

Annex. The euro area chronicle

The Commission, the Economic and Financial Affairs Council and the Eurogroup regularly take decisions that affect how the Economic and Monetary Union works. To keep track of the most relevant decisions, the QREA documents major legal and institutional developments, presented in chronological order with references. This issue covers developments between mid-December 2022 and mid-March 2023. Over the winter, Croatia adopted the euro and further funds from the Recovery and Resilience Facility (RRF) were disbursed while the Commission provided fiscal policy guidance for 2024 ⁽¹⁶⁶⁾.

Croatia adoption of the euro. On 1 January 2023, Croatia joined to the euro area, bringing the number of EU countries using the single currency to 20. The euro area now represents 85% of the EU's economy. Adoption of the euro followed a period of thorough preparation and substantial efforts by Croatia to meet all the necessary requirements. The country's national central bank became a member of the Eurosystem, and Croatia's central bank governor will be participating to the ECB's Governing Council. Croatia now participates in the Euro Summit and Eurogroup meetings and is more heavily involved in the coordination of fiscal and structural policies. As a euro area country, Croatia also formally became the 20th member of the European Stability Mechanism on 22 March 2023.

A Green Deal industrial plan. On 1 February 2023, the Commission presented the industrial plan for the net-zero age ⁽¹⁶⁷⁾. Several strands of the plan (a predictable regulatory environment, boosting skills and supporting open trade for resilient supply chains) have an EU dimension. However, the strand of promoting faster access to sufficient funding has elements relevant from the point of view of the euro area. It underlines the importance of further developing the Capital Markets Union at the EU level to improve financing and investment opportunities for individuals and companies, including those operating in clean tech. In addition, full implementation of the plan through innovation and promoting fledgeling green technologies would support dynamism and resilience of the euro area economy and its energy independence. The Commission also published guidance on how to integrate the REPowerEU initiative into national recovery and resilience plans. Member States will be able to use the remaining RRF loans, an additional EUR 20 bn in resources from the EU Emissions Trading System and transfers from other funds and instruments to promote the greening of industry and assist energy-intensive industries in the face of high energy prices.

Disbursements under the Recovery and Resilience Facility to Malta, Spain and Lithuania. In winter 2022/2023, the Commission continued to disburse funds under the RRF. On 19 December 2022, Malta submitted to the Commission its first payment request for EUR 52.3 million of grants based on the achievement in 16 milestones and three targets. On 27 January 2023, based on progress in reforms and investments including measures such as the adoption of a strategy to reduce waste through recycling in the construction sector, reforms to boost industrial research and investments, a national anti-fraud and corruption strategy and reforms to digitalise the justice system, the Commission endorsed a positive preliminary assessment of the request ⁽¹⁶⁸⁾. Following the Economic and Financial Committee's opinion and agreement in the Economic and Financial Affairs Council, the Commission disbursed EUR 52.3 million of grants to Malta. A similar process was followed with other Member States. On 11 November 2022, Spain submitted its third request for EUR 6 billion in grants under the RRF. On 17 February 2023, based on progress in reforms and investments, the Commission endorsed a positive preliminary assessment of the request ⁽¹⁶⁹⁾. The reforms include the entry into force of the law on telecommunications to facilitate the deployment of high capacity network infrastructure, reforms to accelerate the installation of electric charging infrastructure in car parks, a reform to improve the efficiency of insolvency procedures, a reform to improve the vocational training system and make it more attractive, the law against tax evasion and fraud, a reform of the social security system for the self-employed and the review of the current supplementary pension system. On 30 November 2022, the

⁽¹⁶⁶⁾ Annex compiled by Jakub Wtorek. The cut-off date for this annex is 31 March 2023.

⁽¹⁶⁷⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_510

⁽¹⁶⁸⁾ https://ec.europa.eu/commission/presscorner/detail/en/IP_23_369

⁽¹⁶⁹⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_922

Commission received the first payment request from Lithuania for over EUR 565 million in grants, corresponding to 33 milestones. On 28 February 2023, the Commission considered that 31 milestones covering reforms and investments in the areas of vocational education, support of innovation and science, social protection or digital-data storage has been satisfactorily reached. It also found that two milestones related to taxation had not been reached. In line with the ‘payment suspension’ procedure, the payment for the milestones reached is now being prepared, while Lithuania received more time to reach the outstanding milestones ⁽¹⁷⁰⁾.

Disbursements under the Recovery and Resilience Facility to Slovenia and Austria. A similar process was followed with Slovenia and Austria. On 20 October 2022, Slovenia submitted to the Commission its first payment request based on the achievement of 12 milestones, including reforms enabling the digitalisation of businesses and strengthening governance for the digital transformation of public administration, as well as reforms of the labour market and of the business environment. On 8 March 2023, the Commission endorsed a positive preliminary assessment of the request ⁽¹⁷¹⁾, and following the agreement in the Council, EUR 50 million of grants were disbursed to Slovenia. On 22 December 2022, Austria submitted to the Commission its first payment request based on the achievement of 44 milestones and targets, including reforms such as a law to accelerate the roll-out of renewable energy sources or a reform to making public transport more attractive, together with investments in the areas of energy efficiency or digital education. On 10 March 2023, the Commission endorsed a positive preliminary assessment of the request ⁽¹⁷²⁾, and following the agreement by the Council, EUR 700 million of grants were disbursed to Austria.

Guidance for Member States on fiscal policy in 2024. On 8 March 2023, the Commission adopted a communication providing Member States with preliminary fiscal policy guidance for 2024 ⁽¹⁷³⁾. The guidance is provided against the background of the general escape clause being deactivated in 2024 and the need for prudent fiscal policies. Member States are invited to set out medium-term fiscal plans in their April stability and convergence programmes, which will then be assessed by the Commission. In May 2023, the Commission will propose country-specific recommendations in the fiscal area that include a quantitative requirement as well as qualitative guidance on investment and energy measures. The recommendations would be differentiated based on Member States’ public debt challenges.

⁽¹⁷⁰⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1286

⁽¹⁷¹⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1529

⁽¹⁷²⁾ https://ec.europa.eu/commission/presscorner/detail/en/IP_23_1534

⁽¹⁷³⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1410