

Speech of Eurogroup President, Paschal Donohoe, at the European Parliamentary Week, 22 February 2021



Thank you very much for inviting me to the Economic and Monetary Affairs Committee meeting of this Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU.

It is an honour to participate in this important forum.

I am grateful to the European Parliament and the Portuguese Presidency of the EU for having organised a timely discussion on this very important topic.

In my opening remarks, I will talk about how I see the policy mix that is needed to bring about a sustainable and resilient recovery, and how the Eurogroup should contribute to this.

Economic outlook – setting the scene

I would like to set the scene and say a few words on the economic situation.

The Commission's 2021 Winter Forecast confirmed that the Covid-19 crisis caused economic activity in the euro area to contract in 2020 by an unprecedented 6.8%. It goes without saying that without the swift and bold policy response by the member states and the European institutions, things would have been even worse. These efforts include large national fiscal stimulus enabled by flexibility in the EU rules, the agreement to establish three common safety nets, and of course, the extraordinary monetary accommodation by the ECB. The pandemic remains enormously challenging. It still is weighing on society and the economy. Nevertheless, there is reason to be cautiously optimistic. As challenging as the situation still is, recent economic data has not been as bad as feared, which suggests that the economy may be getting better at dealing with the health crisis and the containment measures. Importantly, there is the ongoing roll-out of vaccines.

There has also been other good news, such as the EU-UK trade agreement, reduced geopolitical tensions, and the prospect of RRF funds reaching member states in the second half of the year. The recovery is hence expected to get underway later this year. At the same time, we need to be mindful that the positive economic outlook faces elevated uncertainty and is predicated on a positive public health situation. In addition, the recovery is likely to be uneven across sectors and member states. It is against this background that we have to consider the fiscal-economic policy mix going forward.

Fiscal policy strategy

Let us start with fiscal policy, which played a crucial role in limiting the socio-economic fallout from the crisis by protecting incomes and jobs.

Letting automatic stabilisers work, introducing discretionary measures and providing government guarantees was undoubtedly the right response. There is an international consensus that at least this year, fiscal policy needs to remain expansionary to ensure that a solid recovery indeed takes hold. The Eurogroup subscribes to this view. We should proceed cautiously to avoid cliff-edge effects related to the risk of a premature withdrawal of fiscal stimulus.

At the same time, we have to plan ahead and start thinking about the fiscal stance in 2022 and beyond.

The Eurogroup had an initial discussion on this issue at its meeting of 15 February, and we agreed to hold more strategic discussions in the coming months. We will draw on the guidance of the Commission. We will also listen carefully to the views of the ECB. I took good note of what President Christine Lagarde said recently when she presented the ECB's Annual Report to the European Parliament: monetary and fiscal policy should continue to work hand in hand.

When the health situation and economic outlook improves, fiscal support should increasingly be rebalanced to more targeted measures and to future-oriented reforms and investment that bolster the recovery. The aim is to develop a credible medium-term fiscal strategy that ensures a smooth transition from emergency support, in order to keep the economy going – to supporting the recovery, which in turn has to be reconciled with the sustainability of public finances.

Member states coordinated fiscal policy in the crisis, and this reinforced the credibility of the EU's crisis response. It is essential that we maintain the consensus and coordinate policy during the recovery. The Eurogroup's aim is to agree, by July, on a common understanding on the appropriate fiscal stance. This would feed into the draft budgetary plans for 2022, which member states will be submitting in autumn.

Priorities for fiscal and economic policies

Let me now turn to the concrete priorities that fiscal and economic policy should address.

The Eurogroup broadly agreed on these priorities already in December last year, when it discussed the recommendation on the economic policy of the euro area proposed by the Commission.

Maintaining emergency economic support

Our first priority remains to continue protecting our citizens from this

pandemic while the public health emergency lasts.

There is a clear consensus among finance ministers that the best way to deal with uncertainty linked to the circulation of the virus and the emergence of new mutations, is to maintain emergency economic support measures.

Rebalancing fiscal support

As we look into the future and the recovery starts to take hold, our second priority will be to gradually shift towards more targeted fiscal support measures.

We are very aware that some sectors and citizens are hit harder by this pandemic.

There will likely be a need to continue providing them with emergency support for longer.

At the same time, we need to take advantage of the opportunities offered by the Next Generation EU programme to channel investment into the areas where it is needed the most and ultimately raise Europe's growth potential.

Rebuilding the economy: investment and reforms

The third priority is, of course, rebuilding the economy.

To ensure the return to growth is sustained, we need to make sure that our economies emerge stronger, more resilient, and better prepared for future challenges. This will require ambitious investment and reforms.

While the pandemic opened a 7-year period of uninterrupted economic expansion, the overall growth performance after the previous crisis was modest and uneven in the euro area. Investment also never fully recovered.

The emergence from the pandemic will see an automatic growth rebound on the back of pent-up demand and the high savings accumulated during the crisis. This will be welcome but this is not the same as a sustainable recovery.

This is why member states should take advantage of the current favourable financing conditions and of course the Next Generation EU programme, to increase investment in infrastructure and human capital.

This should happen across sectors and in line with the EU priorities of the green and digital transitions.

To maximize public investment in the economy and make it a catalyst for private investment, public investment needs to be accompanied by structural reforms that will foster sustainable growth. These include reforms to improve the functioning of labour and product markets, the public administration, and thereby also the business environment, which is key for spurring innovation.

The Recovery and Resilience Facility, the centrepiece of Next Generation EU which entered into force last week, will give impetus to the much needed

investment and reform effort.

Conclusion

This brings me to the conclusion of my remarks.

The pandemic plunged our societies and economies into an unprecedented crisis, which, I am confident, we will overcome. The outlook is improving, but we have a journey to complete. Sustained efforts are required from all to ensure a smooth transition to the recovery, and to consolidate it so that the economy can deliver lasting prosperity.

There is a lot at stake and we owe it to our citizens to get it right. The Eurogroup will do its part.

Initiatives like this Inter-parliamentary Conference, which bring together policymakers and representatives of the people from across the EU, will help to achieve strong democratic ownership of these policies.

Thank you for your attention. I look forward to our discussion.

[Press briefing ahead of the video conference of the members of the European Council, 25-26 February 2021](#)



The press briefing ahead of the video conference of the members of the European Council of 25 and 26 February 2021 will take place via video conference on **Wednesday 24 February 2021 at 10.00**. English and French interpretation will be available.

This briefing is “off the record”.

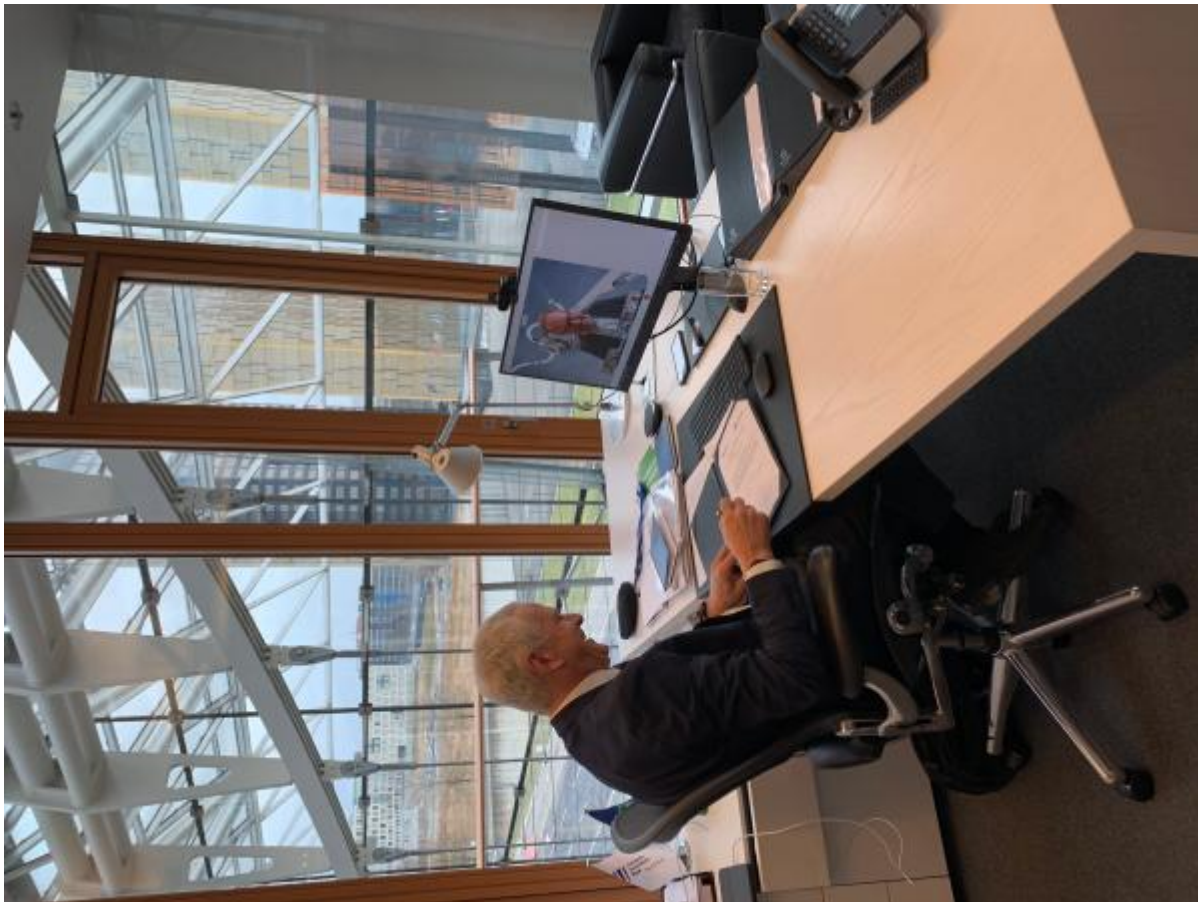
In order to follow the briefing and to be able to ask questions remotely, EU accredited journalists and journalists who had a EUCO accreditation from June 2019 European Council meeting or later, can register using [this link](#)

Journalists who already registered for high-level press conferences (European Councils, international summits) in 2020 or 2021 **don't need to register again**.

Deadline: Wednesday 24 February, 08.30

Further instructions will be sent to all registered participants approximately half an hour before the briefing.

Belgium: EIB supports rollout of smart meters in Flanders by Fluvius



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- €200 million EIB loan to Fluvius, to support rollout of smart meters in Flanders.
- Signature is first tranche of an available facility of up to € 425 million.
- Goal is to have smart meters installed at 80% of Fluvius' clients by end of 2024.

The European Investment Bank (EIB) has announced that it will make available a lending facility to Belgian network operator Fluvius for the rollout of smart metering systems in Flanders. A first tranche of €200 million has now been signed. Fluvius will use the facility to rollout smart meters for Flemish families and companies in 300 cities and municipalities, as well as for connecting new users to the network.

EIB Vice-President **Kris Peeters** said: *"Europe's green and sustainable recovery from the corona crisis will pass through projects like this one. Our houses are one of the main emitters of CO₂, partially because of inefficient electricity use. Smart meters like the ones that Fluvius is installing, will play an important role in increasing energy efficiency and preventing waste."*

The new meters allow for remote readings, and make it possible to provide near real-time consumption information to consumers. This will increase consumer awareness of their energy consumption and thus spur energy efficiency. The smart meters also make the grid more flexible, which is essential considering the increasing decentralised production of renewable energy.

Frank Vanbrabant, CEO of Fluvius, added: *"Digital energy meters are crucial in making the energy transition a success. Only with digital meters will families and SMEs be able to actively manage their energy usage. The new meters can help families with solar panels to immediately use their home-generated electricity as much as possible. They also enable dynamic energy prices. As a result, a family can consume more, cheaper electricity by smartly controlling appliances, or storing energy locally, for example in an electric car. In any case, the digital meter is an important gateway to the energy landscape of the future."*

Fluvius, a cooperative company owned by 11 inter-municipal companies, is responsible for the construction, management and maintenance of electricity, natural gas, sewerage, cable distribution, and district heating networks in Flanders. Fluvius also maintains the municipal public lighting. In total, the company manages 230.000 km of utility network with 7 million connections. Fluvius operates in all 300 Flemish cities and municipalities.

[Media advisory – Informal video conference of European affairs ministers, 23 February 2021](#)



Indicative programme

Chair: Ms. Ana Paula Zacarias, Portuguese Secretary of State of European Affairs

9.30 Beginning of the video conference of European affairs ministers

- a) Videoconference of the Members of the European Council on 25-26 February 2021: Preparation
- b) European Democracy Action Plan
- c) Conference on the Future of Europe
- d) EU-UK relations

Any other business

At the end of the videoconference (+/- 16.00) – press conference in [live](#)

[streaming.](#)

Arrangements for the press conferences

Please note that there will be no physical press conference. In order to participate and ask questions, EU accredited journalists should register using [this link](#). Those who already registered for previous press briefings or press conferences of informal video conferences of European affairs ministers do not need to do it again.

Deadline for registration: Tuesday, 23 February 2021, 15.00

Further instructions will be sent to all registered participants shortly after the deadline.

[Videos and photos from the event.](#)

New Consumer Agenda: Council adopts conclusions

The Council today adopted a set of conclusions in response to the Commission's communication on a 'New Consumer Agenda: Strengthening consumer resilience for sustainable recovery' ('the Agenda'), which presents a holistic vision for EU consumer policy for the years 2020 to 2025.



The New Consumer Agenda is an important milestone for the Portuguese Presidency, and we intend to foster its development. The conclusions approved today are a clear signal of the Council's commitment to the implementation of the Agenda's actions. With these conclusions, we keep the ambition high when it comes to promoting a fair and developed European social market economy.

Pedro Siza Vieira, Portuguese Minister of State for the Economy and Digital Transition

The conclusions aim to provide political guidance on the broad range of actions announced by the Commission in the Agenda, highlighting the need to address consumer concerns into other sectoral EU policies, such as the ones linked to the green and digital transitions. They also refer to the importance of consumers' trust for stimulating economic recovery in the aftermath of the COVID-19 crisis.

The Council welcomes the Commission's intention to address issues such as the 'right to repair', online and offline consumer protection and product safety and the prevention of over-indebtedness in upcoming legislative proposals. It also stresses the need for consistency in the field of digitalisation with recent proposals, such as the Digital Services Act, which should establish a high level of protection to all consumers.

On 25 February 2021, ministers responsible for the internal market and industry will hold, via a tele conference chaired by the Portuguese Minister of State for the Economy and Digital Transition, Pedro Siza Vieira, a policy debate on The New Consumer Agenda in order to discuss the role of businesses and consumers in promoting economic recovery and resilience.

[Visit the meeting page](#)