



WORKING GROUP  
“EUROPEAN LEGISLATION AND PUBLIC INVESTMENTS”

REPORT ON THE WORK AND CONCLUSIONS

Foreword

As soon as I became coordinator of the Working Group on “European legislation and public investment” of the Conference of European Regional Legislative Assemblies (CALRE), I felt it was crucial to consider the opportunities offered by a modernisation of European accounting rules, given that this set of rules is often criticised for favouring austerity policies and amplifying divergences within the European Union, and given that their opaque nature arouses the mistrust of citizens and may contribute to a rejection of European construction.

Revealing as it did the limits and rigidity of the European budgetary framework, the Covid-19 pandemic prompted the Council of the European Union to suspend the Stability and Growth Pact by activating the general derogation clause. This gave Member States the flexibility they needed to take measures to support health and civil protection systems, while at the same time giving them the opportunity to adopt stimulus measures.

As this suspension was temporary, it was only natural for the Working Group on “European legislation and public investment” to launch a debate on the limits of the current European budgetary framework, on the one hand, and on the potential reforms geared towards promoting public investment, on the other.

The carried-out work has highlighted the poor correspondence between the economic reality of the States and the current model of European governance which tends to slow down public investment due to the method of accounting for current expenditure and investment expenditure.

Solutions could include amending the current Stability and Growth Pact to provide for exceptional investment clauses for the health or education sectors, or removing investment expenditure from the budget assessment.

Jean-Claude MARCOURT  
Coordinator of the Working Group on  
“European legislation and public investments”

## 1. Procedure

The Working Group on "European legislation and public investments" was created on 23 November 2017 during the CALRE Plenary Assembly in the Azores.

Mr Jean-Claude Marcourt, President of the Parliament of Wallonia, was appointed as Coordinator of this group during the Plenary Assembly of 7 October 2020 in Brussels.

The Working Group on "European legislation and public investments" met by videoconference on 4 September and 29 October 2020.

## 2. Summary of the work

### 2.1. Meeting of 4 September 2020 (by videoconference)

In his introduction to the meeting of 4 September 2020, President Marcourt emphasised the relevance of the working group's discussions at a time when the general derogation clause provided for by the European Union's Stability and Growth Pact had been activated and the European Commission had announced a reform of the European budgetary framework by 2021.

Two experts were invited to the meeting with a view to informing the discussion of the members of the Working Group.

Mr Damien Piron, Lecturer in Public Finance Law at UCLouvain, recalled the foundations of the European budgetary rules and, more specifically, the deficit and debt criteria applicable to general government. In particular, he mentioned the fact that the "original sin" seems to lie in these very foundations since the net financing requirement is calculated by adding up economic revenues from which expenditures are deducted without distinguishing between current expenditures and investment expenditures.

Mr Piron then went back to the measures that were adopted during the emergence of the Covid-19 pandemic, without forgetting the potential reforms explored to revive public investment after the crisis.

Roel Beetsma, Vice-Dean of the University of Amsterdam and member of the European Budget Committee, expressed the European Budget Committee's deep concern about the structural decline in the share of GDP spent on public investment in Europe. In particular, he called for substantial investment in the digital economy and green technologies.

To achieve this, he mentioned the possibility of further European integration until a centralised fiscal policy is achieved.

Mr Philippe Donnay and Ms Chantal Kegels, members of the Federal Planning Bureau, also elaborated on the talks given by the experts.

At the end of the meeting, it was stressed that a paradigm shift had taken place at European level and that regions with legislative powers should be at the forefront in order to add value to the reform work currently underway.

## 2.2. Meeting of 29 October 2020 (by videoconference)

On the occasion of the meeting of 29 October 2020, talks were given by two experts to inform the discussion of the members of the working group on the prospects for reform of the Stability and Growth Pact announced by the European Commission, particularly in the wake of the Covid-19 pandemic.

In his talk, Gabriel Moreno Gonzàlez, Professor of Constitutional Law at the University of Extremadura, considered that the activation of the general derogation clause to deal with the Covid-19 pandemic could lay the foundations for a paradigm shift in European economic governance. He also referred to the suspension of state aid rules. In this respect, Mr Moreno Gonzàlez pointed out that the member states with the greatest fiscal and budgetary capacity are those that have suffered the least from the Covid-19 crisis. As a result, asymmetries could increase over time.

He also considered that the "NextGenerationEU" plan, which provides for the pooling of part of the states' debt, is an important step towards a fiscal union. Finally, he called on the European authorities to reflect on the rules on state aid with a view to integrating mechanisms that promote solidarity with the least developed regions of Europe.

Mr Mathias Maertens, ECOFIN Attaché at the Flemish Representation to the European Union, presented the Flemish approach to budgetary balance and debt. In this context, he highlighted the impact of Covid-19 and stressed the importance of public investment for the benefit of citizens. He also called on the European Union to implement a solid budgetary framework, providing for benchmarking of expenditure and aiming to limit the debt while allowing public entities to carry out expenditure necessary for the population.

Mr Philippe Donnay, Member of the Federal Planning Bureau, elaborated on the experts' contributions. In particular, he recalled the guiding principles that prevailed when the Stability and Growth Pact was adopted and argued that the European Union should adopt a genuine industrial policy based on key sectors such as telecommunications, mobility and energy.

An exchange of views then took place between the members of the Working Group. They highlighted the importance of public investment in the role of public authorities and underlined the need for European solidarity to tackle the Covid-19 pandemic.