

## Annex. The euro area chronicle

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The Commission, the Economic and Financial Affairs Council and the Eurogroup regularly take decisions that affect how the Economic and Monetary Union (EMU) 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-June 2022 and the end of September 2022. Over the summer, further Recovery and Resilience Facility (RRF) funds were disbursed and the European Central Bank (ECB) announced an additional monetary policy tool, the Transmission Protection Instrument <sup>(190)</sup>.

**Recovery fund disbursement to Slovakia, Spain and Latvia.** In the third quarter of 2022, the Commission continued to transfer funds under the RRF. On 29 April 2022, Slovakia submitted to the Commission its first payment request under its recovery and resilience plan based on the achievement of the 14 milestones of the first instalment of non-repayable support. Key milestones indicated progress in the reforms on the green transition, effectiveness of the judicial system, research and education, but also the fiscal framework, anti-corruption legislation, digitalisation of the public sector, as well as Slovakia's audit and control system for the implementation of the RRF. On 27 June 2022, the Commission adopted a positive preliminary assessment of Slovakia's request <sup>(191)</sup>. Following a discussion between Member States, including in the Economic and Financial Committee, the Commission transferred EUR 398.7 million to Slovakia. A similar process was followed after Spain submitted its second request on 30 April 2022. Based on progress in addressing pension adequacy and the duality of the labour market, EUR 12 billion was paid to Spain <sup>(192)</sup>. On 17 June 2022, Latvia submitted its first payment request. The Commission issued a positive assessment on 29 July 2022 <sup>(193)</sup>. The nine milestones achieved by Latvia covered reforms and investments in the minimum income support system, the development of a high-capacity broadband network, improving the competition environment, reducing corruption risks in public procurement, strengthening remote learning networks and institutions, the prevention of money laundering as well as social housing. As a result, EUR 201 million was disbursed to Latvia.

**Approval of the Netherlands' recovery and resilience plan.** On 8 September 2022, the Commission approved the Dutch recovery plan (subsequently adopted by the Ecofin Council in October), paving the way for the EU to disburse EUR 4.7 billion in grants to the Netherlands under the RRF <sup>(194)</sup>. 48% of the resources under the plan are expected to contribute to the decarbonisation and energy transition. 26% of the plan's allocation will support the digital transition, including investments in quantum technology, artificial intelligence, digital education, and digital government. The plan also put forward a package of targeted reforms to tackle shortcomings in the pension system and strengthen the labour market.

**Fiscal policy orientations for 2023.** On 11 July 2022, the Eurogroup adopted a statement on fiscal policy orientations for 2023 <sup>(195)</sup>. Given the deteriorating macro-economic environment, including weakening growth prospects and strong inflationary dynamics, the Eurogroup considers that using fiscal policies to support overall demand in 2023 is not warranted. Broad-based fiscal measures, such as general reductions in taxes and excise duties, were aimed at mitigating the impact of rapidly rising energy prices at the national level. However, they should be temporary and be gradually adjusted to target the most vulnerable part of the population. Also, policy adjustments should maintain incentives for the energy transition. In this respect, income measures are, in principle, preferable to price measures. However, the negative effect of high energy prices on incomes could not be addressed in the long run through compensatory fiscal measures, and will require investments in energy efficiency and the development of environmentally sustainable local sources of energy over the medium term.

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<sup>(190)</sup> Annex compiled by Jakub Wtorek. The cut-off date for this annex is 30 September 2022.

<sup>(191)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_3971](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3971).

<sup>(192)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_4088](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_4088).

<sup>(193)</sup> [https://ec.europa.eu/commission/presscorner/detail/es/ip\\_22\\_4625](https://ec.europa.eu/commission/presscorner/detail/es/ip_22_4625).

<sup>(194)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_5397](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5397).

<sup>(195)</sup> <https://www.consilium.europa.eu/en/press/press-releases/2022/07/11/eurogroup-statement-on-fiscal-policy-orientations-for-2023/>.

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**On 21 July 2022, the ECB announced an additional monetary policy tool, the Transmission Protection Instrument (TPI)** <sup>(196)</sup>. The TPI complements the flexible reinvestment policy of the pandemic emergency purchase programme, with both instruments aiming to tackle unwarranted, disorderly market dynamics that pose a serious threat to the monetary policy transmission mechanism across the euro area. The Governing Council of the ECB will decide on TPI eligibility based on a cumulative list of criteria assessing in particular (i) compliance with the EU fiscal framework, (ii) absence of severe macroeconomic imbalances, (iii) fiscal sustainability, and (iv) sound and sustainable macroeconomic policies.

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<sup>(196)</sup> <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220721~973e6e7273.en.html>.