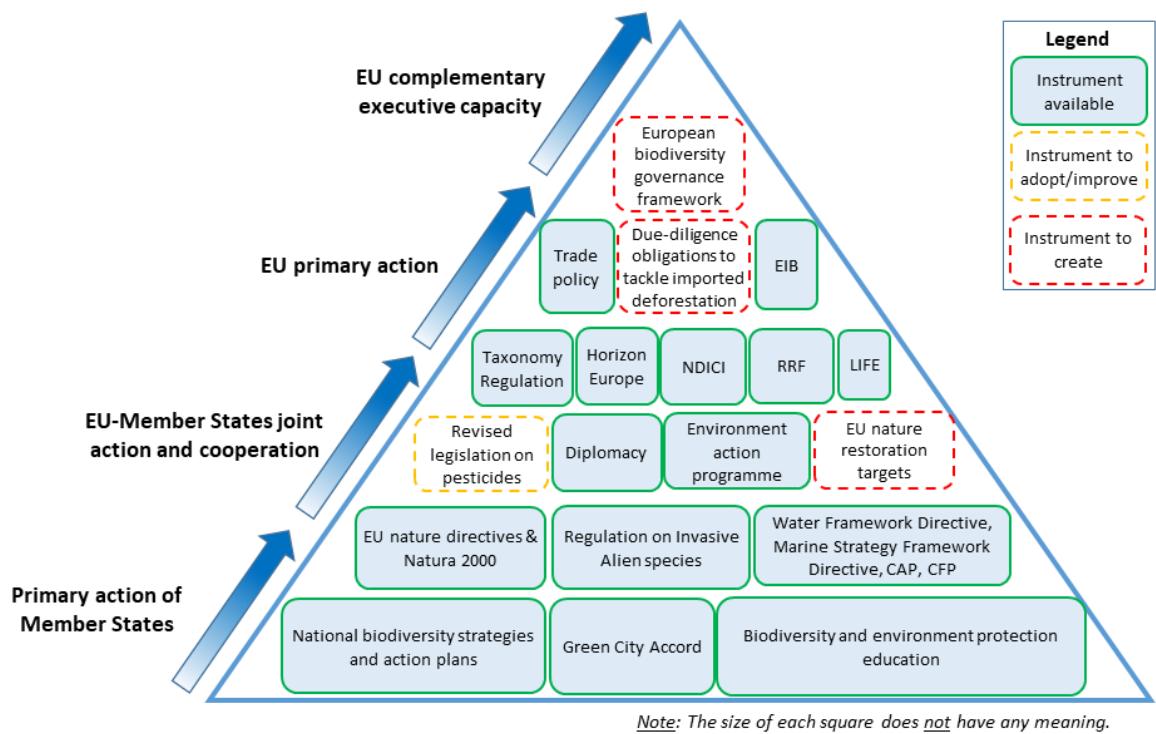
The latest public opinion survey commissioned by the European Parliament reveals that the EU recovery plan is largely perceived as positive by citizens. While there has been a shift in the policy priorities citizens want Parliament to focus on, measures to protect the environment and biodiversity, ranking fourth in the list, are supported by around a third of respondents.

In focus: Biodiversity governance framework as complementary executive capacity

Biodiversity and ecosystem protection and restoration means mobilising a wide range of actors across government levels and sectors. As there is currently no comprehensive governance framework to steer the implementation of biodiversity commitments agreed at national, EU and international level, the Commission is proposing, in the EU biodiversity strategy for 2030, the setting up of a new biodiversity governance framework, with a monitoring and review mechanism that should make it possible to assess progress regularly and implement corrective action if necessary. This mechanism would contribute to the European Semester. Based on cooperation, the framework should 'support administrative capacity building, transparency, stakeholder dialogue, and participatory governance at different levels'. The European Committee of the Regions has expressed its support for the idea.
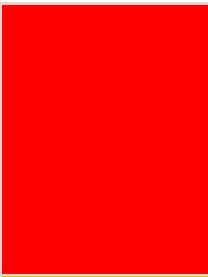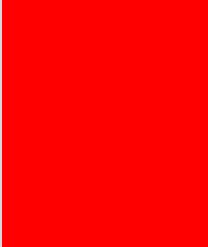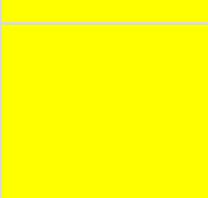
In 2023, the Commission would assess whether a legally binding approach to governance is needed.

This new biodiversity governance framework offers the potential for enhanced coherence of actions and measures at all levels, which would be instrumental in delivering good environmental outcomes.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	EU legal framework to halt and reverse EU-driven deforestation	Commission / EP / Council	Setting mandatory requirements for due diligence, reporting, disclosure and third-party involvement for companies placing 'forest and ecosystem-risk commodities' and derived products on the EU market. In 2021 the Commission is expected to present a proposal aimed at minimising the risk of deforestation and forest degradation associated with products placed on the EU market	EP legislative initiative resolution	
2	EU-wide binding pesticide reduction targets	Commission / EP / Council	Introducing EU-wide binding reduction targets in the upcoming revision of the Directive on the Sustainable Use of Pesticides	EP resolution	

3	Binding and enforceable trade and sustainable development chapters in trade agreements	Commission	Including binding and enforceable trade and sustainable development chapters in all future trade agreements	EP resolution	■

Proposals submitted by the European Commission / ongoing processes

4	Recovery and Resilience Facility	Commission / EP / Council	Recovery instrument supporting investments in the green transition, including biodiversity	RRF Regulation	■
5	Legally binding EU nature-restoration targets	Commission / EP / Council	Setting legally binding EU nature-restoration targets to restore degraded ecosystems	EU biodiversity strategy for 2030 Commission roadmap	■
6	Legally protecting at least 30 % of EU land and 30 % of EU sea	Commission / Member States	Legally protecting at least 30 % of the land and 30 % of the sea in the EU (including Natura 2000 and nationally designated areas), with at least a third of these protected areas under stricter protection	EU biodiversity strategy for 2030	■
7	New biodiversity governance framework	Commission	Proposing a new biodiversity governance framework, with a monitoring and review mechanism, to steer the implementation of biodiversity commitments agreed at national, European and international levels	EU biodiversity strategy for 2030	■

Policy suggestions from think tanks and academia / policy examples from third countries

8	Increased policy coherence for sustainable land and sea use	EU / Member States	Improving the alignment of EU policies relevant to biodiversity with biodiversity protection needs	Various experts and stakeholders, e.g. IEEP; EP Policy Department study; research paper	■
9	Enhanced action on soil protection	EU / Member States	Enhancing the policy framework for protecting Europe's land and soil.	e.g. ECA; IPES-Food; EASAC	■
10	Digitalisation	EU / Member States	Optimising data management and the use of digital solutions for the benefit of ecosystem restoration and nature protection	EPC	■

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Investing in European digital technologies and infrastructure

The issue in short

The European Union's digital single market strategy, launched in 2015 following the Lisbon Strategy, pledges to make the EU the most dynamic and competitive knowledge-based economy in the world and highlights that investment in digital infrastructure and technologies is key for maximising the growth potential of the European digital economy. However, a persistently low level of investment in digital technologies and infrastructure has been identified as an impediment to the digital transformation of the economy and society in the EU and as a critical weakness of the bloc's industrial and policy-making ambitions in the digital field, with the risk that the EU is simply not fit for the digital age.

Digital infrastructure is increasingly considered critical infrastructure that is vital for the economy. The European Commission has set ambitious connectivity objectives to reach by 2025 in order to build a 'European Gigabit' society that would enable the widespread use of digital products, services and applications. Massive investments, estimated at €500 billion, are required to provide European households, enterprises, schools, universities, research centres, transport hubs, hospitals and public administrations, with the infrastructure necessary to meet the set connectivity objectives. However, while it is expected that such investment will largely have to come from private sources, current trends point to an estimated €155 billion shortfall in investment to fund adequate infrastructure.

The development and use of digital services in the EU is also at stake. A study for the European Parliament raised questions about whether the current level of investment is adequate to maintain the EU competitiveness in developing key – potentially transformative – technologies, such as artificial intelligence (AI) and quantum technology. For example, according to the European Commission's 2018 assessment, Europe lags behind in private investments in AI compared to Asia and North America. China has adopted plans to invest massively in AI research and development, while in the United States of America, investment in AI has been rising significantly in the past decade. The EP study also stresses that the current level of investment in cybersecurity in the EU is limited, despite the growing challenges which citizens and companies currently face in this field.

This situation of under-investment has detrimental consequences on innovation in the EU. According to a recent study by the European Patent Office, Europe is lagging behind the USA and Asia in patents for 'fourth industrial revolution' technologies, such as smart connected objects and the internet of things (IoT), big data, 5G, and AI. The European Investment Bank (EIB) warns that the EU has fallen behind in the digital transformation and that strong barriers to investment could cause a systemic innovation deficit for Europe, especially in the fast-growing technological and digital sectors. The EIB stresses that the EU needs to create better framework conditions to support innovation and digitalisation.

Position of the European Parliament

Since the launch of the digital single market strategy, the European Parliament has been actively scrutinising the EU digital policy's investment-related initiatives. EU law-makers have, for years now, warned about the detrimental impact of under-investing in digital infrastructures and technologies and called for a step change to ensure the EU is fit for the digital age.

With regard to investment in digital infrastructures, the Parliament has adopted a range of resolutions calling for stronger EU action. In its seminal 2016 resolution, 'Towards a Digital Single Market Act', the Parliament underlined the role of private investment for connectivity networks and digital progress and stressed the urgent need for the European Commission and the Member States to promote a long-term investment strategy, inter alia, in digital infrastructure, research and innovation. Furthermore, the Parliament called on the Commission and the Member States to explore how they can ensure that further investment is devolved to deploy cross-border physical infrastructure (especially for high-performance computing (HPC), high-speed broadband networks and data storage facilities), to realise a thriving European data-driven economy. Given significant uncertainties related to investments in AI, the Parliament called for exploration of how coordination of private-and public-sector investment could be encouraged and coordinated, and how private investment could be complemented by EU funding (e.g. from the European Investment Bank, the European Investment Fund or the European Fund for Strategic Investments) including through risk sharing mechanisms.

Investment in digital infrastructure has no purpose if done in isolation and must be used to enhance investment in digital services as well as helping to achieve other EU public objectives. For instance, EU law-makers are asking for more investment in reliable digital infrastructures to support the digital transformation in the health sector (e.g. for the deployment of interoperable electronic health records) and improve access to and quality of medical care, especially in rural areas. In the same fashion, a 2020 resolution calls on the European Commission to develop strategies and funding for the deployment of innovative digital technologies supporting the green transition, for instance for improving resource and energy efficiency.

While EU policy-makers are looking to ensure the EU's digital and strategic autonomy, investment remains critical to securing European technology leadership and security in industrial digitisation. Parliament stressed that investment in high-speed connectivity (e.g. 5G and fibre optics) is key to ensuring a successful digitisation of EU industry. In addition, on 18 June 2020, the Parliament created a Special Committee on Artificial Intelligence in a Digital Age (AIDA) with a mandate to analyse the future impact of AI in the digital age on the EU economy.

Policy proposals by experts and stakeholders

In recent years, academia and think thanks have extensively debated the risk of the EU becoming unfit for the digital age and proposed further EU action to spur investments in digital infrastructures and services.

The High-level Expert Group on AI (AI HLEG) called, in its 2019 policy and investment recommendations, to build the necessary physical infrastructures to support the development and deployment of AI. Furthermore, the AI HLEG proposed to establish an investment fund for a European data infrastructure and appropriate governance mechanisms. In this regard, the European Commission should support the coordination of data access and sharing mechanisms and foster collaboration between public and private sector and policies to address regulatory barriers. To that end, according to a study from the European Parliament, the EU should foster investment in other frontier technologies, including IoT, blockchain, HPC and quantum technologies, to deliver the breakthrough in productivity that Europe needs and to maintain EU competitiveness.

A number of stakeholders also propose to adopt a range of new instruments to incentivise investments in digital infrastructures and services. The European Robotics Association strongly support setting up public-private partnerships (PPP) in AI, data and robotics to develop an AI innovation ecosystem in Europe based on EU values. Bruegel proposes to create a public infrastructure leasing entity, allowing Europe to achieve the huge amounts of infrastructure investment envisaged, for example for the digital transformation envisaged under the newly agreed Next Generation EU Recovery Instrument. The European Association of Research and Technology Organisations also calls for development of a European strategy on technology infrastructures, inter

alia, by boosting and coordinating public and private investments in technology infrastructures along key industrial ecosystems and making State aid rules for research, development and innovation more innovation friendly.

Points of blockage

In response to concerns about insufficient investment in digital areas, the EU has pledged to amend its investment instruments and regulatory framework. However, despite all EU institutions expressing a desire for improved funding of digital policies, protracted negotiation took place in the context of the Multiannual Financial Framework (MFF) for 2021-2027 covering, inter alia, the next Horizon Europe research programme and the Digital Europe programme, i.e. the first ever EU programme dedicated solely to the digital transformation.

Final agreement was reached in December 2020 to grant €143.4 billion to single market, digital and innovation measures under the 2021-2027 MFF and the Next Generation EU Recovery Instrument (i.e. the coronavirus pandemic recovery instrument). Regarding the Digital Europe programme, while the Commission had initially set aside €8.2 billion (in 2018 prices) in funding in its 2018 proposal, the Council proposed significant cuts, sparking doubts, notably in the European Parliament, as to whether the programme could operate efficiently with a lower-than-envisaged budget. Agreement was finally reached in December 2020, with funding of €6.8 billion (€7.6 billion in current prices) earmarked as part of the overall budgetary agreement for the 2021-2027 financial period. This funding, allocated to projects in the five digital Europe programme areas (HPC, AI, cybersecurity and trust, advanced digital skills and deployment, best use of digital capacities, and interoperability), must now be implemented.

Opportunities to move forward

The EU institutions are now aligned on the need to move forward and tackle the deficit in investment in digital infrastructures and technologies. In March 2020, the European Council called for action to ensure the strategic autonomy of the EU in a post-coronavirus pandemic context and stressed that investing in digital capacities, infrastructure and technologies will be a key element of the recovery effort. In September 2020, the European Commission, on its side, published a recommendation calling on Member States to boost investment in very high-capacity broadband connectivity infrastructure, including 5G, which is the most fundamental block of the digital transformation and an essential pillar of the recovery. Furthermore, also in September 2020, a 2021-2027, €8 billion, budget for an HPC partnership to acquire and install supercomputers around Europe was announced, with specific projects funded up to 2033.

More EU initiatives are expected. The recently agreed digital Europe programme, when operational, will be instrumental in reaching the objective of attracting over €20 billion per year of total investment in the EU in AI systems, as proposed under the coordinated plan on AI. Also, the Commission presented the 'digital compass' initiative in March 2021, which aims to set a vision and avenues for Europe's digital transformation to achieve the transition towards a climate neutral, circular and resilient economy by 2030.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Support digital transformation in the health sector	Commission / European Parliament / Council	Fostering investment in reliable digital infrastructures to support digital transformation in the health sector (e.g. for the deployment of interoperable electronic health records) and improve access to and quality of medical care especially in rural areas.	European Parliament resolution, P9 TA(2019)0105	■■■■
2	Strategies and funding for the deployment of digital technologies supporting the green transition	Commission / European Parliament / Council / Member States	Developing strategies and funding for the deployment of innovative digital technologies supporting the green transition (e.g. for improving resource and energy efficiency)	European Parliament resolution, P9 TA(2020)0005	■■■■
3	Explore how coordination of private- and public-sector investment can be encouraged and how private investment can be complemented by EU funding	Commission / European Parliament / Council / Member States	Strengthen coordination of private- and public-sector investment

Complement private investment by EU funding (e.g. from the European Investment Bank, the European Investment Fund or the European Fund for Strategic Investments) | European Parliament resolution, P8 TA(2019)0081 | ■■■■ |
| 4 | Foster investment in high-speed connectivity | | Foster investment in high-speed connectivity (5G, fibre optics, navigation and satellite communications) to ensure a successful digitisation of the EU industries | European Parliament resolution, P8 TA(2017)0240 | ■■■■ |
| **Proposals submitted by the European Commission / ongoing processes** | | | | | |
| 5 | Multiannual Financial Framework

Digital Europe | European Parliament / Council | Formal adoption of the Multiannual Financial Framework (MFF) for 2021-2027 with its €84.9 billion budget for the next Horizon Europe research programme, and the €6.8 billion digital Europe programme, the first ever EU programme dedicated solely to the digital transformation | COM(2018)0322
COM(2020)0443
COM(2018)0434 | ■■■■ |
| 6 | European Cybersecurity Industrial, Technology and | Commission / European | Finalise the adoption of the proposal to establish European Cybersecurity Competence Centres and Coordination | COM(2018)0630 | ■■■■ |

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	Research Competence Centre Network of National Coordination Centres	Parliament / Council	Centres to facilitate investment in cybersecurity technologies		

<table>
<tr><td colspan="6">Policy suggestions from think tanks and academia / policy examples from third countries</td></tr>
<tr>
<td>7</td>
<td>Public-private partnerships in AI, data and robotics</td>
<td>European Commission / Council / Member States</td>
<td>Set up PPP in AI, data and robotics to develop a AI innovation based on EU values</td>
<td>AI HLEG recommendations</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Large-scale EU research cooperation framework in new technologies</td>
<td>European Commission / European Parliament / Council / Member States</td>
<td>Support the creation of a large-scale EU research cooperation framework in new technologies</td>
<td>AI HLEG recommendations

Confederation of Laboratories for Artificial Intelligence Research in Europe (CLAIRE) recommendations</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>European cloud and data infrastructure

Establish appropriate governance mechanisms</td>
<td>European Commission / European Parliament / Council / Member States</td>
<td>Set up an investment fund for a European data infrastructure

Establish a European Alliance on Industrial Data and Cloud

Foster joint investment in cross-border cloud infrastructures and define common standards and rules for the implementation of cloud infrastructures in the EU</td>
<td>AI HLEG recommendations

Data Governance Act</td>
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<tr>
<td>10</td>
<td>Public infrastructure-leasing entity for Europe</td>
<td>European Commission / European Parliament / Council / Member States</td>
<td>Create a public infrastructure leasing entity for Europe</td>
<td>Bruegel</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>European strategy on technology infrastructure</td>
<td>European Commission / European Parliament / Council</td>
<td>Develop a European strategy on technology infrastructures, inter alia, by boosting and coordinating public and private investment in technology infrastructures along key industrial ecosystems</td>
<td>European Association of Research and Technology Organisations recommendations

AI HLEG recommendations</td>
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Strengthening EU cyber-security

The issue in short

Citizens, businesses, and public authorities in all states are vulnerable to cyber-attacks that periodically succeed and wreak havoc, costing billions every year. In the two first months of 2021, government-affiliated hackers are thought to have tried to steal information on Covid-19 vaccines, probed civilian energy grids, harassed human rights dissidents, targeted states for normalising relations with Israel, hacked telecom providers, stolen crypto-currencies, targeted cybersecurity researchers, breached a central bank data centre, and targeted businesses with ransomware. In addition, millions of ordinary people around the world were deceived, robbed and hurt.

According to the Internet Organised Crime Threat Assessment (IOCTA) 2020, cybercrime is rapidly increasing, becoming more sophisticated, aggressive and costly. Cyber-attacks relating to fraud and extortion, and the use of malwares such as botnets, worms, trojans, and ransomwares, are on the rise. The latest forecast is that global ransomware damage costs would reach US$20 billion by 2021, 57 times greater than in 2015. While some of the blame has to be laid on security gaps and non-conformity with safety procedures by cost-cutting companies, even attentive companies and states have a hard time defending themselves against sophisticated attacks involving inside help, zero-day exploits, supply-chain attacks, and hacking techniques and code developed for cyberwar and intelligence-gathering purposes.

Many attacks blur the boundaries between crime and politics. When in January 2020 data from 9 million customers was stolen from EasyJet, the clues pointed towards a criminal motive. Later, though, signs emerged that the hack had been espionage-related. The Twitter Bitcoin scam account hack later that year was commercially motivated, but the hacking of the accounts of former US President Obama and many other celebrities highlighted the vulnerabilities of this social media platform, currently the messenger of choice for many important politicians. Finally, the most recent and devastating Solarwinds hack highlighted the insufficient protection against state-sponsored cyber intelligence operations of major government structures using popular commercial software.

Cyber-attacks are also used in conjunction with war, sabotage and terrorism. In contrast to daily petty hacks, large-scale attacks are very time intensive to organise and have very specific goals. A broad range of attackers – with motives ranging from supporting a military attack to lone wolf terrorism and crime – attack neuralgic points, often exploiting existing vulnerabilities. While the United States (US) is still the most capable cyber-power, in the last 20 years adversaries such as China, Russia and Iran, as well as allies such as Israel, the United Kingdom (UK), the Netherlands, France and Germany, have invested heavily and severely narrowed the capability gap. Some are making increasing use of cyber-operations as their preferred weapon, as it is cheap, has high deniability and deterrence value, and fits well into the hybrid threat concepts they adhere to.

As more than 40 % of EU workers have switched to teleworking over the past 12 months, the need for a stronger and more coordinated approach by EU Member States to fight cybersecurity attacks has become even more evident.

Since 2011, the EU has addressed cybersecurity through a growing number of laws and policy initiatives. Important milestones reached during this time include: the first European cybersecurity strategy (2013), the establishment of a European public-private partnership on research and innovation and industrial issues, in collaboration with the European Cyber Security Organisation (2016), the first Directive on Security of Network and Information Systems – the NIS Directive –

(2018), and the Cybersecurity Act (2019). In parallel, Europe has set a global golden standard for data protection by adopting the General Data Protection Regulation in 2018 and continues to set high-level benchmarks for the protection of personal data.

Nevertheless fragmented capabilities, strategies, signalling, situational awareness and limited information-sharing are still problems. The EU must also improve its cyber-resilience, foresight, prevention, deterrence and autonomy. Much of this can only be done in cooperation with partners, the private sector and citizens.

Policy proposals by experts and stakeholders

> Strategic autonomy and digital sovereignty in cybersecurity

Digital sovereignty and strategic autonomy are complementary concepts. In general terms, strategic autonomy can be understood as a strategy to increase both freedom *to* act and freedom *from* dependence on others. Digital sovereignty (or autonomy) would then be the corresponding strategy in the digital realm. In the field of cybersecurity, this might include the power of a country to decide on and enforce laws, certifications and standards independently, and to keep overall control over its supply-chain. Focus here should be given to dependence on critical and essential components, and the diversification of suppliers.

Some Member States are wary of digital sovereignty in cybersecurity. They are alarmed about a competence shift to EU level and a loss of national manoeuvrability. Others fear the loss of investment and innovation through protectionism and over-regulation. Member States also place different emphasis on the goals of strategic autonomy: while some see the process as involving necessary measures to ensure the continuation of multilateralism, human rights and international trade, and to protect European values and norms, others see it as a geopolitical endeavour to secure independence in a future multipolar world, framed by latent conflict between the US and China.

The US has already reacted to vulnerabilities, both cyber and physical, ordering supply-chain reviews for four industries: computer chips used in consumer products; large-capacity batteries for electric vehicles; pharmaceuticals and their active ingredients; and critical minerals used in electronics. The European Commission is exploring similar plans to reduce supply-chain dependencies in the framework of the open strategic autonomy concept, focusing on intellectual property and artificial intelligence and information and communication technology (ICT) services in essential and important systems, building on best practice from the similar assessment of G5 last year. The UK's former security chief, Ciaran Martin, recently warned that this drive for tech self-sufficiency would only work by getting the private sector on board: 'We don't get that by writing strategies. We get that by companies growing up and solving problems'.

In addition to the current strategic gaps, new challenges are looming. In the near future, in the context of the pandemic, new policy responses, such as coronavirus-tracking apps and vaccination certificates, will be targets for hackers. Over the longer term, artificial intelligence and quantum computing have a double impact in the cybersecurity area; on one hand, they help by improving the arsenal available to combat cyber-attacks, on the other they are also available to hackers. By 2024, there are expected to be 22.3 billion internet-of-things (IoT) devices in use, many with very limited built-in safety features. Autonomous machinery, such as autonomous vehicles, comes with new, very dangerous cybersecurity vulnerabilities. New ICT standards, such as G6, will require the active participation of the EU in standardisation bodies.

The Next Generation EU recovery fund envisages investment in strategic digital capacities and capabilities, including artificial intelligence, cybersecurity, secured communication, data and cloud infrastructure, 5G and 6G networks, supercomputers, quantum and blockchain.

ENISA, the new Cybersecurity Competence Centre and Network, and the EU institutions and Member States themselves will have their work cut out to build up and sustain foresight and research structures and to become early adopters and a regulatory sandbox for new technology,

both to help the European economy and to save European citizens from again being dependent solely on unregulated foreign applications. The first steps have been taken by the Commission Vice-President responsible for this area, Maroš Šefčovič.

> NIS2 directive

On 16 December 2020, the European Commission put forward a proposal for a [revised](#) Directive on Security of Network and Information Systems, with a view to addressing the deficiencies of the [NIS Directive](#), in force since 2018. It proposes to strengthen security requirements, address the security of supply chains, streamline reporting obligations, and introduce more stringent supervisory measures and stricter enforcement requirements, including harmonised sanctions across the EU. It should also include the issue of 5G security. The proposed expansion of the scope of NIS2, effectively obliging more entities and sectors to take measures, would help to raise the level of cybersecurity in Europe in the longer term.

> New EU cybersecurity strategy

After the 2013 and 2017 cyber-strategies, on 16 December 2020, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy presented a new, third, [EU cybersecurity strategy](#) based on three instruments, regulatory, investment and policy initiatives that will address three areas of EU action: resilience, technological sovereignty and leadership; operational capacity to prevent, deter and respond; and cooperation to advance a global and open cyberspace. It aims to boost EU-level cooperation, knowledge and capacity, strengthen the EU's industrial capabilities and partnerships, and encourage the emergence of SMEs in the field.

The strategy proposes among other things the review of the NIS Directive, the adoption of a new critical entities resilience (CER) directive, a network of security operations centres (SOCs) and new measures to strengthen the EU cyber-diplomacy toolbox. It is in line with the Commission's priorities to make Europe fit for the digital age and to build a future-ready economy that works for people, and is part of the 2020-2025 European security union.

Two institutional aspects of the strategy are of particular interest. First is the proposal to install a Member States' EU **cyber intelligence working group** within the Intelligence and Situation Centre (INTCEN) to advance strategic intelligence cooperation on cyber threats and activities to support EU situational awareness and decision-making on a joint diplomatic response, including hybrid and foreign interference. Second, to set up a [joint cyber unit](#) as a platform to share information among relevant EU and national stakeholders and boost the EU response to cybersecurity risks and threats. These threats are cross-cutting, affecting the defence, civilian, law enforcement and external action communities, for instance; the joint cyber unit would therefore help participants to acquire a common understanding of the threat landscape and help them to coordinate their response. It seems to follow the ideas of the partly-successful fusion centres which the US set up to communicate between intelligence, law enforcement and others after 9/11.

The strategy is still a work on progress and implementation will be key. Experts have criticised the underdeveloped military dimension, the list-like structure of the strategy, and weak public-private cooperation at operational level. Others have lauded its broad range and human-centred approach.

> Digital operational resilience for the financial sector

As part of its wider digital finance package, in September 2020 the Commission put forward a proposal to harmonise digital operational resilience rules for financial organisations ([COM(2020) 595](#)). It calls for EU, rather than national, regulators to take charge of supervising cloud computing services for the financial industry. While the industry fears being overburdened and limited by regulations and reporting, it is [likely](#) that these rules will come to effect and will become a global standard for guarding the financial sector against cyber-attacks.

> European cybersecurity competence centre

In recent months the EU Member States have reached an agreement on the European Cybersecurity Industrial, Technology and Research Competence Centre (ECCC), establishing its seat in Bucharest, although final adoption of the proposed regulation is still pending. The main objective of the centre is to improve the coordination of research and innovation in cybersecurity in the EU. It will also be the EU's main instrument for pooling investment in cybersecurity research, technology and industrial development. It will set up and coordinate the National Coordination Centres Network and the Cybersecurity Competence Community and implement cybersecurity-related financial support from Horizon Europe and Digital Europe programmes. Critics highlighted that this centre actually hampers harmonisation at EU level and excludes industry. It will also be interesting to see how well this institution works alongside ENISA and the recently proposed joint cyber unit.

> Resilience of critical entities

The proposed new critical entities resilience directive is designed to secure the continuous provision of essential services in the internal market by enhancing the resilience of critical infrastructure operators in the Member States. This initiative would repeal the 2008 European Critical Infrastructure Directive (ECI) and would seek to address its several identified shortcomings by shifting from an asset-focused approach to a systems-focused approach, expanding the directive's scope and aligning the new directive with a proposed revision of the EU's Network and Information Security Directive (NIS 2).

> Government hacking back

Recent global operations against the NetWalter ransomware dark web site and the Emotet botnet – both very destructive and long-lasting malwares – are examples of new law enforcement approaches. As pointed out by Europol, 'law enforcement and judicial authorities gained control of the infrastructure and took it down from the inside. The infected machines of victims have been redirected towards this law enforcement-controlled infrastructure. This is a unique and new approach to effectively disrupt the activities of the facilitators of cybercrime'. German law-makers have now asked for more information on the legal basis for such actions. In the eyes of some commentators, the need for global and coordinated actions also demands a global legal basis for such action. This comes at a time when Europol is developing into an institution that must bridge the wishes of the Commission and Council, but is also under scrutiny owing to its data violations.

> Improved enforcement of existing cybersecurity legislation

Sophie in 't Veld and other MEPs have warned of a gap between EU regulation and enforcement. Citing the US, where weaker laws are nonetheless producing more penalties, they propose stricter enforcement and control. This is, in part, also due to unclear, overlapping and differently enforced rules, as illustrated by the EU Court of Justice in Case C-58/08 *Vodafone and others*. Another issue is illustrated by data showing that EU organisations allocate on average 41 % less to cybersecurity than their US counterparts.

> Dealing with zero-day exploits

One major problem is vulnerability to weaknesses in software that have yet to be identified, known as zero-day exploits. These can give access to very sensitive areas and are not necessarily picked up by security providers. Unfortunately, they are traded for large sums on a global black market between criminals, states and hackers. The Cyber Threat Alliance recently published a paper making a series of recommendations on the problem, but the wider issue has not been adequately addressed by the EU.

> Cyber-defence

As mentioned above, the cybersecurity strategy has mostly left cyber-defence out, but other projects and processes are on-going. The Council of the EU is now discussing how to interpret cyber-

attacks under Article 42(7) TEU (mutual defence clause) and Article 222 TFEU (solidarity clause). There are currently at least four dedicated cyber-defence permanent structured cooperation (PESCO) projects running (ESSOR, CTIRISP, CRRT, CIDCC). The European Defence Fund, although it was allocated only €7 billion instead of the envisaged €11.5 billion, will hopefully provide new impetus to cyber-defence technology.

In general, cyber-defence capabilities seem to be highly uneven and under-developed in many EU Member States (with a few exceptions) as well as under common security and defence policy (CSDP). Offensive capabilities, the ethical and legal foundations of which are controversial for some Member States, are probably even less developed. Even with the existing EU diplomatic toolbox, responding adequately to a cyber-attack that does not cross the threshold of an armed attack under Article 42(7) TFEU or Article 5 (the collective self-defence clause) of the Washington Treaty of the North Atlantic Treaty Organization (NATO) – 21 EU Member States are also NATO allies – remains difficult. Experts recommend better civil-military synergies, combined training, and better EU cooperation with NATO, which for now is estimated to be the most effective deterrent against mass-casualty, war-like cyber-attacks.

Finally, public and private EU investment in new cyber-defence, dual-use and civilian technology is low compared with that of China and the US. Industrial capabilities are still under-developed and partnerships under-explored.

> Cyber-diplomacy

The goals for EU cyber-diplomacy are to ensure personal and societal openness and data security, a resilient democracy, EU control over digital resources, the competence of European courts, reciprocity, and the global harmonisation of cybersecurity legislation with European standards. Currently, the EU is engaged in UN talks on cybersecurity norms and cyber dialogues with Brazil, China, India, Japan, South Korea, and the United States – and Latin America and the Asia-Pacific regions. EU-US cooperation will be crucial for global change.

The EU reaction to geopolitical pressure in terms of cybersecurity is under-developed. Capabilities against disinformation are scarce. The East StratCom Task Force of the EU External Action Service (EEAS) is efficient, but has been criticised for being under-funded and too narrow in its approach. More specifically, capacities against Chinese meddling are under-developed. Member States are still not speaking with one voice as regards Chinese ICT technology and investment, as seen in the Huawei and undersea peace cable cases. Signs of European ICT being used as a cyber-battlefield for other powers are also alarming, especially considering the potential collateral damage, real and political.

The EU's cyber-diplomacy toolbox focuses on sanctions. Experts recommend other tools be used to complement these, such as: naming and shaming, export controls, partnerships, dialogues, and open and secret communications. There is general agreement on the need for more technical expertise in attribution and for more rapid preparation and organisation of tools.

> Public-private partnerships

In cybersecurity, the bulk of the market (at least 75 % to 80 %) is in the private sector, and private investment is crucial. Current steps, such as the ECCC, have been criticised by the industry as being insufficient to guarantee comprehensive development of the European cybersecurity ecosystem and market, especially on a global scale. Public funding from Horizon Europe, the Digital Europe programme and other EU funds (such as the regional fund) are important to trigger initiatives and strengthen European cooperation, but are insufficient by comparison with public investment by comparable actors. The lack of dedicated and specialised investors in cybersecurity companies (with venture capitalists investing about €250 million in the EU-27 compared with €4.7 billion in the US and €305 million in Israel) and a lack of sufficient and specialised growth capital are hampering European digital sovereignty. The European Cyber Security Organisation (ESCO) was set up to

facilitate synergies between public investment and private money, but without an EU-wide thriving public-private ecosystem, governmental regulation will be insufficient.

> Common rules on information security between EU institutions

Talks on common rules on information security that help protect all EU staff, data, communication networks, information systems and decision-making processes are under way, although each institution also has its own procedures (see below).

Position of the European Parliament

Cybersecurity steps taken by the Parliament

The European Union's institutions and bodies have repeatedly been the targets of sophisticated attacks. In addition, experts have pointed to deficiencies in governmental structures at global level since the pandemic forced people to work from home. For example, government workers use outdated equipment and are vulnerable to hacks when working from private computers and phones.

The European Parliament has been very active both in terms of internal action to equip its staff with appropriate means to prevent cyber-attacks and in terms of resolutions in the field of cybersecurity.

A cybersecurity policy framework, based on the ISO 27000 standard, features several ICT roles. The chief ICT security officer (CISO) in DG ITEC implements the institutional vision, strategy and programme relating to ICT systems security, including cybersecurity policy definition, evolution and implementation and its adherence to international standards. The ICT Security Steering Board (ISSB) coordinates all actions necessary for the effective implementation of the security of ICT systems within the institution while the local ICT security officer (LISO) assists in the implementation of and compliance with cybersecurity rules at directorate-general level. The computer emergency response team (EP-CERT) provides the necessary cyber-defence capabilities, addressing the specific nature of the risks associated with information and communication technologies, and is linked to CERT-EU and ENISA. Parliament pays special attention to end users' risk-awareness and training.

Cybersecurity legislation

The European Parliament has recently adopted three resolutions in the cybersecurity domain:

> Resolution on the EU's security union strategy

In its resolution of 17 December 2020 on the EU security union strategy ([2020/2791(RSP)](#)), the Parliament stresses that education, digital and online safety skills are critical for medium- and long-term prevention and highlights the need to step up efforts at EU and national level to address the evolving phenomenon of child sexual abuse online and offline. The importance of public awareness campaigns designed in cooperation with all relevant stakeholders to educate children, their parents, and teachers about the dangers online is also mentioned, together with the importance of end-to-end encryption that contributes to citizens' privacy and the security of ICT systems.

The Parliament also highlights the need for stronger cooperation between the Member States and for better coordination at EU level between all actors, in order to counter hybrid threats. It goes on to highlight the importance of secured critical infrastructure, including digital and communication infrastructure, affirming that 5G infrastructure is a strategic component of future European security and a key component of the EU's strategic resilience.

> Annual report on the implementation of common security and defence policy

In its annual report on the implementation of the common security and defence policy [(2020/2207(INI))](#), adopted on 20 January 2021, the Parliament welcomes the set of priorities and guidelines adopted for EU cooperation in the field of countering hybrid threats and enhancing

resilience to these threats, including the fight against disinformation, hybrid warfare, espionage, fake news and propaganda, and the setting up of a rapid alert system to facilitate cooperation with G7 and NATO.

The Parliament welcomes the adoption by the Council of a decision allowing the EU to impose targeted restrictive measures to deter and respond to cyber-attacks constituting an external threat to the EU or its Member States, and to impose sanctions on persons or entities responsible for cyber-attacks. It highlights the urgent need to further integrate cyber aspects into the EU's crisis management systems and underlines that closer cooperation in preventing and countering cyber-attacks is essential in these times of particular vulnerability in order to advance international security and stability in cyberspace.

It calls for reinforced support for the EU Agency for Cybersecurity (ENISA), for strong coordination with NATO's Cooperative Cyber Defence Centre of Excellence, and for increased EU coordination as regards establishing collective attribution for malicious cyber-incidents, as well as closer cooperation with like-minded international organisations and countries.

The Parliament also underlines the importance of achieving quantum-computing capabilities and stresses the need to enhance EU-US cooperation in this area to ensure that quantum computing is first realised among close partners supporting the same objectives.

Finally, the Parliament notes the growing importance of space security and satellites; stresses the importance of the EU Satellite Centre and commissions the agency to analyse and report on the safety and/or vulnerabilities of the EU and Member State satellites to space debris, cyber-attack and direct missile attack.

> ❯ Resolution on artificial intelligence

In a resolution of 20 January 2021 on 'Artificial Intelligence – Questions of interpretation and application of international law in so far as the EU is affected in the areas of civil and military uses and of state authority outside the scope of criminal justice' (2020/2013(INI)), the Parliament welcomes the creation of a UN group of governmental experts (GGE) on advancing responsible state behaviour in cyberspace in the context of international security, and calls for full EU participation in its work. It points out that lethal autonomous weapons (LAWS) or weapons with a high degree of autonomy can malfunction because of badly written code or cyber-attacks perpetrated by enemy states or non-state actors.

The Parliament emphasises the importance of cybersecurity for AI, in both offensive and defensive scenarios. In this regard, it notes the importance of international cooperation and the publication and sharing of information technology security vulnerabilities and remedies. It also calls for international cybersecurity cooperation on effective AI use and deployment, and for safeguards against misuse of AI and cyber-attacks.

The Parliament also notes that the use of AI in fighting crime and cybercrime could bring a wide range of possibilities and opportunities and draws attention to the increased exposure of traditional transport networks to cyber-threats.

Points of blockage

The Member States and Council often take the opportunity to remind the European Commission to respect Member States' competences, including responsibility for their own national security. In addition, in some federal states cybersecurity regulation is partially a regional-level competence that cannot easily be changed.

The capacity to face cybersecurity threats is limited by the low numbers of human resources devoted to the area. According to the results of the 2020 (ISC)² Cybersecurity Workforce Study, inadequate skill levels, and insufficient training and education mean that Europe is lacking 168 000 skilled workers.

Collaboration and coordination between public and private sectors is still insufficient. Companies often cite a lack of trust, fear of overregulation and fear of endangering competitive advantages. Public institutions are wary of helping, as it could be interpreted as favouritism, and are often hindered by law.

In the area of software development, as pointed out by ENISA in the study on Advancing software security in the EU, there are no widely used, standardised ways to assess the security of software products. Furthermore, consumers have difficulties identifying the level of security of software products and often only security experts have the ability to evaluate adherence to security standards. The study also highlights the lack of harmonisation between organisations such as standards developing organisations (SDOs) and European standards organisations (ESOs).

Opportunities to move forward

The European Commission's recent steps make it well placed to support cybersecurity policy with its economic and regulatory weight. This complements other actors and might lead to a better balanced external impact. There is global awareness of the regulatory and legislative power of EU, as demonstrated by the GDPR, which has increasingly been replicated in other parts of the world. Technical standards and certification will be an important tool. ENISA will be a key player here. It is highly probable that in the coming months, Member States will be striking a balance between taking many actors on board and advancing on strategic autonomy.

In focus: Creating additional executive capacity for the EU by means of cybersecurity-dedicated organisations
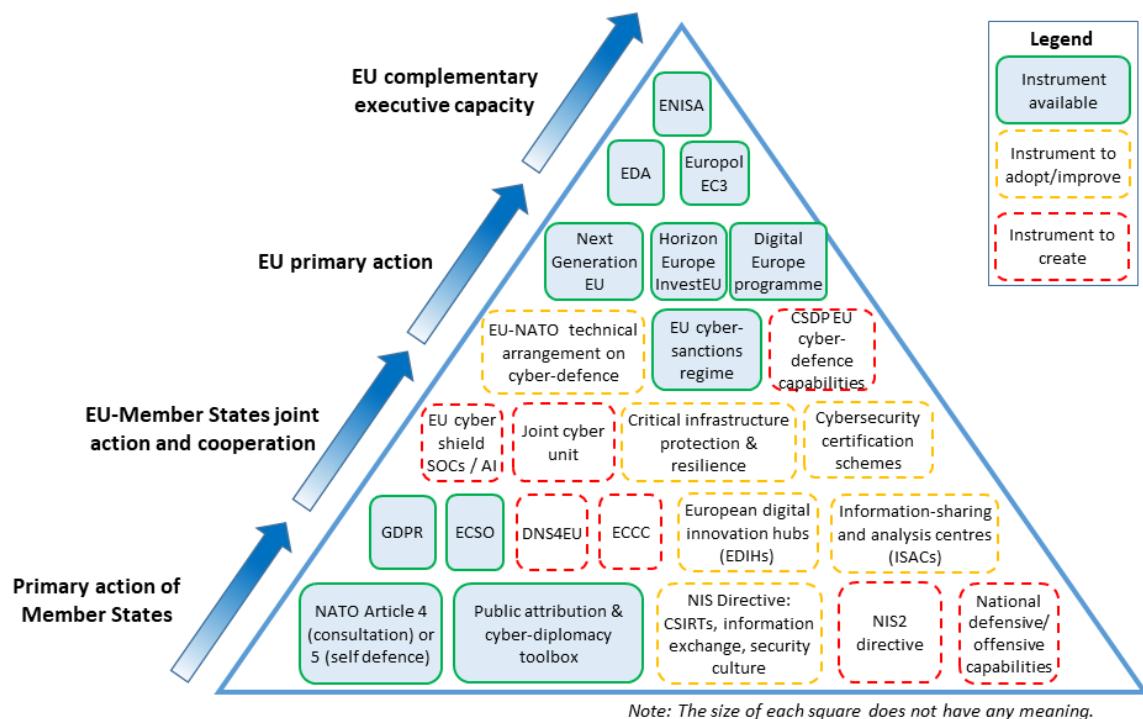
The empowerment of ENISA – especially on certification and crisis response – and the decision to create the joint cyber unit, the ECCC and the INTCEN working group mark major steps in developing additional executive capacity. These new actors could be very powerful if they are able to work together, with no duplication, splintering of tasks, or excess rivalry. Their functioning will be especially important for smaller Member States who have been vulnerable and who will rely on these institutions to increase their resilience rapidly.

When it comes to improving synergies between agencies the first signs are positive. The memorandum of understanding signed by ENISA and CERT-EU on 15 February will help to improve collaboration between the two organisations.

One factor that could improve EU Member States' capacity to face cybersecurity threats is the establishment of information sharing and analysis centres (ISACs), non-profit organisations that provide a central resource for gathering information on cyber threats and play an important role in sharing experience and knowledge between public and private sector. In order to boost the creation of such centres, ENISA has recently created the ISAC in a box Toolkit, a set of tools designed to help with the establishment and subsequent development of ISACs.

Another instrument that could enhance the cybersecurity effectiveness of EU countries is the 'cyber shield'. Introduced as part of the new EU cybersecurity strategy, the EU-wide cyber-shield would speed up reaction times following detection of a cybersecurity incident, by means of a network of security operations centres across the EU that would use AI and machine learning to detect early signals of imminent cyber-attack.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Stronger cooperation between the Member States and better coordination at EU level	Commission / EP / Council / ENISA	Proceed further with the development of the cybersecurity competence centre and the network of national coordination centres	EP resolution	
2	Further integrate cyber aspects into the EU's crisis management systems	Commission / EP / Council / ENISA	Ensure that cybersecurity is included in initiatives aimed at harmonising and standardising crisis management processes like the STRATEGY project	EP resolution	
3	Enhance EU-US cooperation in the area of quantum computing	Commission / EP / Council / ENISA	Invest in the development of quantum cryptography algorithms to prevent exposure to quantum computer attacks	EP resolution	

4	More international cybersecurity cooperation for effective AI use and deployment, and for safeguards against misuse of AI and cyber-attacks	Commission / EP / Council / ENISA	Develop the network of security operations centres across the EU that would use AI and machine learning to detect early signals of imminent cyber-attack (cyber shield)	EP resolution	

Proposals submitted by the European Commission / ongoing processes					
5	Strategic autonomy and digital sovereignty	Commission / EP / Council / ENISA	Adapt a number of legal acts and promote European values and principles more actively	EPRS briefing	
6	NIS2 directive	Commission	Awaiting committee decision	Legislative proposal	
7	New EU cyber-security strategy	Commission / EEAS	Presented 16 December 2020, being implemented	EC press release	
8	Digital operational resilience for the financial sector regulation	Commission	Awaiting committee decision	Legislative proposal	
9	European cybersecurity competence centre	Member States	Awaiting operational readiness	EP Legislative Observatory	
10	Resilience of critical entities directive	Commission	Awaiting committee decision	Legislative proposal	

Policy suggestions from think tanks and academia / policy examples from third countries					
11	Legal basis for government hacking back	Member States	Harmonising national legislation	EP study	
12	Improved enforcement of existing cyber-security legislation	Commission	stricter enforcement and monitoring of cyber legislation	Blog post	
13	Dealing with zero-day exploits	Commission	Regulation, best practices	Think tank paper	
14	Cyber-defence	Council / Member States / NATO	Improving research, interpretation, capabilities, deterrence, public-private partnership, investment		

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15	Cyber-diplomacy	EEAS	Broader toolbox, better cooperation with the US and other partners		
16	Public-private partnership	Commission / ESCO	More public funding, more trust, better investment ecosystem		
17	Common rules on information security between EU institutions	All EU institutions	Minimal standards		

Stabilising the European Neighbourhood

The issue in short

In 2019, the incoming President of the European Commission, Ursula von der Leyen, attracted a good deal of attention when she stated her intention to head a 'geopolitical Commission'. One area where that concept was always likely to be put to the test is in respect of relations between the European Union (EU) and some of the countries most geographically proximate to it, notably the 23 countries of the Eastern Partnership, Southern Neighbourhood and western Balkans. The European Commissioner for Neighbourhood and Enlargement, Olivér Várhelyi, has placed special emphasis on considering all EU neighbours – to the east, the south and in the Balkans – as a priority, and the Commission has new, dedicated plans for each region. Despite policy tools ranging from association agreements (AA) and stabilisation and association agreements (SAA), to trade deals under deep and comprehensive free trade area (DCFTA) agreements, relations with the EU have yet to yield their full potential for the countries of the European Neighbourhood and the Balkans, owing to destabilisation by authoritarian regimes, civil wars and the proliferation of non-state terrorist networks, as well as new social, economic and political challenges posed by the current coronavirus pandemic. Recently, the EU's offer of complementary executive capacity in the area has been enhanced by the European Border and Coast Guard Agency, the rescEU mechanism, and military operations, such as Irini, launched in March 2020.

The EU works with its southern and eastern neighbours in line with the EU's 2016 Global Strategy for foreign and security policy. The European Neighbourhood policy (ENP) was reviewed in November 2015 and a revised strategy on the Eastern Partnership beyond 2020 was adopted in May 2020. In addition to the ambiguous position of EU Member States on the political agenda and contractual relations with the countries of the region, the reform agenda was stalled by the authoritarian regime in Belarus, illegal annexation of Crimea and Russian interference in eastern Ukraine, rising nationalism and military action led by Azerbaijan and Turkey in Nagorno-Karabakh, and internal political tensions in Georgia. In 2020, despite adoption of the land reform and privatisation programme, Ukraine president Volodymyr Zelenskiy raised concerns when he fired many reform-oriented technocrats from his cabinet. Anti-corruption efforts have been stymied by courts backed by special interests, while oligarchs and foreign agents control blocks of law-makers in Ukraine's parliament, Verkhovna Rada, rendering reform even more difficult.

The southern neighbourhood is facing its most severe challenges for decades, combining security threats, economic deceleration and social tensions. The arc of crisis ranges from civil-war torn Syria to Lebanon, passing through Egypt, to Libya and beyond its southern borders to the Sahel. Even though the peak of Islamist terrorist activities that coincided with the 2016-2017 battle of Mosul has receded, the region is prone to an explosive domino effect that could still undermine the EU's security and internal political order with irregular migratory flows and humanitarian emergencies, also causing tensions in EU-Turkey relations. As part of the renewed partnership with the Southern Neighbourhood, in February 2021 a financial package was agreed of up to €7 billion under the €79.5 billion Neighbourhood, Development and International Cooperation Instrument (NDICI), including European Fund for Sustainable Development Plus guarantees and blending under the Neighbourhood Investment Platform, to help mobilise private and public investments of up to

€30 billion. Economic diversification, regional cooperation and better integration of young people remain priorities.

Six western Balkans countries share the perspective of a 'European future', as stated at summits in Thessaloniki (2003), Sofia (2018) and, recently, Zagreb (Zagreb declaration, May 2020). The renewed enlargement policy methodology together with the investment plan for the western Balkans (October 2020) have injected dynamism and credibility into the enlargement process, mobilising some €9 billion. In addition, accession countries will be beneficiaries of the Instrument for Pre-Accession Assistance (IPA III), and other thematic programmes, including Horizon Europe. Nevertheless, some regional bilateral disputes, such as the Kosovo and Serbia issue, remain unresolved, despite EU mediation.

The NDICI will be the main financial instrument for the European Neighbourhood. NDICI is an important innovation in terms of financing EU external action. A comprehensive instrument, it simplifies the existing funding architecture for the EU's external action. Another notable feature of NDICI is that it ends financial support under the European Development Fund – which not being part of the EU budget (but financed directly by Member States) was not under European Parliament scrutiny. The NDICI is divided into three pillars (geographic programmes; thematic programmes; and rapid response action) and a 'financial reserve' that could be transferred to the three pillars, thematic funds covering migration, or country-related funds for Syria or Libya.

In addition, the region will have access to finances from public and also private international financial institutions, including non-governmental organisations such as the Bill & Melinda Gates Foundation. The European Fund for Sustainable Development (EFSD) is the financial arm of the EU External Investment Plan, which covers investments in the EU's neighbourhood and Africa. It has recently come under criticism from the European Court of Auditors (ECA report and opinion 7/2020), which noted 'implementation delays' and also stated that the 'EFSD's capacity to mobilise additional investments could be over-estimated'. The financing needs of Libya and Syria are set apart as 'special cases', currently covered mainly by the trust funds and direct intervention from Member States and international donors. The EU Regional Trust Fund in Response to the Syrian crisis, which financed refugees in Syria and neighbouring countries, will end in 2021. The European Parliament was an 'observer' of this fund but had no budgetary scrutiny over it, a point that was often criticised.

Policy proposals by experts and stakeholders

As noted by the Center for Strategic and International Studies (CSIS), the European Union has always promoted and implemented an integrated approach to addressing crisis situations through the development–security nexus. However, this has been hampered, among other things, by the EU's inability to supply its partners with defence-related equipment. Although it has deployed thousands of personnel in military training missions, the EU has lacked the authority and resources to equip the armed forces trained through these missions effectively, creating a security vacuum often filled by other, less benevolent actors such as the Russian Federation.

Completing the European Union's crisis management arsenal

In the face of Russian assertiveness, Chatham House suggests launching security sector and law enforcement advisory programmes in Ukraine. The 'Stability and Peace' or 'Conflict Prevention and Global Challenges' thematic funds of the NDICI, as well as the new European Peace Facility (EPF), operational from January 2021 with a budget of €5 billion for 2021-2027, could serve this purpose. CSIS suggests using a combination of the NDICI thematic funds and the EPF in the Southern Neighbourhood.

EU diplomatic action through mediation, peace settlements and political dialogue

EU 'DNA' is built upon mediation, conflict resolution, peace settlements and political dialogue. In the neighbourhood, several hotspots require mediation. In response to internal political disputes in

Georgia, European Council President Charles Michel initiated mediation talks between the country's government and opposition. As a follow-up to his mission in Tbilisi in March 2021, Charles Michel mandated Christian Danielsson, former Director-General for Neighbourhood and Enlargement negotiations and EU Ambassador to Sweden, to engage as his personal envoy in EU-mediated political dialogue in Georgia. In the Southern Neighbourhood, in addition to a number of long-term conflicts, such as the Israeli-Palestinian conflict, some new disputes (such as that relating to the Grand Ethiopian Renaissance Dam) also call for EU mediation, as requested by Egyptian Foreign Minister Sameh Shoukry and his Sudanese counterpart, Mariam al-Mahdi, in March 2021.

Position of the European Parliament

The European Parliament's resolution of 20 January 2021 on the 2020 annual report on implementation of the common foreign and security policy called for the EU to 'assume its strategic responsibility' in the EU neighbourhood and play a more timely, active, unified and effective role in the mediation and peaceful resolution of the ongoing tensions and conflicts. The report called also for the accession process to be accelerated, 'as Western Balkan countries are geographically, historically and culturally part of Europe'. On the renewed partnership with the Southern Neighbourhood, the Parliament supports cooperation with regional actors, and intra-regional cooperation among the countries of the Southern Neighbourhood, as an indispensable tool for security and sustainable economic development. Parliamentary diplomacy remains an important tool of engagement with neighbourhood countries.

The Parliament's recommendation of June 2020 on the Eastern Partnership notes that for the foreseeable future the EU will remain 'the dominant political and economic power of Europe, and this generates responsibility towards its neighbours'. Deeper economic integration among neighbourhood countries, and with the EU is important, as combined ENP and enlargement countries' GDP represented only 14.7 % of EU-27 GDP in 2020; less than the GDP of France. The GDP of six western Balkan countries is roughly equivalent to that of Slovakia.

The Parliament is aware of the security challenges facing both its eastern and southern neighbours. The report on the NDICI adopted in March 2019, supports the special relationship developed with the Union's neighbouring countries and EU efforts to contribute to reinforcing states' and societies' resilience in the Union's neighbourhood, following the engagement made in the Global Strategy. Good governance, effective democratic control and civilian oversight of the security system, including of the military, as well as compliance with human rights and rule of law principles are essential attributes of a well-functioning State in any context, and should be promoted through a wider security sector reform support for third countries.

Since the 2015-2016 refugee crisis, migration has been a major concern for the EU. The Parliament's resolution on implementation of the CFSP stresses the need to address the root causes of migration such as 'poverty, food and nutrition insecurity, unemployment, instability and the lack of security in third countries in which illegal mass migration originates' and focuses on 'assisting the development of stable institutions to promote sustainable societal development in these states'. Implementing the external dimension of the migration pact will remain a priority in terms of support for the Southern Neighbourhood region when it comes to addressing irregular migration and forced displacement, through conflict resolution and addressing socio-economic challenges and providing economic opportunities.

From a peace and security perspective, stabilising the Southern Neighbourhood goes hand in hand with fighting terrorism and cracking down on organised crime and irregular migration networks. In March 2019, the Parliament endorsed the launch of the European Peace Facility, the off-budget mechanism that will strengthen the military and defence capacities of non-EU states, regional and international organisations. In addition, the Parliament supported the Instrument contributing to Stability and Peace (IcSP), under the NDICI, welcoming the 'capacity-building' element, also with respect to investment in third countries' military capacities, infrastructure and humanitarian

logistics, such as hospitals. Finally, cooperating on strategic priorities under the [European Green Deal](#) (EGD) remains important as climate change and environmental resilience is a cross-cutting topic concerning the European Neighbourhood (e.g. there are references to the Green Deal in both the new agenda for the Mediterranean and the new Eastern Partnership policy beyond 2020).

Points of blockage

The main challenge remains how to foster a genuinely common European foreign policy, ensuring that EU external action becomes more strategic and coherent. Currently, the Council must vote unanimously in matters relating to CFSP – with the exception of certain clearly defined cases that require only a [qualified majority](#). This limits effectiveness and also extends response times. A move to qualified majority voting (QMV) in specific areas of EU external relations would unlock the [potential of the EU Treaties](#). The Commission has identified three specific domains where this could be done: (i) responding collectively to attacks on human rights; (ii) applying effective sanctions; and (iii) launching and managing civilian security and defence missions. The need to broaden the scope of qualified majority voting in CFSP, by using Article 31(3) of the Treaty on European Union (TEU), the '*passerelle* clause', according to which the European Council may authorise (by unanimity) the Council to act by qualified majority in certain CFSP areas, was supported at the [European Council's Sibiu](#) meeting in May 2019.

The [Neighbourhood, Development and International Cooperation Instrument (NDICI)](#) is subject to final adoption of the draft regulation, expected in 2021. As the NDICI regroups 11 financial instruments from the previous multiannual financial framework and covers a range of bilateral and thematic programmes, the main challenge will be how to provide a coherent positive reinforcement effect and leverage. In addition, it is not clear how some special funds, such as the trust funds covering Libya and Syria, which will be terminated in 2021, will be financed through the geographic and thematic programmes of the NDICI.

The new off-budget European Peace Facility (EPF) might raise political concerns, in particular within the Parliament, which has no budgetary oversight over it (see the [Parliament's recommendation on the Decision](#) establishing the EPF). The EPF will require a proper political strategy to reach its full potential. Even though the total amount was downscaled from the initial request of €10.5 billion for the 2021-2027 period to €5 billion, it still represents an [increase of €2 billion](#) over previous instruments (the African Peace Facility and the Athena mechanism). Member States will need to define clear priorities and focus on the most pressing crises in which the European Union is already engaged in advisory and training activities, while preserving enough margin to address unexpected situations in the Eastern Partnership or southern Mediterranean.
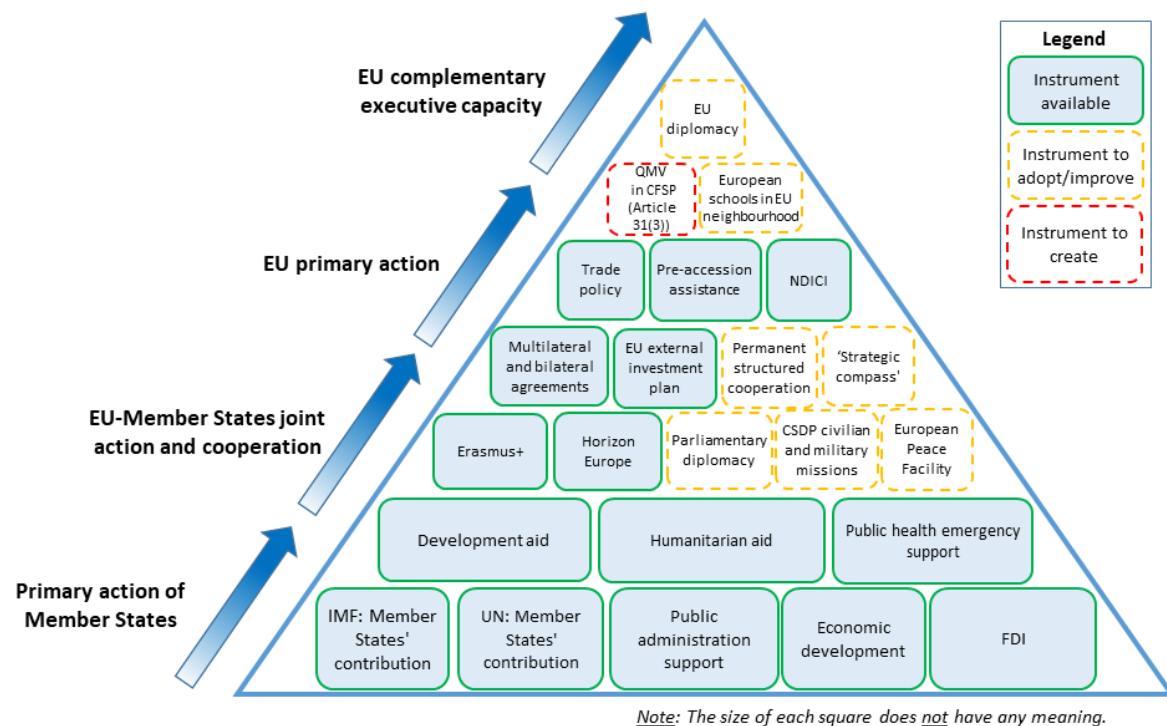
Opportunities to move forward

The coronavirus pandemic generated immediate needs and the EU has mobilised significant funds to mitigate its impact: €2.3 billion were [redirected](#) to help during the first wave of the economic crisis. Now, however, the EU needs to establish a common long-term strategy to boost public health, and economic and social resilience in partnership with neighbourhood countries. In March 2021, Moldova was the first country from the region to receive vaccines through the UN-led [COVAX Facility](#); some other countries, however, such as [Serbia](#) and [Tunisia](#), are relying heavily on supplies from the Russian Federation and China.

Beyond security and defence instruments, in particular the EPF and the military missions, the deepening of trade and a common economic area remains challenging. Development of human capital, through programmes such as Erasmus+, and complemented by a network of [European Schools](#), following the opening of the first Eastern Partnership school in Tbilisi, Georgia, in September 2019, might be explored further. In some countries, such as Ukraine or Tunisia, educational initiatives and support for administrative capacities ('civil servant academies') will prove beneficial.
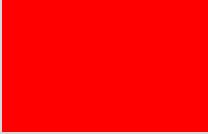
Another opportunity to develop EU diplomacy is offered by European External Action Service support for partner countries' peace and reconciliation efforts, mediation activities complemented by appointments of EU special envoys/special representatives, as was the case of the Kosovo-Serbia political dialogue in 2020. Support for decentralisation reform was successful in Ukraine, and might also be enhanced in the Southern Neighbourhood. The Brookings Institution think tank has suggested that the EU back decentralised governance reforms in Libya, to build grass-roots democracy ahead of the December 2021 elections.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Common economic space	Commission / EP / Council	Common economic space of the Eastern Partnership countries and the EU, leading towards integration with the four freedoms	EP recommendation	
2	European Peace Facility	Commission / Council	Strengthening the military and defence capacities of third states, regional and international organisations to preserve peace	EP recommendation	

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3	Mediation and conflict resolution	Commission / EP / Council	European External Action Service role in mediation and conflict resolution	EP resolution	
4	Special envoy / special representative	Commission / EP / Council	Appointment of a new special envoy / special representative for the FoRB	EP resolution	
5	Decentralisation reforms / NDICI	Commission / EP / Council	Supporting decentralisation reforms in the Southern Neighbourhood and work more with local authorities	Joint statement by chairs of delegations	

Proposals submitted by the European Commission / ongoing processes

6	Trust funds / NDICI	Commission / EP / Council	New definition and financing of trust funds. Under 'last resort' aid, new financing to ensure security and development aid	Commission proposal	
7	A new agenda for Mediterranean / NDICI	Commission / EP / Council	Sectorial development of Southern Neighbourhood	Joint staff working document	
8	Special envoy / special representative / EU mediation	Commission / EP / Council	Supporting ongoing Kosovo-Serbia political dialogue and regional reconciliation	Council decision	
9	European schools / NDICI	Commission / EP / Council	Eastern Partnership European schools	EaP Summit	

Policy suggestions from think tanks and academia / policy examples from third countries

10	NDICI	Commission / EP / Council	Security sector and law enforcement advisory programmes in Ukraine	Chatham House	
11	European Peace Facility	Commission / Council	Strengthening the military and defence capacities of third states, regional and international organisations to preserve peace	CSIS	
12	Decentralisation reforms / NDICI	Commission / EP / Council / CoR	Supporting decentralisation in Libya	Brookings Institution	
13	Trusts funds	Commission / Council	Renewal of trust funds beyond 2021. Support for most vulnerable groups, e.g. women and children	UNICEF	
14	Mediation and conflict resolution	Commission / Council	Grand Ethiopian Renaissance Dam: mediation between Egypt, Sudan and Ethiopia	Bloomberg	

Towards an EU defence instrument

The issue in short

The coronavirus pandemic has revealed some of the acute vulnerabilities of the European Union in an increasingly volatile global and regional environment.[1] Uncertainty is rapidly growing in the EU's neighbourhood, with multiple destabilising initiatives by Russia and/or Turkey. This has taken different forms, from disinformation campaigns and illegal drilling in the eastern Mediterranean, to the revival of frozen conflicts (e.g. conflict in Nagorno Karabach) and continuous meddling in ongoing conflicts (e.g. Libya and Syria).

Against this background, it is urgent and important for the EU to be able to reduce and mitigate the risk of destabilisation both in and from its neighbourhood. Concerted, cross-policy action, aimed at strengthening the internal-external security nexus is key in ensuring that the EU is able to act and protect its values and interests as set out by the European Council in its 2019-2024 Strategic Agenda. European defence cooperation (EDC) is thus a vital component of a collective ongoing effort on the part of EU institutions and Member States to strengthen the EU's internal-external security nexus.

European defence cooperation is an area where substantive progress has been made over the past decade, owing to a political consensus reached in the European Council in 2013 that 'defence matters'. EU leaders agreed that Member States should step up defence cooperation by focusing on crisis management, the development of capabilities and the defence industry and market. This resulted in the adoption of new tools', including the coordinated annual review on defence (CARD), permanent structured cooperation (PESCO) and the European Defence Fund (EDF). Together, these mechanisms allow joint capabilities development, facilitate cost sharing, contribute to realising economies of scale, and help boost the European defence industry and market.

There is a risk that the EU might focus exclusively on implementing and fine-tuning existing mechanisms in the coming years and miss the opportunity for another substantive leap forward in defence, at a moment when the Union is facing growing instability and multi-faceted – both conventional and non-conventional – threats in its neighbourhood. To name but a few examples, these include terrorism, migration, violent conflict, hybrid and cyber threats, and have been identified by the EU Global Strategy and/or the national security strategies of the EU Member States.[2] For the EU to be able to rise to its self-imposed level of ambition – protect EU citizens, respond to external crises and conflicts and build the capacity of partners – there is need for a renewed political consensus in the European Council on the purpose and architecture of an EU defence instrument, based on 'soft' and 'hard' power features. It will be up to the European Council to decide whether or not to push forward the boundary between defence cooperation and integration by moving towards 'common defence' on the basis of Article 42(2) of the Treaty on European Union (TEU).

Policy proposals by experts and stakeholders

There is a rich and still rapidly growing body of academic and think tank literature, largely acknowledging the need to further step up European defence cooperation. Sometimes the focus is on individual mechanisms – CARD, PESCO and/or the EDF – and the challenges encountered when implementing them.[3] In other cases, the focus is on institutional aspects, where proposals include the introduction of a European Security Council, a ministers' of defence Council configuration or the upgrading of the European Parliament's Sub-Committee on Security and Defence to a full

parliamentary committee.[4] Decision-making is another area where multiple proposals have been put forward, including moving towards qualified majority voting for civilian common security and defence policy (CSDP) missions. A large body of literature continues to focus on crisis management and the 36 civilian and military missions and operations launched to date, which represent the most tangible EU contribution to peace and security.

In focus: EU crisis management

In the years to come, crisis management will remain the core business of the EU's CSDP. Uneven progress has been made in recent years on developing the civilian and military dimensions. On the civilian side, the adoption of the civilian compact has allowed the EU response to adapt to today's realities. A Centre for Excellence for Civilian Crisis Management has recently been established to analyse and disseminate to the relevant EU institutions and the Member States the lessons learned so far from civilian CSDP operations, with the aim of making the EU's action more adapted and responsive. On the military side, the creation of a Military Planning and Conduct Capability (MPCC) as a permanent command and control facility for 'non-executive' military operations represented a step forward in streamlining military missions. A strategic review of the MPCC is awaited. Yet, owing to Member States' persistent reluctance to commit personnel and assets to CSDP operations, the generation of forces remains cumbersome. More needs to be done; and despite lengthy debates, neither the European Peace Facility, intended to modernise joint funding for military operations, nor the revision of the EU battlegroups concept, have yet been finalised.

Two intertwined proposals, currently engaging the attention of academics, think tankers and practitioners, are key when shaping a future EU defence instrument able to mitigate destabilisation risks in the EU's neighbourhood: i) the EU as a 'smart power'; and ii) a stronger European pillar within NATO.

From 'soft power' to 'smart power'

The EU is widely recognised as a 'soft power', which, in the case of security and defence policy, is primarily reflected in its crisis management,[5] capacity building and multilateral action (working with partners, including NATO and the United Nations). The current geopolitical context, in which global and regional powers are increasingly displaying their rivalry, has led scholars to argue that the EU's voice in the world is increasingly threatened.[6] Consequently, in order to remedy to this situation some 'hard power' elements need to be featured in addition to existing 'soft' power ones, enabling the EU to become a 'smart power'.[7] The EU Global Strategy also hints at a mix between 'soft' and 'hard' power elements, although, given Member States' perennial sensitivities,[8] the document does not clarify what 'hard power' elements the EU could develop and how. More recently, the High Representative, Josep Borrell, and European Commissioner Thierry Breton, have jointly supported the view that 'virtuous "soft power" is no longer enough in today's world', in which the EU needs to build a 'Europe of defence'. As part of the Future of Europe debates in the European Parliament in 2018 and 2019, several Heads of State or Government expressed the view that the EU needed to step up its defence and go beyond existing cooperation levels if it were to be able to address the threats and risks its Member States are jointly confronted with.[9]

A European defence instrument, combining 'soft' and 'hard power' features,[10] absent so far,[11] would allow the EU to act autonomously and/or with partners whenever decided by the Member States. It would enable the EU to avoid becoming a 'playground' for other global and regional powers and to respond to a broad spectrum of threats, whether of a conventional or non-conventional nature. This would ensure that the EU is able to meet its self-imposed level of ambition and equally protect all EU citizens, irrespective of whether a Member State is a member of NATO, should the mutual assistance clause (Article 42(7) TEU) be activated again.

EU-NATO cooperation at political and technical level is running smoothly. At political level, High Representative/Vice-President of the Commission (HR/VP) Josep Borrell, like his predecessor, Federica Mogherini, often attends the meetings of the North Atlantic Council, while the European Council regularly invites the NATO Secretary General, Jens Stoltenberg for an exchange of views.[12] More recently, Stoltenberg attended a meeting of the College of Commissioners when cybersecurity and critical infrastructure, two key areas for EU-NATO cooperation, were on the agenda. At the technical level, cooperation focuses on the implementation of the seven priorities identified in the 2016 and 2018 joint declarations with NATO – hybrid threats, cyber-security, operational cooperation, capacity-building, defence capabilities, research and industry, and training.

Member States each maintain a single set of forces, which, whenever needed, they can commit either to the EU or to NATO. Their (joint) efforts to strengthen existing capabilities and develop new ones undertaken in the EU framework following the introduction of CARD, PESCO and the EDF can only strengthen both organisations, and thus, transatlantic unity and security. Building a strong European pillar within NATO is not only about sharing the financial burden of transatlantic security by meeting the 2 % GDP commitment to defence spending by 2024, but also about stepping up European allies' ability to act. The rhetoric around financial burden sharing, which has made the headlines in recent years, is one element of a broader debate on 'free-riding' in transatlantic security.[13] As there seems to be broad agreement among both analysts[14] and practitioners on the need to address European 'free-riding', while both sides of the Atlantic seem to remain hesitant as to how to achieve that, this item may be jointly considered in the near future as part of a new transatlantic agenda.

Position of the European Parliament

The European Parliament has called several times for a joint assessment of threats and risks in its past resolutions. The 2020 report on the implementation of CSDP (rapporteur: Sven Mikser, S&D) welcomed work undertaken so far on the analysis of threats, and underlines its importance for the forthcoming Strategic Compass. It recognised that, when finalised in 2022, the Strategic Compass would allow the EU 'to define a strategic approach, specific goals and objectives in the four key areas: crisis management, resilience, capabilities and partnerships'. It also invites HR/VP Josep Borrell to keep Parliament informed of progress.

As regards crisis management, on the military side, the Parliament called on the European External Action Service (EEAS) to 'transform the MPCC from a virtual entity, with multiple-assignment posts, into a robust military entity that can plan and conduct the entire spectrum of military operations provided for under Article 43(1) of the TEU'. It also asked to be kept informed of the result of the forthcoming MPCC review. On the civilian side, it called for full implementation of the civilian compact by 2023 and for the strengthening of synergies between the civilian and military missions and operations, when 'deployed in the same theatre'. Parliament has also deplored the European Council's lack of ambition, reflected in the low level of financial commitments made in several policy areas, including defence, in the framework of the 2021-2027 multiannual financial framework (MFF).

In its 2019 resolution on the implementation of CSDP, Parliament deplored the fact that, despite the time that has elapsed since 2015, when the mutual assistance clause (Article 42(7) TEU) was first invoked, the Council has not 'clearly defined' the conditions for triggering this article. With respect to PESCO, Parliament has supported its launch, 'questioned the slow start-up' and 'delays' encountered by some projects, and called for 'stringent conditions and 'effective reciprocity' to be applied to third countries which may wish to take part in PESCO projects. When it comes to the EDF, Parliament has drawn attention to the importance of the 'establishment of an appropriate intellectual property policy in relation to security and defence in order to protect research results'. Parliament has also stressed that 'EU strategic autonomy does not represent a challenge to NATO and does not undermine the current security architecture in Europe'. It has expressed the conviction

that European strategic autonomy is based on the ability to take decisions autonomously, and act whenever needed, alone or with partners.

In 2016, the European Parliament adopted a [resolution](#) on the European Defence Union in which it called 'for the establishment of practical arrangements and guidelines for future activation of Article 42(2) TEU'. Ever since, in its successive resolutions on security and defence, it has reiterated its call for the 'progressive framing' of a European defence union. More recently, in 2020, it '[welcomed](#) the decision of the President of the Commission to build, within five years, a genuine and operational European defence union' and called on the EU to 'make the best use' of CARD, PESCO and the EDF.

Points of blockage

There is a possible sticking point – a lack of further political will – and a major danger – an exclusive focus on implementation, which the EU institutions and Member States will need to address and overcome if they are to step up defence cooperation any further. Progress was possible in recent years owing to a change of mind-set, which enabled a political consensus to be built within the European Council in 2013. At the time, there was awareness that, after years of crisis and substantive defence budget cuts, the EU Member States' security and defence was at risk. This awareness made it possible to look for the most daring solutions, including the possibility to fund defence research jointly from the EU budget and to launch PESCO. Long-lasting taboos were thus broken and the EU advanced on defence integration. With the adoption of CARD, PESCO and the EDF, the boundaries of the 2013 political consensus have been reached. There is hence both a risk and a temptation to focus exclusively on implementation. The European Commission, although it has taken the bold decision to set [DG Defence Industry and Space](#) (DG DEFIS) within the portfolio of Commissioner Breton, seems to privilege implementation as no new defence-related initiative is included in its [2021 work programme](#). This development [contrasts](#) somewhat with Commission President Ursula von der Leyen's promise of 'bold steps in the next five years towards a genuine European defence union'.

The coronavirus crisis should not cause Member States to reduce their defence engagements and proceed to uncoordinated budget cuts, as was the case over a decade ago during the economic and financial crisis. The main lesson learned from the economic and financial crisis was that recovery should not take place at the expense of defence policy. This is even more valid today than in 2013, since in the meantime the world has become more dangerous and more uncertain. Another main lesson learned was that cooperation is key in advancing on the path of European defence and, in order to be successful, there is need for an unfailing political consensus within the European Council.

A number of existing initiatives need to be finalised and may also be considered as sticking points. For example, five years after the first activation of the mutual assistance clause (Article 42(7) TEU), no agreement has yet been reached in Council on the procedure that should be followed should the clause be activated again. The President of France, Emmanuel Macron, [stressed](#) that, for him, 'European "collective security" has two pillars: NATO and Defence Europe'. Analysts argue that, as much as France and Germany agree on the need to [strengthen](#) the European pillar in NATO,[15] they have distinct understandings of how to do it.[16] Despite progress made in other policy areas,[17] 'strategic autonomy' in defence remains a sensitive issue for some Member States, including Germany, as they fear a weakening of the transatlantic link. Asked to react to the proposal for a stronger European pillar in NATO, Stoltenberg [stressed](#) that 'a strong NATO and a strong European Union are two sides of the same coin'.
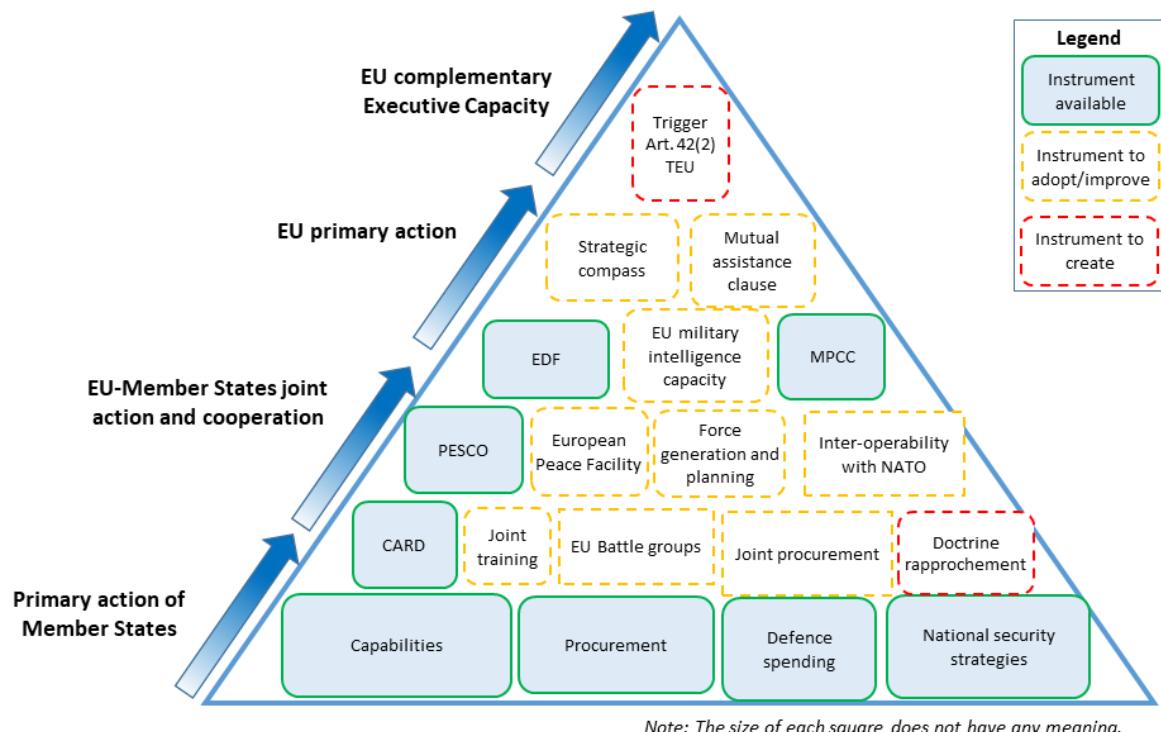
Opportunities to move forward

There are two main opportunities to move forward in the field of security and defence in the years to come, and the EU should grasp them. First, the strategic compass, which is expected to be finalised by 2022 and already benefits from the results of the first-ever [joint EU threats and risks analysis](#), offers an opportunity to articulate a common strategic vision and identify the capabilities

EU Member States should develop in order to tackle the common threats and risks to security they collectively face effectively. Scholars have warned that the 'strategic compass' transformative ability depends on the Member States' willingness to 'buy-in' and 'feel practical and political ownership' of the process.[18] Its outcome will determine the extent to which the EU will chose to remain a 'soft power' or move towards 'smart power'.

Second, the EU will engage with the US in a new transatlantic agenda, which will most probably include security and defence among its main items. This offers a unique opportunity to discuss, not only the future of NATO and its ability to respond to growing global security challenges, but also ways of strengthening the European pillar within NATO and of reducing 'free riding'. Besides bringing clarity to transatlantic relations, this discussion would allow Member States to build consensus and unity on what a European pillar in NATO should look like. It would subsequently allow EU Member States to agree on the main features of a fully fledged EU defence instrument, and possibly, in full respect of the Lisbon Treaty provisions, pave the way for 'common defence' (Article 42(2) TEU), if the European Council so decides.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Establish a European defence union	European Council	European Council to trigger Article 42(2) TEU	Resolution on the European Defence Union	█
2	Strengthen the EU crisis management dimension	EU institutions, in principal the EEAS	Agree on the European Peace Facility Review the EU battlegroups Complete the MPCC review Fully implement the civilian compact by 2023	Successive EP resolutions	█
3	Mutual assistance clause modalities	Council	Define the conditions for triggering Article 42(7) TEU	Successive EP resolutions	█
4	Implementation of PESCO	EU institutions / Member States	Implement PESCO projects without delay	Successive EP resolutions	█
5	Implementation of the EDF	EU institutions / Member States	Establish an intellectual property policy protective of defence research	EP resolution	█
Proposals submitted by Member States and / or EU institutions					
6	European Security Council	European Council	Meet regularly to assess the security situation and provide strategic guidelines	Franco-German ministerial level joint contribution of 28 June 2016	█
7	Implementation of PESCO	EU institutions / Member States	Ensure that third country participation in PESCO projects brings an added value to the project	Council conclusions of 5 November 2020	█
Policy suggestions from think tanks and academia					
8	New political consensus on defence policy	European Council	European Council to meet regularly to discuss security and defence matters	EPRS study	█
9	Regularly assess common threats and risks to security	EU institutions / Member States	Finalise the strategic compass Harmonise national security strategies based on the results of the strategic compass exercise	EU ISS paper EPRS Ideas Paper	█

| 10 | Agree on an EU defence instrument | EU institutions / Member States | Build a common doctrine and strategic culture

Build interconnected national defence capabilities

Build a strong European pillar in NATO allowing to share the burden of transatlantic security | EPRS study

Numerous studies on joint capabilities and EU-NATO relations | |

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Strengthening multilateralism through EU diplomacy

The issue in short

The year 2020 revealed the degree to which multilateralism is at a critical juncture. The coronavirus pandemic exposed the multilateral system's inability to live up to the expectations projected on it in the current geopolitical environment. As captured by the Council of the European Union (EU) in November 2020, the gap between expectation and delivery was particularly salient in the way the World Health Organization, the United Nations (UN) health agency, failed to sufficiently address and coordinate the response to the global health crisis. Moreover, the delay of the UN Security Council (UNSC) in agreeing to call for a ceasefire in conflict areas amidst the pandemic has blurred the image of the UN as the symbol of peace promotion in the post-Second World War multilateral order.

Both of these cases of inadequate multilateral delivery of global public goods – health and peace – were driven in some measure by rising tensions between the United States and China, fuelled by President Donald Trump's 'America First' foreign policy and China's expansionist and assertive foreign policy. Rivalry between the US and China was the main reason for the lack of a strong statement on countering the global pandemic by the UNSC, as well as the reason for limited US support for the WHO even in the middle of a profound global health crisis. A return to a focus on national interest, driven by both these major poles in the international system, is increasingly making multilateral consensus harder to reach; this has also drawn out disputes within the World Trade Organization (WTO), and increased disagreements within the G20 context. The observed rise in nationalism and protectionism has had detrimental effects on transnational trust and multilateralism and has raised prospects of a breakdown in global governance.

The defence of the rules-based international order, its underlying norms and its multilateral cooperative nature, and respect for the principles of the United Nations Charter, are at the heart of the EU's foreign policy. The 2016 EU Global Strategy states that 'a commitment to global governance must translate in the determination to reform the UN, including the Security Council, and the International Financial Institutions'. With the strategy, the EU also acknowledges that the format to deliver effective global governance may vary from case to case.

US-China rivalry extends to all fields, from economic/political models to the race for technological supremacy (including artificial intelligence (AI) and 5G), external influence, trade and – gradually – the military sphere. For the EU, multilateralism is a fundamental tool for the promotion of its agenda in these areas; strong multilateral institutions are necessary in order to set global standards and norms. Thus, US-China competition threatens not only to diminish the relevance of multilateralism, but also, in turn, to hamper the EU's interests and weaken the promotion of universal values to which the EU is strongly committed.

The United States' actions under President Trump to weaken parts of the UN system (such as withdrawing funding from certain agencies or from peace-keeping), or the more subtle lack of cooperation by China (such as on the health crisis, or on upholding the rules on globalised commerce) have both had a debilitating impact. In the area of security, the breakdown of multilateralism is jeopardising important nuclear arms-control treaties and financing for peacekeeping. The previous US administration's decision to withdraw or cut its significant funding for UN programmes and agencies (including UNAIDS and WHO), its withdrawal from the Paris

Agreement, the UN Human Rights Council and the announcement of its imminent withdrawal from the WHO, threaten to weaken global cooperation built up over decades. Against this background of a loyalty crisis, in part provoked by long-standing grievances regarding the functioning of several UN agencies, the EU is focusing on the future of the United Nations and the international financial and trade organisations (International Monetary Fund (IMF), World Bank and WTO). In February 2021, the Commission adopted a communication on a new strategy to strengthen the EU's contribution to rules-based multilateralism, committing to ensure that Europe plays its vital role in strengthening the rules-based global multilateral system, including by leading reforms of the WHO and WTO. Inaugurated in January 2021, US President Joe Biden has committed to restoring America's place in international institutions and to embracing multilateralism, opening up prospects for transatlantic cooperation in this challenging area.

Position of the European Parliament

The European Parliament is a strong defender of multilateralism with the UN at its core. As early as 2011, it proposed that the EU's membership of international organisations should be upgraded, including through a permanent EU seat in an enlarged UN Security Council (UNSC) and a single seat in the IMF; it continues to support these objectives. It supports the UN Secretary General's three-pillar reform, a reduction in UN bureaucracy and greater transparency and accountability for the organisation. It has also called for efforts to reform the UNSC through a change in the composition of its membership to better reflect the current global order, as well as by limiting or regulating the use of the right to veto. Parliament has emphasised that the EU and its Member States must speak with one voice in the UN. The European Parliament has also called for a strengthening of multilateral protection of human rights, for example by supporting the draft UN Treaty on Business and Human Rights.

On trade, the Parliament supports the resolution of the crisis in the WTO Appellate Body, including through interim arrangements for provisional solutions (see box), including an interparliamentary dimension. It also calls for a plurilateral agreement on e-commerce and an initiative on healthcare products. It emphasises the need to construct a positive EU-US trade agenda and to make progress in the Comprehensive Agreement on Investment with China. With regard to health, the Parliament has called on the EU to cooperate fully with the WHO and other international bodies to combat infectious diseases, achieve universal health coverage for all and strengthen health systems globally.

In its January 2020 annual report on the Common Foreign and Security Policy (CFSP), the Parliament explicitly linked the defence of multilateralism with the need for a stronger and united Europe. In that context, a reinforced CFSP, including a strong Common Security and Defence Policy (CSDP), is a prerequisite for the EU to lead the way in the promotion of multilateralism. Relatedly, the Parliament called for a human rights sanctions mechanism. It also reiterated the need for EU strategic autonomy and greater coherence in EU external action. Furthermore, the Parliament stressed the need for the EU to improve dialogue with third-country governments and non-governmental actors. Parliament emphasised its support for the full implementation of the Joint Comprehensive Plan of Action (JCPOA) and the Paris Agreement, regretting the US withdrawal from these international agreements. Parliament has urged the High Representative of the Union for Foreign Affairs and Security Policy to develop a credible and ambitious nuclear disarmament strategy based on effective multilateralism. In January 2021, the EP reiterated these positions, noted the impact of Covid-19 on the erosion of multilateralism and, among other things, called for 'increased efforts towards a robust and renewed transatlantic partnership and constant dialogue, based on mutual respect and concrete actions to promote multilateralism'.

Policy proposals by experts and stakeholders

The need to reform multilateralism has been on policy-makers', think tanks' and experts' radar continuously over the past decade, but has acquired a new meaning in the context of geopolitical changes. EU-UN cooperation and support for reform and adaptation of the UN remains at the centre

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of most policy proposals for the support of multilateralism, some of which are summarised below. For the EU, the ability to shape the multilateral system of the future, goes hand in hand with the EU's ability to work more effectively within the existing system in the process of its reform.

> ❯ Reforming multilateral organisations

The UN reform agenda [proposed](#) by its Secretary General includes a reform of the UN development system and a restructuring of the peace and security pillar, both corresponding to EU priorities. It also includes a managerial dimension. In line with an EP view, several stakeholders have [argued](#) that a stronger human rights dimension to UN reform is needed, including strengthening the impact on the ground of the UN Human Rights Council (HRC), particularly in the context of the growing backlash against human rights in authoritarian countries, especially China, which are becoming more assertive in multilateral institutions.

The EU [strongly supports](#) the ongoing reform of the UN system, but also advocates broader political reforms, including comprehensive reform of the UNSC and sustainable financing for the UN. It has [committed](#) to continue working towards a stronger HRC and to support the mandate and independence of the UN High Commissioner for Human Rights. The EU will continue calling on all states to grant UN and other mandated human rights mechanisms unhindered access to their territories. In line with [EU leaders](#)' views, a reform of the WHO is also prominent on the multilateralist agenda; the main [proposals](#) include increasing financing and restructuring its governance, as allowed by Article 18 of the WHO Constitution, as well as [broadening](#) its technical expertise.

With regard to WTO reform, experts have long [argued](#) that the biggest risk for the WTO lay in 'hollowing out from within', as in the [case](#) of China's industrial subsidy and trade practices, and that the most urgent task is to address the issue of the dispute settlement mechanism. The European Commission's [2018 proposals](#) focused on: (i) more flexible negotiations; (ii) new rules that address current challenges (such as industrial subsidies, intellectual property and forced technology transfer); (iii) reduction of trade costs, (iv) a new approach to development, (v) more effective and transparent dispute settlement, including the Appellate Body, with a view to ensuring a level playing field; and (vi) strengthening the WTO as an institution, including in its transparency and surveillance function.

> ❯ EU 'actorness' in multilateral organisations

As part of its quest for [strategic autonomy](#), and in order to be able to deliver on its commitment to promote multilateralism, experts argue that EU diplomacy [should work](#) to increase its influence in the UN system, to reflect both its financial contribution (including Member States' contributions) and the collective political weight of the states it represents. EU status in the various entities of the UN system [ranges](#) from membership (Food and Agriculture Organization, WTO), to enhanced observer (UN General Assembly), simple observer (Economic and Social Council and numerous agencies) or no status (UNSC and some agencies). The EU's full membership in the WTO reflects its full and exclusive competence in trade. The EU only has the right to vote in cases when it is a full member. As an observer, its influence is limited by various procedural constraints. For its voice to matter, the EU works hard to rally all Member States behind its positions, but this is not always easy to achieve or even achievable at all. In areas of EU competence, the Union can also negotiate the conclusion of multilateral treaties on behalf of Member States, strengthening its influence in the process. Several analysts argue, however that real strength and strategic autonomy will come from the EU's ability to articulate strong foreign policy positions on difficult matters, such as the Middle East; this would make the EU a more interesting partner. Many [maintain](#) that a move to qualified majority voting in CFSP would be a way forward, while the development of the EU's defence identity and military capabilities would also strengthen its international role and strategic autonomy.

> ❯ Financing multilateralism

Collectively, the EU and its Member States are the [largest financial](#) contributor to the UN system. Nevertheless, the EU struggles to coherently leverage its funding relationship with the UN for

greater influence and stronger cooperation. At the same time, the process of UN reform is revealing how funding patterns, including those of EU institutions and the Member States, help maintain the fragmentation of the UN system. The EU's own financial contribution to and through the multilateral system should become more efficient under the newly adopted 2021-2027 Multiannual Financial Framework (MFF), specifically through the creation of the Neighbourhood, Development and International Cooperation Instrument (NDICI). A European Centre for Development Policy Management discussion paper argues that, while no changes regarding UN financing have been included in the new MFF, opportunities remain to be seized in the new long-term budget and programming of the NDICI, which will show the extent to which funding is aligned to strategic priorities. Importantly, as China's power increases (the country became the second largest funder of the UN budget in 2019), stakeholders emphasise that this could risk undermining the liberal assumptions that underpin the UN system. Thus, they propose that the EU and its Member States should coordinate their contributions and review their position on the provision of core funding to key UN agencies. While US cuts to funding for the UN system are likely to be reversed under the Biden administration, making financing for multilateral organisations, including the WHO as mentioned above, more sustainable and efficient will continue to be a priority for the EU.

In peacekeeping, an important EU contribution will be the European Peace Facility (EPF), an off-budget instrument amounting to €5 billion for the 2021-2027 period. The EPF will finance and enhance the EU's ability to carry out operations in partnership with other actors such as the UN and the African Union. The further development of the EU's own peacekeeping capabilities will contribute to enhancing the effectiveness of UN/international peacekeeping.

> Working with partners

Partnership with like-minded actors, and issue-specific 'partnering' even with non-likeminded ones, are part of numerous analyses on the future of multilateralism. Many, like the European Council on Foreign Relations, have proposed that the EU should build coalitions to defend multilateral action in fields including trade; security and migration management; human rights; and controlling new technology. In so doing, the EU will have to take a pragmatic approach and operate on a case-by-case basis, working with some unusual partners.

On the WTO, the European Policy Centre (EPC) echoes a view of 'flexibility': the EU should continue to invest in the reform of the WTO and comply with its rules. At the same time, it should also work with variable coalitions in those areas in which WTO rules are currently lacking, find temporary solutions to the gridlock of the WTO dispute settlement regime, and pursue ambitious trade deals. However, in the long-term, WTO reform will depend on alliances with like-minded partners committed to open trade and multilateralism, such as, historically, the United States.

Other observers and political figures propose the creation of new multilateral formats, consisting exclusively of democracies, a D10 or G9 that would advance the liberal international order. President Biden has spoken of a Conference of Democracies, meant among other things to restore the influence of multilateral institutions in global affairs. The Alliance for Multilateralism is also emerging as a forum bringing together partners that support effective multilateral cooperation and a targeted approach to the reform of multilateralism with the UN at its centre.

> Extending multilateralism to new realities

New issues demand new multilateral arrangements. Stakeholders argue that the EU should lead in the process of setting rules for global governance through multinational consensus in areas such as biodiversity, cybersecurity, biotechnology and AI. These issues will need to be developed in collaboration with scientists, who should be part of multilateral multi-stakeholder arrangements. Experts posit that, in the future, global governance arrangements will expand to cover rapidly evolving technologies, and propose that the EU should invest in strengthening science diplomacy, crucial due to the nature of these new areas. An example would be the Global Digital Cooperation

Strategy expected in 2021. The EU should also proactively engage with partners in these fields, for example with the North Atlantic Treaty Organization on emerging technologies.

Points of blockage

The momentum for reform of multilateralism will hinge on the rate of recovery of the global economy from the pandemic, both in terms of availability of financing, but also as regards political challenges such as the reigniting of nationalist and populist tendencies in and beyond the EU. Current economic conditions prioritise the fight against the pandemic and the restoration of the economy, with the possibility that foreign policy would have to take a back seat in both the EU and the US. The economic environment may limit options to add resources to diplomacy and contributions to multilateral organisations, as well as to finance the development of EU defence.

Countries that oppose globalisation may continue to undermine the system from within. The functioning of the UN, with few exceptions, is based directly or indirectly on the 'one state-one vote' principle. With autocracy a growing trend around the world, broad alliances of illiberal regimes headed by an assertive China, as well as China's overall influence, could pose a serious systemic risk.

Divisions are perhaps the biggest obstacle to multilateralism. EU Member States remain divided on the move to qualified majority voting in issues such as sanctions and human rights in the Council of the EU. They also diverge in their positions regarding UNSC reform. In fact, UNSC reform is blocked by the overall lack of consensus on the issue within the UN; as this reform would require a change of the UN Charter (by unanimity), it is unlikely to be achieved in the near future. In the WTO, the distance between policy positions in international trade between the EU, US and China, as well as African countries, remains significant. Thus, it is uncertain whether the WTO can still deliver new multilateral rules.

**In focus: Unblocking the WTO in the context of US-China rivalry**
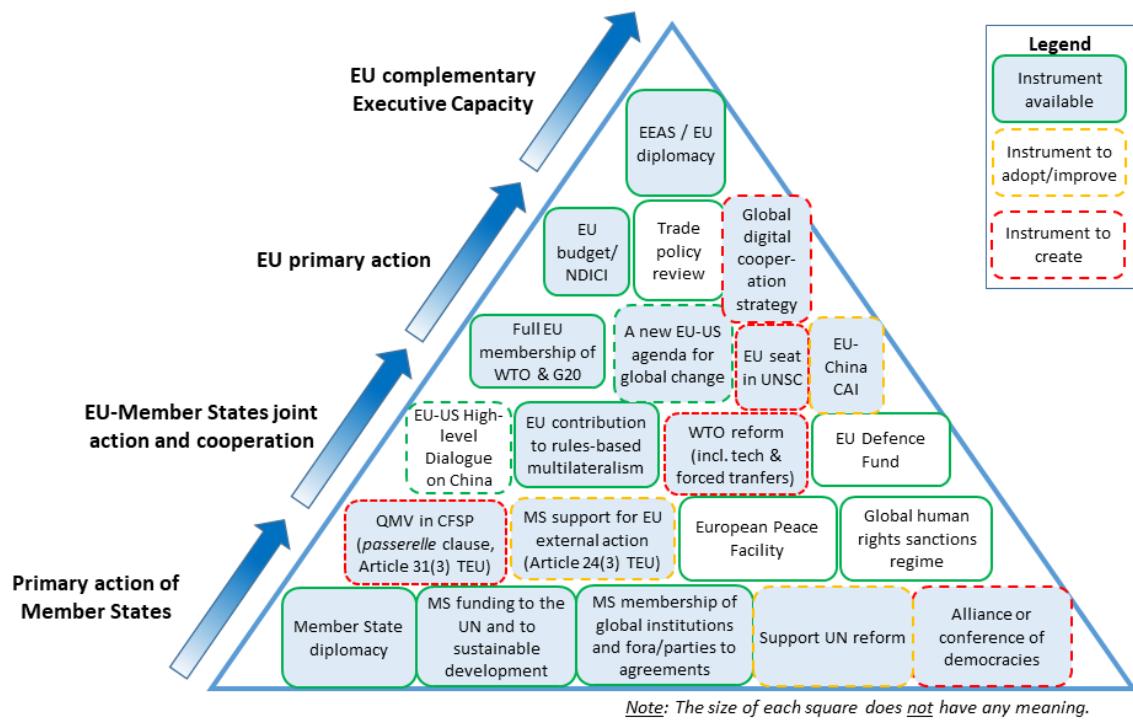
The rise of protectionism, trade wars and the blockage of the highest instance of WTO dispute settlement mechanism have undermined the basis on which international trade policy had been conducted in recent decades. Under President Trump, the US continued to block the nomination of WTO Appellate Body members. In November 2020, the terms of the last remaining members expired and the body ceased to operate. The EU and a number of other WTO members responded by setting up a multi-party interim appeal arrangement (MPIA) to ensure continuity of the two-step dispute settlement system in the (temporary) absence of the Appellate Body. The European Parliament supports the MPIA and the efforts to reform the WTO Appellate Body. The election of Joe Biden raised hopes that the US would recommit to multilateralism, and potentially solve the deadlock in the WTO dispute settlement mechanism. In her confirmation hearing in February 2021, the new US Trade Representative (USTR), Katherine Tai, stated the need for WTO reform, but warned that it 'will be difficult work that may take some time'. In the past, Tai has noted that the WTO has not delivered on expectations and not reformed in reaction to recent developments, such as digitalisation or the economic rise of China. China, which joined the WTO in 2001, has not exhibited the expected levels of liberalisation. Beyond the increase in tariffs, the US-China trade war has brought to the fore conflicts over standards, intellectual property rights and forced technology transfers. Chinese industrial subsidies have prompted the EU, US and Japan to seek solutions through trilateral discussions. Proposals include amendments to the existing WTO Agreement on Subsidies and Countervailing Measures by adding new types of prohibited subsidies. However, for the process to deliver tangible results, it needs to engage WTO members widely, including China. In 2020, the EU and the US launched a bilateral dialogue on China. In the meantime, the EU and China have reached an agreement in principle on a Comprehensive Agreement on Investment. Among other things, the agreement (which still requires approval from the Council and consent from the EP), would see China agree to level playing-field provisions on transparency of subsidies, complementing the transparency requirements as set out in multilateral rules on subsidies.

Opportunities to move forward

Despite the disillusionment with the state of multilateralism brought about by its current weaknesses, several ongoing and recent developments suggest that the opportunities to move forward are growing. The election of Joe Biden brought with it the promise of a shift in US foreign policy towards support for the EU's objectives in the multilateral sphere, as illustrated by the adoption of the Commission and High Representative's communication on 'A new transatlantic agenda for global change'. In addition, negotiations are advancing on several plurilateral agreements in the WTO, e.g. on e-commerce, investment facilitation and domestic regulation of services. The Organisation for Economic Co-operation and Development (OECD) is leading multilateral efforts to resolve the differences between the EU and the USA on digital taxes, and submitted a proposal on more equitable taxation of digital companies. In July 2020, the OECD released a global tax-reporting framework to help ensure a level playing-field between digital and traditional business models, indicating that multilateral solutions may be possible by mid-2021. While the OECD's work can help build consensus, the long-term solution would be regulatory harmonisation akin to a global digital services tax, for instance in the context of the G7 or G20. In February 2021, US Treasury Secretary Janet Yellen signalled that the US confirmed that the US would 'engage robustly to address both pillars of the OECD project, the tax challenges of digitisation and a robust global minimum tax', abandoning positions, like the insistence on safe harbour implementation, which have previously obstructed multilateral negotiations at the OECD.

The Lisbon Treaty offers significant legal options, which can be harnessed to render the EU stronger and more effective in its international action. The ongoing discussion about a move to qualified majority voting (QMV) in CFSP in the areas of human rights and sanctions based on Article 31(3), both highly salient to multilateral UN action, could allow the EU to form strong positions to promote, within the UN and other fora, in a more efficient way. Further exploration of how to ensure the implementation of Article 24(3), which instructs Member States to unreservedly support the EU's external action with loyalty and solidarity, will solidify cohesiveness in EU action in international fora. Financing under the new MFF also offers more flexibility for the EU to invest smartly and sustainably in its foreign policy goals.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	EU seat in UNSC	Commission / Member States	EU to hold seat and veto right in UNSC.	European Parliament resolution	(red)
2	Global human rights sanctions mechanism	Commission / European Parliament / Council	A mechanism for EU imposition of thematic sanctions	European Parliament resolution (and Council Decision)	(green)
3	Reform of the United Nations	Commission / Council / Member States	Complete three tiers of UNSG ongoing reform and political reform	European Parliament resolution	(red)
4	QMV in CFSP	Council	More efficient decision making in sanctions and human rights issues	European Parliament resolution	(yellow)
5	An MFF which reflects geopolitical objectives	Commission / Council / European Parliament	NDICI to be used for more flexible and effective financing to achieve multilateral objectives.	European Parliament resolution	(green)

6	Revision of the EU Global Strategy	EEAS / Member States	Reinforce objectives of EU external action, including the strategy to support multilateralism	[European Parliament resolution](#)	■
7	A new forum for multilateral cooperation among Western allies on strategic technologies export control	EEAS / Member States	Exploring possibility of a COCOM 2 which would control technology exports to non-likeminded competitors	[European Parliament resolution](#)	■
8	Global Digital Trade Strategy	Commission / EP	EU to set standards in global digital trade	[European Parliament resolution](#)	■
Proposals submitted by the European Commission / ongoing processes					
9	Strengthening the EU's contribution to rules-based multilateralism	Commission / European Parliament / Council	A communication to guide EU action to reform and safeguard multilateralism.	[Commission communication](#)	■
10	A new EU-US agenda for global change	Commission / Council	A new transatlantic agenda guided by multilateral actions and institutions.	[Commission communication](#)	■
11	Trade policy review	Commission / EP / Council	Build consensus on direction for EU trade policy, responding to new global challenges and to coronavirus crisis.	[Commission communication](#)	■
12	European Peace Facility	EEAS / Council / Member States	An off-budget instrument to finance EU action with military dimensions.	[EEAS proposal](#) [Council political agreement](#)	■
13	Global Digital Cooperation Strategy	Commission / Council	Strategy for global dialogue/cooperation on digital issues.	Commission proposal ('by 2021')	■
14	EU-US High Level Dialogue on China	EEAS / European Council / [United States]	Forum for EU and US experts to discuss issues related to China (human rights, security & multilateralism).	EEAS/HRVP [proposal](#) to the USA	■
15	EU-China Comprehensive Agreement on Investment (CAI)	Commission / EP / Council / [People's Republic of China]	A CAI with China containing provisions on commitments to multilateral rules	Agreement in principle establishing a uniform legal framework for EU-China investment ties	■

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Policy suggestions from think tanks and academia / policy examples from third countries					
16	Security Compacts	Commission / Member States	Form multilateral security compacts together with actors such as UN or NATO	ECFR	
17	Strengthen EU science diplomacy	Commission / EEAS / Member States	Leverage science in negotiations to expand global governance arrangements to cover high technologies.	EPC	
18	Conference or Alliance of democracies	EEAS / European Council / Member States / [United States]	Engage with likeminded partners to promote values-based multilateralism.	US President Joe Biden; Numerous studies across academia and think tanks.	
19	EU 'Global Response 2.0' to Covid-19	Commission / EEAS	Build on Team Europe approach, to mobilise resources in support of SDGs, leveraging private finance & synergies.	ECDPM	
20	Shape global governance of AI	Commission / EP / Council	Establishing global AI governance with standards on AI products.	Istituto Affari Internazionali	

Renewing transatlantic relations under President Biden

The issue in short

The inauguration of Joe Biden as President of the United States (US) came as a relief to the EU after the disruptive and transactional approach of his predecessor. The new administration's early messaging in the G7 and at the Munich Security Conference, and its first moves on international climate policy and pandemic vaccine cooperation, for example, are encouraging. The EU now has a powerful partner whose head of state does not question its existence, but instead sees the value in collaborating on common challenges. Nevertheless, thinking on both sides of the Atlantic has changed in important ways over the past four years.

For the EU, the shock of President Trump was seen in part as salutary, by strengthening its resolve to defend its interests independently of the US, with talk of 'strategic autonomy', 'European sovereignty', geopolitics or even geo-economics. That resolve has hastened work on initiatives in the diplomatic, security, military and trade spheres, such as the screening mechanism for foreign investment, foreign subsidies and reshoring of supply chains. The EU sees these initiatives as an expression of cooperative autonomy that does not just complement, but underpins, a strong transatlantic partnership. For the EU, which considers multilateralism fundamental both to its own architecture and to its external interests, autonomy and sovereignty do not amount to unilateralism; they are levers to encourage reluctant powers to engage in rule-making for the global commons. They make the EU a stronger partner for President Biden, but they also serve as an insurance policy against a return of 'Trumpism'.

For the Biden Administration, the election of Trump was partly the result of profound domestic socio-economic divisions that must now command Biden's attention, making diplomatic and security burden-sharing by foreign partners all the more important. Trump is also seen as a symptom of the economic aspect of the US's accelerating rivalry with China, which increasingly colours the US view of the world, including the transatlantic partnership. However, successive US administrations since Obama have responded to EU efforts towards autonomy with ambivalence, viewing some as useful, albeit, timid steps; others as unwelcome distractions from coordinated efforts; a few as, at best inadvertent, barriers to US business; and yet others as hollow 'autonomy-signalling', with few tangible transatlantic benefits. The EU must show how boosting its geopolitical capacity can deliver for the US, while being frank about its own interests where these diverge from those of the US.

On 2 December 2020, the European Commission sought to seize the opportunity presented by Biden's election by publishing 'A new transatlantic agenda for global change'. It proposes several steps the EU and the US can take together on the pandemic; climate and sustainability; technology, trade and standards; and security and democracy. It also identifies institutional settings for EU-US collaboration: some existing, such as the United Nations (UN), the World Health Organization (WHO), the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), or the new EU-US Dialogue on China; others proposed, such as a green tech alliance, an EU-US trade and technology council (TTC), an EU-US security and defence dialogue, or President Biden's summit for democracy.

Position of the European Parliament

The European Parliament views the transatlantic relationship as essential to the EU's security and prosperity, and to the European project itself. The Parliament recognises in the US not just an indispensable geopolitical partner, but a culturally familiar democratic society. The Parliament has a standing Delegation for Relations with the United States, whose chair, Radosław Sikorski (EPP, Poland), also co-chairs the Transatlantic Legislators' Dialogue (TLD) with Representative Jim Costa (Democrat, California). The Parliament's relations with Congress are further facilitated by the existence, since 2010, of the European Parliament Liaison Office in Washington DC.

The Parliament strongly advocates multilateral solutions to global problems, with a stronger and more coherent EU voice within multilateral institutions. This attachment to both the transatlantic relationship and multilateralism motivated the Parliament's criticism of former President Trump's 'America first' policy. In the trade, environmental, health, security and development spheres, the Parliament has welcomed EU efforts to strengthen its autonomy and forge a more equal and constructive transatlantic partnership. On trade, it has called on the Commission to build a 'positive EU-US trade agenda' with the Biden Administration, going beyond tariff reductions and exploring new areas for cooperation, such as technologies and digital taxation, including in the framework of the OECD. On health, the Parliament has suggested the EU take inspiration from the US Biomedical Advanced Research and Development Authority. On environmental matters, it has urged the US to re-join the Paris Climate Agreement, which the Biden Administration has now done. On security, Parliament views a stronger common foreign and security policy (CFSP) as critical to the EU's defence of a multilateral, rules-based order, while also regretting the Trump Administration's retreat from that order. On development, it considers that the EU should leverage its economic weight to project European values via its trade and development agreements, and argues that the EU should team up with like-minded EU strategic partners'.

Policy proposals by experts and stakeholders

The European Commission's proposed transatlantic agenda sets out several items on which the EU and US can work together on the basis of 'common values, interests and global influence'. Many items on this 'to-do' list constitute areas where the EU has sought to find multilateral solutions with the US and others to global problems, such as digital taxation in the context of the OECD and the G20, and addressing the climate crisis. The agenda's four broad categories – the coronavirus pandemic; climate change and other environmental issues; technology, trade and standards; and security and democracy – serve as a useful rubric to organise others' proposals.

On managing the pandemic and its aftermath, there is broad support among foreign policy think tanks for concerted EU-US action to deploy rigorously tested vaccines to the developing world, in order to avoid a humanitarian crisis, prevent the emergence of new strains, and counter the influence of rival powers. Looking beyond the pandemic, one suggestion has been for the EU and the US to conduct joint research and build a joint transatlantic stockpile of medical supplies, and to establish joint rapid-response medical teams to help contain new outbreaks. It remains to be seen whether the Biden Administration will lend its support to the proposed trade and health initiative in the WTO, which seeks to strengthen medical supply chain resilience and limit export restrictions in this area.

On climate and the environment, recommendations typically focus on proposals to make it easier to achieve their ambition to drastically cut emissions, such as a new international regulatory framework accounting for climate change risk. A specific area of prospective collaboration is a purported carbon border adjustment mechanism (CBAM), as planned by the Commission, and pledged by President Biden during the 2020 campaign. It is argued that joint development of a CBAM would help to address technical and legal obstacles that could stand in the way of its multilateral legitimacy.

On technology, trade and standards, Anu Bradford of Columbia University, who coined the term 'Brussels effect', advocates collaboration on developing both new technologies such as artificial intelligence (AI) and the corresponding standards. On the digital economy, some argue the EU's proposals for cooperation do not go far enough, even calling for a type of 'economic NATO' to respond to economic coercion. Other experts recommend prioritising re-negotiation of a new privacy shield for data security, and joint support for emerging technology research and development.

On security and defence, experts envisage the NATO alliance as the natural framework for transatlantic security cooperation, enabling cooperation with Canada and the United Kingdom too. They call for military and security modernisation to counter aggression by illiberal regimes. Another idea is an EU-US-UK-Canada initiative to promote a more transparent, sustainable and attractive alternative to China's Belt and Road Initiative (BRI), which some argue could make recipients dependent on China and more likely to support Chinese positions in international forums. On the long-running debate about NATO members' defence spending commitments, one suggestion is to shift the focus to military modernisation rather than headline budgetary figures.

In the event that the EU can act geopolitically with greater unity, its interests may not always align perfectly with those of the US. Some experts maintain that greater European unity is needed to make the most of an environment of shifting and ad hoc configurations, and raise the possibility of a 'Democracy Ten' or a 'Technology Twelve'. They suggest that it may be more effective for larger Member States to represent the EU in international settings, with smaller Member States 'compensated' somehow within EU structures. There is also scope for strengthening the role of parliamentary diplomacy as an insurance mechanism against inconsistent executive policies, for example by strengthening the TLD.

Points of blockage

While both the EU and the Biden Administration show a strong political commitment to strengthening and renewing transatlantic relations, four interconnected structural factors drag on the relationship. The first is the US's strategic ambivalence towards the EU: there is broad transatlantic consensus that the EU should strengthen its security and diplomatic capacity, but specific EU moves in this direction are sometimes met in the US with scepticism about feasibility, or concern that such developments are aimed against the US. This could be seen in the past in US complaints about limits on third country access to EU PESCO projects, for example, and even the Biden Administration has been irritated by what it perceives as the mishandled conclusion of an EU-China Comprehensive Agreement on Investment.

Second, disunity between the transatlantic partners can be matched by disunity among EU Member States themselves, particularly on CFSP matters. Many stakeholders, including most recently EU High Representative Josep Borrell, have argued that a move towards qualified majority voting on at least some CFSP questions would strengthen the EU's credibility vis-à-vis its partners, but agreement on this point remains elusive in the Council of the EU.

The third factor dragging on the transatlantic relationship is its changing geopolitical backdrop: economically, militarily and as a share of the world's population, both the EU and the US are in relative decline as other powers emerge. Much of this change is taking place in Africa and the Indo-Pacific region, which will each respectively occupy an increasing share of EU and US attention. There is also the potential for misalignment between EU and US security and economic priorities for these regions. Finally, as the world recovers health-wise and economically from the pandemic, both the EU and the US are likely to be preoccupied by domestic matters, limiting policy bandwidth for the transatlantic relationship.

Opportunities to move forward

Despite the structural issues affecting the transatlantic relationship, Biden's election will almost certainly trigger a revival of EU-US ties. The new President himself is a long-time transatlanticist who is well-known in the EU from his time as Vice-President to Barack Obama. He is personally invested in peace and security in Europe, from Northern Ireland to the Western Balkans. Moreover, in the new Secretary of State, Antony Blinken, Biden has chosen someone with his own personal ties to Europe and sympathy for the narrative and objectives of European integration. Biden has made clear that he intends to work much more closely than past US administrations with allies to pursue US objectives. There is also evidence that younger Americans are beginning to question the assumption of US exceptionalism and favour greater engagement with allies. Finally, as both the EU and the US commit to 'building back better' both socially and economically from the pandemic, there is scope for common purpose in reshaping global institutions such as the WHO and the WTO. All this creates an opening for closer transatlantic cooperation.

The Commission's new transatlantic agenda is a useful framework for cooperation along the full spectrum of bilateral relations, from trade to climate, and from the pandemic to democratic institutions. In the short time it has been in office, the Biden Administration has already re-joined the Paris Climate Agreement, agreed with Russia to extend the New START nuclear non-proliferation treaty, offered to resume negotiations with Iran on the Joint Comprehensive Plan of Action (JCPOA), signalled openness to working with allies on the type of carbon border adjustment mechanism (CBAM) currently being developed by the EU, moved to unblock talks in the OECD on a multilateral solution to the issue of taxation of digital services, and agreed to a reciprocal suspension of tariffs on EU products related to the Airbus-Boeing aircraft subsidy dispute.

New institutional settings to discuss the trade and security implications of China's rise, such as the EU-US Dialogue on China or the Commission's proposed EU-US TTC, should also help to minimise misunderstandings or unpleasant surprises between the transatlantic partners in this area. Finally, with the inaugural use of the EU's new global human rights sanctions regime to target Russian citizens found to have been responsible for serious human rights violations, the EU now has an operational 'Magnitsky Act' inspired by the US original. This will facilitate concerted transatlantic action against human rights abuses in other parts of the world, as advocated by German Foreign Minister Heiko Maas.
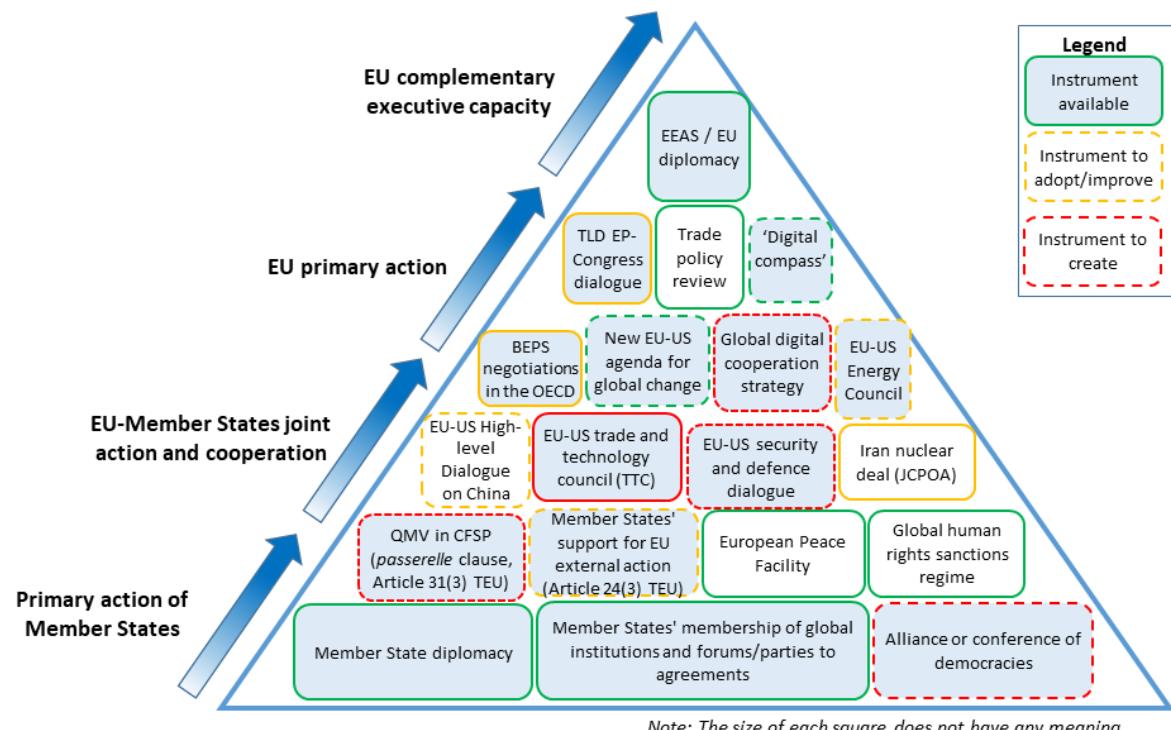
In focus: Achieving transatlantic convergence on technology, trade and standards

New and evolving technologies, primarily digital, are re-shaping economies and societies and posing new questions for transatlantic trade and security relations. Data, both as commodity in itself and as lubricant for global trade, has become increasingly important. This is especially true of sophisticated and service-intensive economies like those of the EU and US, which together account for more than half of the world's inward and outward foreign direct investment (FDI) stocks, much of this along the transatlantic axis. This traffic makes international agreements on cross-border data flows essential, but such agreements necessitate trade-offs between diverging societal preferences around privacy and broader governance, and conflicting priorities with respect to security (both conventional and cybersecurity) and economic competitiveness, as highlighted by a July 2020 ruling by the Court of Justice of the EU invalidating the EU-US Privacy Shield that had hitherto governed data transfers.

The EU and, particularly, the US generate much of the world's innovation in this sector, giving them a shared interest in a robust global intellectual property (IP) regime vis-à-vis other players, notably China. China's authoritarian system also poses human rights and security questions for both the EU and the US relating to the export of dual-use technologies. In addition, transatlantic trade tensions have been heightened by moves at EU level to subject US businesses to the EU's competition policy regime, including significant fines for alleged breaches. In addition, both EU and Member State-level moves to levy new digital services taxes (DSTs) have proved a transatlantic irritant, with the Trump Administration threatening retaliatory tariffs against foreign jurisdictions that imposed such taxes.

Resolving these issues will require both bilateral and multilateral initiatives, and possibly even a high-level 'grand bargain' between liberal democracies. At the bilateral transatlantic level, the Commission is proposing to establish an EU-US trade and technology council with the Biden administration, which would seek consensus on the set of interrelated issues cited above, including in the form to be taken by a transatlantic AI agreement. This dialogue is likely to draw on the Commission's new digital compass. At the multilateral level, the Biden Administration has already adopted a more constructive approach to talks on base erosion and profit shifting (BEPS) in the OECD, and signalled, in its choice of appointments to federal trade authorities, a new approach to regulating large technology companies that may be more in line with EU thinking.
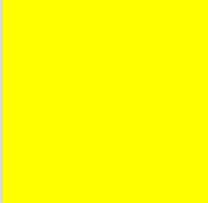
Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	Global human rights sanctions mechanism	Commission / European Parliament / Council	A mechanism for EU imposition of thematic sanctions	European Parliament resolution (and Council Decision)	🟩
2	QMV in CFSP	Council	More efficient decision making in sanctions and human rights issues	European Parliament resolution	🟥
3	Revision of the EU Global Strategy	EEAS / Member States	Reinforce objectives of EU external action, including the strategy to support multilateralism	European Parliament resolution	🟥
4	A new forum for multilateral cooperation among Western allies on strategic technologies export control	EEAS / Member States	Exploring possibility of a COCOM 2 to control technology exports to non-likeminded competitors	European Parliament resolution	🟥
5	Global digital trade strategy	Commission / EP	EU to set standards in global digital trade	European Parliament resolution	🟥
Proposals submitted by the European Commission / ongoing processes					
6	A new EU-US agenda for global change	Commission / Council	A new transatlantic agenda guided by multilateral actions and institutions.	Commission communication	🟩
7	Trade policy review	Commission / EP / Council	Build consensus on direction for EU trade policy, responding to new global challenges and to coronavirus crisis.	Commission communication	🟩
8	European Peace Facility	EEAS / Council / Member States	An off-budget instrument to finance EU action with military dimensions.	EEAS proposal	🟨
9	EU digital compass	Commission	Exercise to translate EU digital objectives into policies	Commission communication	🟩

10	Global digital cooperation strategy	Commission / Council	Strategy for global dialogue/cooperation on digital issues.	Commission proposal ('by 2021')	█
11	EU-US trade and technology council (TTC)	Commission / Council / US Administration	Forum to facilitate trade, develop compatible standards and promote innovation	Commission communication	█
12	EU-US security and defence dialogue	Commission /Council / US Administration	Forum to discuss transatlantic and international security	Commission communication	█
13	EU-US High-Level Dialogue on China	EEAS / European Council / [United States]	Forum for EU and US experts to discuss issues related to China (human rights, security & multilateralism).	EEAS/HRVP proposal to the US	█

Policy suggestions from think tanks and academia / policy examples from third countries

14	Conference or alliance of democracies	EEAS / European Council / Member States / US Administration	Engage with likeminded partners to promote values-based multilateralism.	President Biden an numerous studies across academia and think tanks	█
15	Vice-Presidential-level EU-US China Working Group	EEAS / European Council / Member States / US Administration	Upgrade high-level dialogue to level of Vice-President and comparable officials in Europe, to share China-related intelligence and planning	GMFUS	█
16	EU–US–UK–Canada alternative to China's Belt and Road Initiative (BRI)	Commission / Council / US, UK and Canada governments	Proposal for transparent infrastructure funding for developing countries.	Belfer Center	█
17	'Economic NATO'	Commission / European Council / US Administration	EU-US alliance against geo-economic coercion by third countries	Bertelsmann Foundation	█
18	Revitalised EU-US Energy Council	Commission / Council / US Administration	Use existing body to coordinate investments in clean energy, diversify away from hydrocarbons and lessen dependence on Russia	Belfer Center	█
19	Security compacts	Commission / Member States	Form multilateral security compacts together with actors such as UN or NATO	ECFR	█

20	NATO-EU task force	Commission / Council / Member States	Team to coordinate, pool capabilities, and drive implementation of a shared policy agenda	Belfer Center
21	EU 'Global Response 2.0' to Covid-19	Commission / EEAS	Build on Team Europe approach, to mobilise resources in support of SDGs, leveraging private finance and synergies	ECDPM
22	Shape global governance of AI	Commission / EP / Council	Establishing global AI governance with standards on AI products	Istituto Affari Internazionali

Promoting common European identity

The issue in short

In its relationship to politics, European identity is both the 'seed' and the 'fruit' of the European project: peace brought about by integration – as well as policies developed by the European institutions – nurture some parts of European identity, just as European identity is needed to legitimise EU policies.

After 70 years of European integration, most Europeans live in the European Union. Furthermore, the Western Balkan countries envisage a future in the EU, and other countries, such as Georgia and Ukraine, have European aspirations. This is why EU identity is the most visible part of a historically more fluid and broad European identity, which it partly embodies and directs. Just as Roman heritage brought a number of common public benefits which lasted for centuries, such as Roman roads, the EU strengthens European identity by providing collective European public benefits, such as peace and the single market.

Nevertheless, the realisation of more ambitious common European public benefits now faces some new and serious challenges. First, the ongoing global health and economic crisis are critical tests for the EU's solidarity and solidity. They will have an impact not only on EU policies and budgets, but also on the perception of the Union among European citizens. Second, certain political and intellectual movements in Europe are threatening the European space of freedom, rule of law and protection of minorities. The Union needs to foster its legitimacy in the face of such pressures.

To increase the legitimacy of the European Union, studies of European public opinion suggest that the Union needs to work in two directions at once, by simultaneously fostering its *cultural legitimacy* and its *civic legitimacy*. Cultural legitimacy may be defined as the feeling that other Europeans are closer than non-Europeans. Civic legitimacy is grounded either on input legitimacy (the democratic-procedural aspect, through for example European elections) or on output legitimacy (the benefits of European public policies). Until recently, both streams of European legitimacy used to work in support of each other – for example, with the justification of EU enlargement deriving from the principles of the Schuman Declaration – whereas today, the cultural stream is increasingly presented and used by anti-EU forces in some Member States as something which is in opposition to European civic identity, by promoting a European cultural discourse but leaving out the institutions and liberal values associated with European integration.

In addition to this divide over European identity (civic/cultural), some scholars have further explored various 'tribes' of Europeans, depending on their attitude towards the EU, not only on a pro-/anti-integration axis, but also on the type of feelings they experience about European public policies. Their study shows that the most numerous 'tribe' is composed of 'hesitant Europeans'. Several Eurobarometer studies over recent decades have suggested an increasing indifference on the part of European citizens towards the EU institutions.[1] This indifference can easily turn into hostility, even if today, a majority of citizens in Member States think that their country's EU membership is a good thing. Therefore, it is important to obtain more precise knowledge of European public opinion, which divides into many different clusters depending on origin, education, age, background, identities, gender or worldviews. A better understanding of public opinion is key to addressing citizens' expectations, depending on their various understandings of European legitimacy (cultural,

civic, input and output legitimacies) and to showcasing that it is a pluralistic process based on the rule of law, leading to tangible results.

In any case, the debate surrounding European and national identities needs to take account of the complex nature of identities at the individual and group levels. The European Union promotes non-exclusive pluralistic identities, where the European component does not compete with but rather complements others.

Position of the European Parliament

Civic input legitimacy

The perceived quality of the rule of law and democratic processes at the European level is one of the pillars of EU civic legitimacy. Here, the European Parliament's defence of the rule of law both within and outside the EU remains a key element, as most Europeans – even in Member States opposed to broadening the EU's competences – support the EU's role in guaranteeing the rule of law.

When it comes to the democratic process, the European Parliament in itself, as an institution representing the political and cultural diversity of Europe, plays an important role in promoting the legitimacy of the EU. With the end of the 'permissive consensus' on European integration within public opinion, the 'compromise culture' in Brussels is less easily understood by citizens. Ironically perhaps, the EU seems to be better accepted when conflict – reflecting the variety of divisions within public opinion – is visible. The Parliament is precisely the open forum where this political conflict occurs at a pan-European level, and this is why the European elections are key in the process of supporting European legitimacy. To increase the perception of the parliamentary resolution of conflicting interests, the visibility and transparency of political debates at the European level would be reinforced by more media presence and coverage of European news.

To give greater democratic legitimacy to the designation of the European Commission, the Parliament has also been a staunch defender of the Spitzenkandidaten process, and seriously considered the possibility of transnational lists. The Parliament also supports a strong role for the forthcoming Conference on the Future of Europe. All these elements can help to convince Europeans that their voice is heard and that legitimate political conflicts can be played out and resolved at European level.

Civic output legitimacy

Most European policies have a role to play in promoting output legitimacy. Academic work has highlighted the importance of the concrete impact of EU public policies in boosting such legitimacy. If so, the biggest issue remains the lack of visibility of this impact at the citizens' level.

Being among the most tangible policies for citizens, all policies related to free movement play an important role in this legitimation process. The Parliament has been active in demanding more funds for the Erasmus+ programme, as well as for various other schemes promoting European mobility, including the European Solidarity Corps. It has also played a role in ensuring both mobility and sustainability under the Posted Workers Regulation. As for migration, an important policy issue for 'Eurosceptics' and 'hesitant Europeans', the Parliament has defended the notion of secure EU borders anchored in EU values.

In addition, the former Europe for Citizens programme, now part of the Rights and Values programme, is promoting active citizenship, including exchanges as well as historical remembrance. Its bottom-up nature, focused on citizens, can help to reinforce the link between the EU's civic and cultural legitimacies, by giving citizens the tools to investigate, create and transmit a European remembrance culture. In 2019, the European Parliament called for the allocation of 'adequate financial resources under the "Europe for Citizens" programme to support commemoration and remembrance of the victims of totalitarianism'.

For some Europeans, the EU's legitimacy stems from common civilisational and historical experience. Even for those opposed to European integration, the existence of a European culture is generally acknowledged, often rooted in either religious or humanist heritage. To foster a sense of European belonging, the Parliament has emphasised the need for more action and advocated increased initiatives in the fields of historical heritage and education. The EP has also underlined the role of tourism in fostering greater knowledge of European history.

The Parliament also launched its own House of European History and has debated the Second World War, as well as periods of totalitarianism, and commemorated the Holocaust and other genocides. Each year, the EP commemorates Holocaust Remembrance Day (27 January), as well as the EU Day of Remembrance for the victims of totalitarian and authoritarian regimes (23 August).

Policy proposals by experts and stakeholders

Civic input legitimacy

In the field of civic input legitimacy, various stakeholders have made proposals on how to further democratise the European political system. Some studies show that the legitimacy of public institutions in Member States is usually boosted by elections. This is, however, less the case in European elections, because of their inherent complexity and the lack of an EU-wide political and media sphere. This is why the *Spitzenkandidaten* process and the staging of a single electoral night have the potential to increase interest and support from citizens.

Another way to involve citizens is direct participation in consultation processes, such as the Conference on the Future of Europe. Some organisations consider that the Conference needs to be able to address a wide range of policy issues, including in areas requiring Treaty changes following the 'convention method'. According to them, the Conference should interact with the wider public, using online tools, and be composed following the deliberative poll method. In addition, structured feedback would also be needed, because recent polls have uncovered the necessity for providing citizens with feedback about the usefulness and the result of their contributions.

Some stakeholders insist on individual direct connections to the EU as a means to foster a common identity. The European Movement favours individual membership of European political parties as a way of involving citizens, an idea which could be combined with the primary election process in these parties. Citizens' direct participation in the European polity could be also fostered through a European identity card and a European student card.

In addition, some stakeholders point to the only partial existence of a European media space (embodied in ARTE or Euronews) and advocate the creation of an EU public service broadcaster, in a world where all major players have access to such channels.

The rule of law is also a key element in this debate, as a poll shows that more than 85 % of European citizens respond positively to this value. Apart from the European Commission's rule of law annual review and the rule of law conditionality in the EU budget, the promotion of this value could be enhanced by a United States of America-like public oath on the Treaties and the Charter of Fundamental Rights by the President of the European Commission in front of the European Court of Justice, in the presence of the European Parliament and European Council.

Civic output legitimacy

In the field of public policies, all EU policies have the potential to contribute to increasing the legitimacy of European integration. As social policies play an important role in shaping public opinion, projects like the possible future EU unemployment re-insurance scheme may generate, if implemented, a positive feeling amongst EU citizens. The same could be said of a possible European action against tax fraud, which 74 % of Europeans favour, as well as some kind of European financial

transaction tax. These actions, among others, can prove that the EU is dedicated to social and fiscal justice and therefore address a common criticism from anti-EU movements.

Many Europeans also identify the digital economy as a key dimension for the future. According to the European Commission, 44 % of citizens lack digital skills, while 65 % of the children entering school today will find themselves in occupations that do not yet exist. Digital skills are not only an asset when searching for a job, but also ensure democratic resilience against online attacks and disinformation. Even if the European Union has few competences in the field of education, it can help promote an action plan in which, among other things, not only history is given a clear and distinct European dimension, but in which coding skills would be given a major boost by the EU - perhaps a Europe-wide extension of the European coding initiative.

As the younger generation is generally more confident in the EU, it is important to continue strengthening the Erasmus+ programme. In the context of Erasmus+, the European Union has also launched the 'European Universities' initiative, which is currently in its pilot phase.

Cultural legitimacy

In the field of cultural legitimacy and with regard to symbolic actions, a number of initiatives have been launched, ranging from support for European heritage sites to a possible further 'Europeanisation' of euro bank-notes. Further elements could be explored.

The European Union has repeatedly committed to defend human dignity, and condemned the horrors of the Second World War. Today, among the estimated 400 000 survivors thousands are dying in poverty and alone. Worldwide, 47 states are signatories to the Terezin declaration, which recognises the hardships experienced by survivors. The European Union could launch a temporary assistance programme for the victims and facilitate Member States' cooperation on this issue. The EU could boost citizens' confidence in its will to take its responsibility towards a generation who suffered and show concrete commitment to supporting the EU's message of hope after World War Two.

In focus: Code – a new European language for the future

Most Europeans recognise that digital skills will play a growing role in their life. Digital skills will be needed in the economy and will have an impact on the way democracy works. Today, the level of education is a key indicator of support for European integration. Tomorrow, the level of digital skills is also likely to be key. The current coronavirus pandemic already provides evidence of the depth of the digital divide in Europe and abroad.

Under the current Treaties, the European Union has few competences in the field of education. Traditionally, it has promoted knowledge of languages and common history. The digital challenge ahead is an opportunity for Europe to invest in education, democracy and economy, while proving its relevance to younger generations.

The Erasmus programme played a key role in showing that the EU is investing in youth. While millions of young Europeans study abroad thanks to Erasmus, the EU would benefit from showing it cares about the stay-at-home youngsters, not only the mobile ones.

Coding is largely the language of today and will be even more the language of the future. Ruling more and more of the physical reality with which we are confronted, in 2018 there were around 22 billion connected objects, and there could be 50 billion in 2030. Political campaigns and democracy will be partly conducted online. For citizens to find their place in the digital world of the future, they need to gain a basic understanding of it – as you need some knowledge about your car when driving. A clear advantage for the EU, a polity rooted in 23 languages (and more), remains that this language of the future is universal.

This is why a decisive push from the European level on code learning and education for everyone could be an investment welcomed by the Member States, and at the same time, a key component in fostering a common culture of the future, as well as promoting social integration.

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Another element which has proved essential in boosting trust is the high esteem in which science is held. The EU is a major actor in this field worldwide, in polar and space exploration, in health and many other scientific fields. Sometimes, countries such as China use science as a way to legitimise their political system, and the EU may need to do more to demonstrate that liberal democracies are not under-performing in comparison.

Nevertheless, general awareness of these numerous successes remains low, and the EU should boost communication in this area. Pioneers in these research fields, when supported by the EU, can promote European successes and citizens' attitudes towards them.

In the field of cultural identity, art, tangible and intangible heritage and urban landscapes play a role. The EU can be described as a polycentric political body, and the different European capital awards (European capitals of culture, environment, youth) have a contribution to make. Brussels, Luxembourg and Strasbourg also play a special role (positive or negative) in citizens' views around the continent and even outside the EU. Therefore, the architectural significance of these cities needs to be carefully discussed and promoted: iconic buildings send a message, play a role in cultural production (movies, series, literature), and tell a story about the European way of life the EU wants to promote. In cooperation with local and national authorities, this subject needs to be tackled carefully in the light of post-coronavirus opportunities, to ensure that EU architectural projects are a booster of European identity, and not a reason for public discontent.

Points of blockage
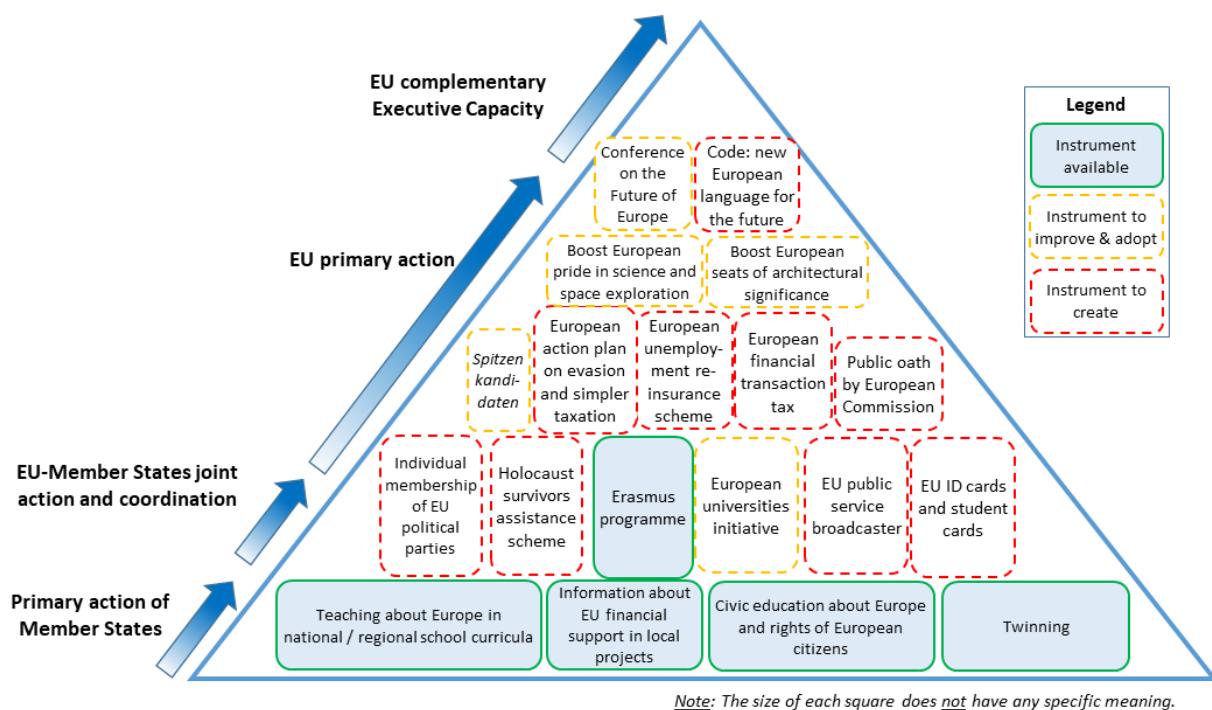
When fostering a greater sense of European identity, different challenges need to be addressed.[2] First, the social fabric of identity (either national or European) is still the subject of academic controversy: the impact of public institutions in shaping identities is very much a matter of debate. Some experts see an increase in the interest and attachment of Europeans to Europe over the long run, whereas other suggest that the more the EU compares to what citizens know in their Member States, the more indifferent to it they become.

Second, legitimacy resulting from the impact of European public policies concerns all public policies, depending on who you ask. Therefore, EU institutions need to address the concerns of the widest possible number of Europeans. In this case, it needs to create multiple narratives in 23 languages to address each cluster of European public opinion.

Third, Member States also follow their own policies of national legitimation and the European Union can only act within the limits of the Treaties.

More generally, there is a need to better study and understand European public opinion and sentiment. The study of political and ideological divergences – including the rise of anti-EU sentiment, religious-motivated violence, and shifts in opposition to Europe from a purely national-based agenda to an agenda based on European values – can be of great significance to addressing future challenges to European integration.

Pyramid of instruments at the disposal of the EU and its Member States

Note: The size of each square does not have any specific meaning.

Possible action

	Objective / instrument	Likely lead actors	What could be done?	References (sources of ideas)	Degree of implementation
EP requests					
1	*Spitzen-kandidaten*	Commission / European Parliament / Council / Member States	Ensure that the candidate supported by the European Parliament is the one chosen by the European Council as President-elect of the European Commission. To boost the process, it could be combined with a European single electoral night.	European Parliament resolution P8_TA(2018)0030	
2	Conference on the Future of Europe	Commission / European Parliament / Council / Member States	The European Parliament pushed for the organisation of an ambitious conference, which would be as democratic and transparent as possible.	European Parliament resolution P9_TA(2020)0010	
Proposals submitted by the European Commission / ongoing processes					
3	European unemployment re-insurance scheme	Commission / European Parliament / Council / Member States	Legislative, including impact assessment, Q4 2020 (while temporary SURE scheme was established in 2020, proposal for a permanent scheme is still pending)	Adjusted Commission work programme 2020 (2020)	

4	European financial transaction tax	Commission / European Parliament / Council / Member States	A European financial transaction tax – even at the level of reinforced cooperation among 11 Member States – could show that the EU is demanding solidarity from all sectors	FTT in 11 Member States proposed by the European Commission in 2013, currently blocked in the Council	
5	European action plan on fraud/evasion and simpler taxation	Commission / European Parliament / Council / Member States	More than 70 % of European citizens are in favour of tougher measures against tax fraud and fiscal evasion	European Commission was supposed to propose a plan by the end of 2020	
6	Erasmus+ programme	Commission / European Parliament / Council / Member States	The European Parliament has repeatedly asked for an increase of the budget allocated to the Erasmus programme. So far, the Council is proposing cuts.	Negotiation is ongoing.	
7	European Universities Initiative	Commission	This initiative supports alliances of universities to promote their competitiveness and support their European dimension	Programme by the European Commission within Erasmus+, currently in pilot phase	
Policy suggestions from think tanks and academia / policy examples from third countries					
8	Individual membership of European political parties	European political parties	Allowing and promoting individual membership of European political parties could be a way to promote European political life at a higher level. The fact that these parties can organise primary elections for their candidate at the European Commission presidency could increase citizen participation.	European Movement International (2020)	
9	European identity card and European student card	Commission / European Parliament / Council / Member States	Under existing treaties, citizen and student mobility could be promoted through the creation of these documents. They would also bring concrete benefits (security, access to information). Together with the euro currency, they would represent 'Europe in your pocket'.	EPRS study and TEPSA manifesto; European Commission initiative	
9	Public oath by the European Commission	Commission / European Parliament / Council / Member States	The European Commission already takes an oath at the start of its mandate before the European Court of Justice. This could be enhanced as a United States-like public oath on the treaties and the Charter of Fundamental Rights sworn by the President of the European Commission before the European Court of Justice in presence of the European Parliament and European Council	EPRS ideas papers 2019	
10	EU public service broadcaster	Commission / European Parliament /	Create an EU public service broadcaster either by Europeanising Euronews or ARTE, or create a new tool.	European Network for Economic and	

		Council / Member States		Fiscal Policy Research – ECONPOL (2018)	
11	Code: a new European language for the future	Commission / European Parliament / Council / Member States	The European Union could launch a wide initiative to teach coding and digital literacy in all schools across Europe, as an extension of its European Coding Initiative	Extension of the European coding initiative	
12	Holocaust survivors assistance scheme	Commission / European Parliament / Council / Member States	Too many Holocaust survivors live in precarious conditions. Germany (through the Claims Conference) and Austria are supporting victims of the Holocaust through a number of programmes. In 2009, the European Commission and the Czech Presidency of the Council committed to make every effort to agree a common European approach. The EU could provide financial support for the survivors – as the EU was created to avoid any repetition of the genocides. This would also give a visible indication of the fight against xenophobia and anti-Semitism.	EPRS Ideas Papers 2019	
13	Better promote European discoveries in space and science	Commission / European Parliament / Council / Member States	The European Union is a leader in many space and science fields. Publicising this is a way to make sure that Europeans hold their collective achievements in high esteem.	European Commission	
14	Use post-coronavirus opportunities (role of teleworking) to improve EU architectural significance of EU buildings at headquarters	Commission / European Parliament / Council / Belgium and France	Ensure that architectural projects are a boost to European identity and not a reason for public discontent.	EPRS study	

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[1]   Van Ingelgom, V., *Integrating Indifference: A Comparative, Qualitative and Quantitative Approach to the Legitimacy of European Integration*, ECPR Press, 2014.

[2]   *Idem*

The coronavirus crisis has underlined the need for the European Union (EU) to devote greater efforts to anticipatory governance, and to attempt to strengthen its resilience in the face of risks from both foreseeable and unforeseeable events. This paper builds further on an initial 'mapping' in mid-2020 of some 66 potential structural risks which could confront Europe over the coming decade, and a second paper last autumn which looked at the EU's capabilities to address 33 of those risks assessed as being more significant or likely, and at the various gaps in policy and instruments at the Union's disposal. Delving deeper in 25 specific areas, this new paper identifies priorities for building greater resilience within the Union system, drawing on the European Parliament's own resolutions and proposals made by other EU institutions, as well as by outside experts and stakeholders. In the process, it highlights some of the key constraints that will need to be addressed if strengthened resilience is to be achieved, as well as the opportunities that follow from such an approach.

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