



The role of the EU economic governance in the economic framework of the EU

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Abstract: The purpose of this paper is to present the overview of the existing literature that examines the effectiveness of the EU economic governance in delivering on EU economic goals. This topic is especially important in the context of the ongoing Review of the economic governance of the EU, launched in October 2021, with the aim to present the recommendations for the further improvement of the EU governance framework. The overview of the existing literature on the effectiveness of the EU governance framework in delivering economic goals, for the period from 2011 to 2019 is focused on two equally important lines: 1. studies examining the relationship between the effectiveness of the governance in achieving economic goals; and 2. studies focused on the impact of the implementation of the policy recommendations on the economic performance of the Member States. Presented overview of the relevant literature shows that significant effort has been put in analysing the effectiveness of the EU governance model. However, complete assessment of the effectiveness of the EU governance model will benefit from further analysis of the impact of the European semester on the economic performance of the Member States and EU as a whole. The examination of this link is crucial for the comprehensive assessment of the role and relevance of the European semester both in the governance and economic framework of the EU.

Keywords: EU, Economic Governance, Effectiveness, European semester

JEL: H

Vloga ekonomskega upravljanja EU v gospodarskem okviru EU

Povzetek: do 150 besed ali 1000 znakov brez presledka Namen tega članka je predstaviti pregled obstoječe literature, ki preučuje učinkovitost ekonomskega upravljanja EU pri doseganju gospodarskih ciljev EU. Ta tema je še posebej pomembna v okviru trenutnega pregleda ekonomskega upravljanja EU, ki se je začel oktobra 2021, da bi predstavili priporočila za nadaljnje izboljšanje okvira upravljanja EU. Pregled obstoječe literature o učinkovitosti okvira upravljanja EU pri doseganju gospodarskih ciljev za obdobje 2011 - 2019 se osredotoča na dva enako pomembna tokova: 1. študije, ki preučujejo razmerje med učinkovitostjo upravljanja pri doseganju gospodarskih ciljev in 2. študije, ki se osredotočajo na vpliv izvajanja priporočil na gospodarsko uspešnost držav članic. Iz predstavljenega pregleda ustrezne literature je razvidno, da so bila v analizo učinkovitosti modela upravljanja EU vložena znatna prizadevanja. Vendar bo k popolni oceni učinka modela upravljanja EU pripomogla nadaljnja analiza učinka evropskega semestra na gospodarsko uspešnost držav članic in EU kot celote. Preučitev te povezave je ključna za celovito oceno vloge in pomena evropskega semestra tako v okviru upravljanja in v gospodarskem okviru kot v EU.

Ključne besede: EU, ekonomsko upravljanje, učinkovitost, evropski semester

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Introduction

In October 2021, the European Commission (Commission) re-launched the public debate on the Review of the economic governance of the EU. This process was initially launched in February 2020, as a part of the midterm review, and was suspended due to the COVID-19 pandemic.

As it is announced by the Commission, this review is expected to present the crucial milestone in the assessment of the economic governance framework of the EU (European Commission 2021a, 2021b). However, it comes in the considerably different economic environment than it was envisaged. Namely, this public debate comes after COVID-19 outbreak and in the conditions where EU is faced with the significant inflationary pressures and the war in Ukraine.

At the same time, it comes almost three decades after the Maastricht Treaty introduced the economic governance as a concept and more than a decade after Six Pack and Two Pack reformed economic governance model, in order to respond to new economic challenges of the period around 2010.

At the beginning of 2020, this public debate was also perceived as an opportunity to address the criticism regarding the economic governance framework implemented from 2012 onwards. Particularly, to address and improve main weakness of the economic performance of the EU before COVID-19 crisis: such as low level of investment and low growth (Rayner 2021).

However, circumstances completely changed in March 2020. EU was faced with the unprecedented crisis and was pushed to deal quickly with the economic consequences of the COVID-19 outbreak. In terms of the economic EU governance framework, two major things happened in that crisis. Firstly, it was the activation of the General Escape Clause of the Stability and Growth Pact in March 2020 for the first time since its introduction. Secondly, as a part of the comprehensive response to the economic consequence of the pandemic, EU created Recovery and Resilience Facility¹ (RRF), which is financed by funds borrowed by the Commission on behalf of the EU.

In terms of the reform of the EU economic governance framework, the recent crisis exposed economic divergence within and between Member States of the EU and reopened issues that were already identified in the 2008 financial crisis. Despite the good coordination of economic policies of the EU Member States during the crisis (Council conclusions 2021), among other things, this crisis had significant impact on the debt levels and it worsened inequalities in the EU Member States (Rayner 2021).

At the same time, the introduction of the RRF has demanded the adjustment of the current EU governance model, mainly due to the fact that national Recovery and Resilience Plans (RRPs) are now embedded in the European Semester, the EU's governance model (Wieser 2020).

In order to address the identified challenges and shortcomings, and to improve existing economic governance framework, when presenting the launch of the public debate in October 2021, the Commission emphasizes (European Commission 2021a) that this public debate should bring together different aspects and views related to the economic governance, with the aim to:

¹ The European Commission presented the Recovery and Resilience Facility (RRF) in May 2020. The agreement at the level of the European Council was achieved in July 2020, and confirmed by the Council in February 2021.

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1. examine the effectiveness of the existing governance model, while at the same time taking into account the economic surveillance framework presented in February and March 2020;
 2. reflect on the new challenges related to the economic governance of the EU highlighted by the COVID-19 crisis;
 3. assess the potentials and constraints of the way forward concerning the integration of the Recovery and Resilience Facility in the European Semester (European Commission 2021a).

After the public debate on the EU economic governance was completed at the end of December 2021, on 28 March Commission published a report summarising the results of the online public survey on the future of the EU's economic governance framework (European Commission 2022). According to the presented summary, the respondents share the view: "... that fiscal policy should become more growth-friendly, mindful of social issues, and support the policy priorities for the twin green and digital transition.

Also, they stress the need to incentivize investment as a necessary feature of the economic governance framework. A good number of respondents viewed the Recovery and Resilience Facility at the heart of NextGenerationEU as a good inspiration for the future governance framework in terms of fostering national ownership and promoting reforms through positive incentives" (European Commission 2022:2). Therefore, focus of this paper is to give the overview of the relevant literature that examines the impact of the EU economic governance model (and introduced changes) on the economic outcomes of the EU Member States. In doing so, the paper will analyze relevant EU documents, studies and academic literature. Based on the findings, paper will give possible recommendations for the way forward.

1 The EU economic governance: from concept to the model

Although there are many definitions of the EU economic governance in the literature, the definition put forward by the European Parliament will be used for the purpose of this paper due to its comprehensiveness: "The EU economic governance refers to the system of institutions and procedures established to achieve EU objectives in the economic field, namely the coordination of economic policies to promote economic and social progress for the EU and its citizens" (European Parliament 2021).

Since 1992, when the EU governance was introduced by Maastricht Treaty, this framework has seen substantial changes in terms of the structure and content, as well as its role in the economic policy framework of the EU.

At the same time, the process of the evolution and transformation of the EU economic governance framework, from the concept to the model, reflects the political and economic priorities and goals set to be achieved in the EU over more than last 30 years ².

The latest major revision of the governance framework in 2010 led to the introduction of the new governance model known as the European semester. Since then, the European semester is considered as the main tool of the EU economic governance, and the anchor of the economic, fiscal, labor and social policy coordination cycle within the EU (European Commission 2010b, 2010c).

Besides, the introduction of the European semester filled the remaining policy gap in implementation of the overarching mechanism. It is recognized as an early warning mechanism in the EU economic policy framework. At the same time, the introduction of the mechanism would ensure timely actions to prevent

² The European semester was updated couple of times over last 10 years (integration of the UN Sustainable Goals and European Social Pillar Rights). The latest adjustment was introduction of the Recovery and Resilience Facility in 2021.

the macroeconomic (fiscal and structural) imbalances with spill-over effects on the EU economies (and EU as a whole), and provide the EU additional tool for the joint and coordinated response to any future crisis.

Moreover, from the Commission's perspective, when the European semester was inaugurated back in 2010, its role was not perceived as just technical, but rather strategic in terms of the impact on supporting sustainable, smart and balanced economic growth and job creation (European Commission 2010b, 2010c).

The recent adjustment of the structure of the European semester was proposed in order to facilitate the recovery and resilience of the economies of the Member States and the EU after the COVID19 pandemic. Link is established through the implementation of the Recovery and Resilience Plans that are now anchored in the European semester and connected to the Country Specific Recommendations (CSRs) (Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility 2021, Wieser 2020). Although this change is considered as temporary adjustment, given the political and economic circumstances that EU is facing, this could significantly determine the possible advancement in the process of the strategic rethinking of the EU governance model (especially in relation to the ongoing process of the economic governance review).

2 The evolution of the EU governance framework

The context of the evolution of the EU economic governance model is multi-folded, and the focus of this chapter is on its historic, legal and functional aspects. The historic context has been observed since 1992 when the Maastricht Treaty has established the Economic and Monetary Union (EMU) and introduced the euro as the single currency.

In the period from 1992 to 2010, the economic governance framework in the EU was based on two key determinants introduced by the Maastricht Treaty. Firstly, it was the creation of the monetary union with the centralized monetary policy and euro as the single currency. While at the same time, the implementation of the economic policy was left within the competence of the Member States of the EU (de Streel 2013, Wieser 2020).

This policy choice was mainly driven by requirement to establish functional EMU that would ensure more efficiency of the Single Market, while at the same time avoiding its further fragmentation (European Commission 1990).

In this setting, the establishment of the EMU in 1992, and later introduction of the Stability and Growth Pact (SGP) in 1998, was in line with the aim to ensure the stability of the euro currency by keeping Member States' public finances closely controlled (Dumitru 2017).

However, as explained by Dumitru, the role of the economic coordination was seen mainly as the mechanism envisioned to support the EMU and it could only be effective if Member States of the EU consented to endeavoring in it (Dumitru 2017: 531). Moreover, the same approach regarding the economic governance coordination was taken in 2000, when the Lisbon strategy was agreed. In order to implement the Lisbon Strategy, the EU agreed to use existing governance framework as developed in the period since the adoption of the Maastricht Treaty, and further refined under the guidance of the European Council in the late 1990s (ECB 2005).

At the same time, with regard to the institutional set up of the economic governance, EU ³agreed to introduce Open Method of Coordination (OMC) with the aim to achieve greater convergence towards the

³ The Lisbon European Council introduced two institutional novelties in 2000: annual meetings to review progress made with the Lisbon strategy and open method of coordination (OMC).

main EU goals by benchmarking and spreading best practice (ECB 2005).

The sovereign debt crisis in the late 2000 revealed the structural shortcomings of this framework: 1. lack of effectiveness (and under-delivery) and 2. absence of the coordinated actions (including identification of the challenges, implementation of the policy recommendations, their enforcement and possible follow up) to address challenges (European Commission 2010, Dumitru 2017).

The lack of effectiveness is related to the design and structure of the governance framework built on the soft coordination methods, whereby the effectiveness of these methods relied on the responsible behavior of the Member States. It was assumed to be driven by the incentives and rational behavior of the markets (Dumitru 2017). At the same time, the lack of overarching mechanism that would ensure the ex ante coordination and implementation of the policy recommendations, led to Member States' individual decisions to apply illicit flexibility when meeting Maastricht criteria, especially after entering EMU.

Moreover, due to the lack of multilateral scrutiny, it was not clear whether proposed individual measures by Member States were appropriately defined to address identified macroeconomic imbalances and structural challenges.

In 2010, in order to strengthen the economic governance and to address the identified weakness of the governance framework, the Commission introduced the European semester as the anchor of the economic governance of the EU. Its aim was to ensure ex ante coordination of the economic policies within the EU (European Commission 2010b, 2010c, Darvas and Leandro 2015, Wieser 2020).

After the reform, the European semester encompasses three separate pillars, based on different legal frameworks and enforcement mechanisms. Specifically, 1. Fiscal surveillance based on the SGP; 2. Macroeconomic Imbalance Procedure (MIP) based on the MIP regulation (EU 1176/2011), and 3. Coordination of the Member States' economic and employment policies based on the integrated guidelines, in line with the TFEU. However, the proposed novelties redefined the process in order to avoid additional administrative burden and overlaps (Dumitru 2017, Efstathiou and Wolf 2018, Wieser 2020).

However, the introduction of the European semester did not embrace the transfer of sovereignty from Member States to the EU institutions, but it strengthened the visibility and enforcement of the EU institutions concerning monitoring, scrutinizing and guiding national economic, fiscal and social policies (Verdun and Zeitlin 2018).

As expected, the historic context is intertwined significantly with the legal context, since the governance framework was introduced and shaped by the EU legislative framework and corresponding strategic documents. Within the legal context, the intention is to give the overview of the main documents that define the legal framework of the EU's governance.

The coordination of economic policies is laid down in Articles 119 to 126 of TFEU, and it is stipulated that the main goal of the EU governance model is the achievement of the economic convergence between Member States (European Commission, 2007, TFEU: Article 121). The achievement of this goal is supported by coordination of the economic policy, which is within the competence of the Member States, but to be regarded as a matter of common concern between Member States of the EU (European Commission, 2007, TFEU: Article 121). Therefore, the implementation of the economic policies is under the responsibility of Member States while, at the same time, their coordination of the economic policies is mainly based on the consensus without legally enforceable rules (Wieser 2020).

The only exception is the implementation of fiscal policies, which is reinforced by imposing bounds to government deficit and debt with sanctions approved by the Council of the EU, in order to ensure implementation of the sustainable fiscal policies (European Commission, 2007, TFEU: Article 126). Nevertheless, monitoring and enforcement of the rules stipulated in the TFEU for the implementation

of the fiscal policy, were further backed up by empowering the SGP in 1998 with tools, such as preventive and corrective arm and Excessive Deficit Procedure (EDP). Its aim was to ensure prevention and to protect and maintain stability of the public finances (European Commission 1998).

Opportunity for change of the structure of the EU economic governance framework came when Commission proposed a legislative package in 2010 with the aim to substantially reform the EU economic governance. In the legal perspective, reinforced governance model includes:

1. Broadening of the legal framework to the fields that are recognized as crucial to achieve meaningful and targeted coordination;
(Regulation amending the legislative underpinning of the preventive part of the Stability and Growth Pact (Regulation 1466/97), Regulation amending the legislative underpinning of the corrective part of the Stability and Growth Pact (Regulation 1467/97), and Regulation on the prevention and correction of macroeconomic imbalances).
2. Ensuring strict enforcement of the rules. In that respect, the legislative package included measures: Regulation on the effective enforcement of budgetary surveillance in the euro area, Directive on requirements for the budgetary framework of the Member States; Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

In terms of the structure of the process, the introduction of the European semester brought together existing processes under one umbrella framework, which is more beneficial for the effective implementation of the economic coordination (Wieser 2020, European Commission, 2007, TFEU: Articles 121 and 148). Moreover, this framework allowed for further monitoring of imbalances between Member States by putting more pressure to respect the policy recommendations and rules (European Commission 2010b, 2010c).

Considering the novelties in the process of coordination, new economic governance framework brought structured timeline and definite list of documents that are to be prepared either by the EU institutions (mainly Commission) or by Member States.

In the legal assessment of the effectiveness of the economic governance, two novelties are considered important: 1. The publication of the Annual Growth Survey (AGS⁴), which set the annual policy objectives of the EU in areas of fiscal, employment and structural policies; and 2. National Reform Programs for economic (structural) policies and Stability (or Convergence) Programs for fiscal policies, prepared by Member States.

This interaction of documents also includes the interactions of the top down and bottom up approach, since Member States should set and develop their strategic economic and fiscal goals in line with the framework defined by AGS. At the same time, they have to respect the policy recommendations. The Commission, based on all this analyses, proposes CSRs for each individual Member State (Wieser 2020, European Commission 2010b, 2010c).

Finally, the functional context is associated with the role of the EU economic governance in the economic framework of the EU.

Considering such structure of the economic governance, the establishment of the European semester has two goals that are relevant for achieving economic goals at the EU level:

1. to implement the ex-ante coordination of the policies with the impact on promoting growth and employment, as well as to prevent the excessive macroeconomic imbalances; and
2. to streamline process with better alignment of the goals of national budgetary, growth,

⁴ Annual Sustainable Growth Strategy, AGSG, since the 2020 cycle.

employment and social policies, while considering the objectives they have set at the EU level (European Commission 2019). ⁵

In this respect, the effectiveness of the European semester is recognized as one of the prerequisites for the successful delivery of the EU economic goals. (either by implementation of the structural reforms or by promoting investments).

Taking into account the historic perspective, the functional context was firstly determined by the ambitious goal of the Lisbon strategy to turn the EU by 2010 into: *“the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”* (ECB 2005:69).

Later, in 2010, this Strategy was supplemented by the new strategic vision and complementary goals of Europe until 2020 based on smart, sustainable and inclusive growth (European Commission 2010).

3 Review of the existing literature examining the impact of the EU governance on the economic performance of the Member States

The overview of the existing literature shows that there is a link between the governance and different aspects of the economic activity and development, both at the global and EU level.

The overview of relevant literature has also shown some strong evidence that economic growth is positively related to the governance in each country. This argument could be found from the first reports prepared by the World Bank (1992) to the works that focused on the issue of public governance in economic development (Kaufmann et al. 1999a, 1999b). The crucial milestone for the development of the concept of the governance was the introduction of a composite index used for group of the countries according to the levels of their governance by Kaufmann et al. (1999b, 2000). The latest mentioned study has showed that governance quality and economic growth are positively related.

When focusing on the literature relevant for the EU's economic governance model, the existing studies, based on the EU governance model, could be grouped as follows:

First group encompasses a short summary of the main findings of the studies that examine the role of the governance framework introduced by the Maastricht Treaty in 1992. This short overview presented here is intended to facilitate the understanding of the causes that led to institutional change of the governance framework in 2010.

According to the literature, the institutional changes were triggered by economic performance results, which showed that the implemented framework was not able to ensure the convergence between Member States. It happened due to lack of adequate enforcement mechanism. The evidence was also indicating that fiscal surveillance did not lead to reduction of government debts and deficit below EU thresholds, because the enforcement of the sanction mechanism was based on the political institutions and was not subject of the judiciary examination. Lastly, the developments on the markets did not lead to differentiation of the risk premiums based on the results of public finances (de Streel 2013).

This reasoning was further supported by the Commission's assessment presented in the Communication on Reinforcing Economic Policy Coordination back in 2010, by stating: that:

“The functioning of the Economic and Monetary Union has been under particular stress, due to earlier

⁵ The European semester was updated couple of times over last 10 years (integration of the UN Sustainable Goals and European Social Pillar Rights). The latest adjustment was introduction of the Recovery and Resilience Facility in 2021.

failures to comply with the underlying rules and principles. The existing surveillance procedures have not been comprehensive enough. (..) However, these recent experiences also showed gaps and weaknesses in the current system, underlining the need for stronger and earlier policy co-ordination, additional prevention and correction mechanisms and a crisis resolution facility for euro-area Member States” (European Commission 2010b:2)

Second group includes the overview of the relevant literature on the effectiveness of the EU governance framework in delivering economic goals, focusing on the period from 2011 to 2019. The studies ⁶are grouped as follows: 1. studies examining the relationship between the effectiveness of the governance in achieving economic goals; and 2. studies focused on the impact of the implementation of policy recommendations on the economic performance of the Member States.

Regarding the research that is focused on the effectiveness economic governance of the EU, Bauer and Becker (2014) analysed the effectiveness of the EU governance model with focus on supranational executive's role. Their conclusion was that the Commission continued to play a leading role in the economic governance of the EU in the setting that had been constantly exposed to considerable changes.

The effectiveness the European semester was examined in the paper by Darvas and Leandro (2015), where authors showed that the European semester was not particularly effective at enforcing the EU's fiscal and macroeconomic imbalance rules. In addition, authors argued that the Semester's framework did not ensure the effective tools for the implementation of the CSRs in the Member States.

In analysing the effectiveness of the EU economic governance framework, Dumitru (2017) concluded that political dimension of the EU and weak EU leadership and vision were major obstacles to better efficiency.

On the same line, Wieser concluded that " *...existing economic policy coordination processes of the European Union are not effective/sufficient to incentivize national measures*", because *"....a good advice at the European level is often ignored by national policy makers, mainly as there are - by and large - neither incentives nor sanctions involved in the coordination processes"* (Wieser 2020:25).

This is in line with assessment of the enforcement of sanctions by MIP (EIP) in the Special Report issued by the European Court of Auditors (ECA 2020) where they concluded that Commission did not use all available provisions available under the Regulation to step up its CSRs when no substantial progress had been made over a number of years for certain CSRs (2020:33). The same applied for the EDP procedure in the surveillance of the fiscal policies of Member States.

Ardielli (2019) examined the relationship between the implementation of governance reforms and rapid economic and social development. The study showed that countries that benefited from the implementation of the good governance in the long term were northern EU countries, while greater shortcomings in terms of good governance were identified in the southeastern EU countries.

Noja et al. (2019) concluded that an overview of the implications of public administration for the economy and development was significant while examining the relationship between good public governance and sustainable economic development in the EU. Moreover, author concluded that public administration expenditure (especially support for the environment), had positive and significant implications for the EU economies, leading to a significant increase in per capita GDP and reduction in

⁶ The studies are selected based on the subject that is examined for the purpose of this paper – the effectiveness of the EU governance model on economic performance of the EU Member States from 2011-2019. Year 2019 is selected as the last year, since the Council of the EU decided to activate the General Escape Clause in March 2020 due to COVID19 outbreak. This Clause is still in force

the risk of poverty.

The other possibility to examine the effectiveness of the implementation of the European Semester is to monitor the implementation of the CSRs, as well as their progress in implementation over the years.

In this respect, the main findings of ECA's Special Report for the period from 2011 to 2019, showed that Member States had implemented 22% of CSRs substantially or fully, 46% with at least "some progress", and the remaining 32% of CSRs recorded "limited" or "no progress" in implementation ⁷(ECA 2020).

This assessment is in line with the main findings by Efstathiou and Wolf (2018) where they concluded that Member States do not fully implement CSRs, regardless of the implementation horizon. Based on the assessment of the implementation of the CSRs for the period from 2011 to 2017, authors concluded that implementation has deteriorated in recent years, especially among countries facing excessive imbalances (Efstathiou and Wolf 2018).

The assessment of the effectiveness/willingness of the national governments to implement the policy recommendations was examined by Mariotto (2021), and Efstathiou and Wolf (2018).

Mariotto's study showed that economic conditions, costs of enforcement and electoral accountability were key drivers of the national implementation of CSRs. Specifically, depending on membership in the eurozone, countries were more or less likely to implement the recommendations when they found themselves in severe economic distress. In line with Efstathiou and Wolf (2019), author showed that for countries in the MIP, implementation slowed down during election years. On the contrary, governments were more likely to implement the recommendations when they found themselves in severe economic distress (Mariotto 2021).

These findings are in line with the main findings by Efstathiou and Wolf (2018) who suggested that low effectiveness in the implementation of the CSRs within Member States is related to the nature of CSRs, while Member States mostly designed their policies based on the national considerations in order to secure their sovereignty.

Same authors expanded the presented findings further in 2019, concluding that the implementation of CSRs depended on the economic condition of the single Member States, where size of the fiscal and current account deficits increased the likelihood of implementation. Furthermore, authors argued that probability of implementing policy recommendations increased with the quality of governance and the fragmentation of government coalitions (Efstathiou and Wolf 2019).

4 Conclusion

The presented overview of the literature shows that there are number of studies focusing both on the effectiveness of the EU governance framework and examining the impact of the EU governance model on the delivering of the EU economic goals. However, the presented overview also shows that there is a lack of quantitative analysis and assessment of impact of the European semester on the economic performance of the Member States and EU as a whole. The examination of this link is crucial for the complete assessment of role and relevance of the European semester, both in the governance and economic framework of the EU.

That is even more important, since one of the main roles and functions of the European semester is to support sustainable smart and balanced economic growth, job creation and to be in position to ensure

⁷ CSR assessment was carried out based on three assessment categories, namely 'no progress', 'partial implementation' and 'full implementation'. After two Semester cycles, the assessment categories increased to five: 'no progress', 'limited progress', 'some progress', 'substantial progress', and 'full implementation'. "Some progress" is used when a Member State has adopted measures that partly address the CSR; and/or that address the CSR.

the adequate response for the future crises.

Provided evidence is summarised from the overview of the existing literature examining the role of the EU governance model. It suggests that European semester plays important role in both, governance and economic framework of the EU. However, its effectiveness should be further increased, especially in strengthening the national ownership in implementation of the reforms.

In addition, the effectiveness of the EU governance model could be achieved through the implementation of the incentives, such as linking implementation of the reforms to additional budget allocations.

Given the recent experience from the pandemic, whereas benefits of the EU governance model were positively recognized, it is crucial that tools of the EU governance model are used both as part of the regular ex ante coordination of the economic policies, and as platform for the coordination in crisis.

At the same time, in the national debates over economic policies, tools, instruments and the policy recommendations proposed within EU, governance framework should be recognized as long term solution for identified structural challenges applying to any individual Member State, and that it should be implemented regardless of its position in the political cycle.

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