

DELIVERING the GREEN DEAL

the role of a reformed European
Semester within a new sustainable
economy strategy





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Executive summary

In the absence of an overall Sustainable Development Goals (SDG) strategy for the EU, which would include targets and reporting requirements for Member States, the European Semester can become a key instrument for operationalising the SDGs and implementing the European Green Deal.¹ This paper identifies the following priorities and modalities for such an integration:

- **Introducing 8 dimensions of the sustainable economy into the 2021 Semester cycle:**
 - Size of the green economy
 - Long-term sustainability of the economy
 - Sustainable public finance
 - Green incentives, taxes and subsidies
 - Measuring green R&D and Innovation
 - Sustainable industry
 - Climate change risk
 - Negative spill-over effects
- **Using 15 existing indicators that would form part of an environmental sustainability scoreboard:**
 - Private investment, jobs and gross value added related to circular economy sectors
 - Share of forest area
 - Soil sealing index
 - Water bodies in good ecological status (%)
 - Water exploitation index
 - Environmental protection expenditure of the public sector by type²
 - Fossil fuel subsidies
 - Eco-innovation index
 - Industrial greenhouse gas emissions intensity
 - Greenhouse gas emissions from transport
- Greenhouse gas emissions from agriculture
- Domestic material consumption per capita
- Per capita waste generation
- Year of Life lost due to exposure to particulate matter
- Climate-related economic losses
- **Improving the sustainability scoreboard over time through new indicators, e.g. public funding for just transition**
- **Creating synergies with the social scoreboard by introducing the concept of a sustainable wellbeing economy for all**
- **Aiming for an integrated approach to structural reform in the EU Member States:**
 - aligning the Semester process with a review progress towards EU quantitative policy targets;
 - supporting greater policy coherence for sustainable development at the Member State level;
 - moving towards an integrated policy review roadmap;
 - aligning funding, incentives and compliance mechanisms;
 - enhancing democracy to promote public support.

¹ SDSN & IEEP (2019). [2019 Europe Sustainable Development Report](#)

² environmental investments, environmental current expenditure and environmental subsidies/transfers



A new context for the Semester

As part of the Green Deal, the President of the European Commission committed to integrate the SDGs into the European Semester, an annual process which produces recommendations for Member States in terms of their macroeconomic and social policies. This was reconfirmed in the Commission's 2020 work programme, which stated that the EU "will refocus the European Semester by integrating the Sustainable Development Goals and put forward [the EU's] approach to the overall governance and implementation of the goals"³.

The European Semester⁴, adopted by the European Council as part of the 2010 'six-pack' – six legislative acts that reformed the Stability and Growth Pact – is a tool for greater economic and fiscal policy coordination within the EU. Based on a six-month cycle, the European Semester covers three blocks of economic policy coordination, including structural reforms, fiscal policies and the prevention of excessive macroeconomic imbalances. Its key original objectives are to:

- contribute to ensuring convergence and stability in the EU
- contribute to ensuring sound public finances
- foster economic growth
- prevent excessive macroeconomic imbalances in the EU
- implement the Europe 2020 strategy

In 2013, the European Commission made

progress in aligning the Semester with sustainability, by adding a social dimension to the Semester process and including the Joint Employment report. This builds on the social scoreboard that includes 14 headline indicators, such as the income quintile ratio; the people at risk of poverty or social inclusion rate; the growth disposable income per capita; and the self-reported unmet need for media care. Some stakeholders have criticised this broadening of the Semester to topics that they consider beyond macroeconomic concerns. For instance, Bruegel expressed surprise that a "sizable share of recommendations, such as on childcare, are also labelled as relevant for resolving macroeconomic imbalances"⁵.

The environmental pillar of sustainability is currently scarcely covered by the Semester. The Semester (Country Reports) currently tracks 21 green growth performance indicators⁶, which are mostly energy focused.

The focus of the process has ignored other key policy objectives. For example, issues like good air quality and the protection of biodiversity and ecosystems and their services, are not covered in the European Semester process⁷. This can be partly explained by DG ENV and DG CLIMA not being part of the core DGs working on the European Semester. The core DGs being GROW, ECFIN, EMPL, FISMA, along with the Secretariat-General.

A comprehensive analysis produced by IEEP in 2014 outlined that the primary focus of the Annual Growth Survey has been "on consolidating budgets and creating growth and jobs rather than on the wider goals set

³ European Commission (2020) [Commission Work Programme 2020: A Union that strives for more](#).

⁴ European Council (2020), [European Semester](#)

⁵ Efstathiou, K. & Wolff, G. B. (2018), [Is the European Semester effective and useful?](#)

⁶ Annex C , Table C6 in Country reports: [2019 European Semester: Country Reports](#)

⁷ Withana, S., Kretschmer, B. & Farmer, A. (2014), [Environmental Policy in the European Semester: assessing progress to date](#)

out in the Europe 2020 Strategy, including on climate and energy”⁸. The report recommended that the Country Specific Recommendations (CSRs) provide a more

comprehensive coverage of environmental issues and an increased ownership and engagement of Member States in the process.

Table 1: Green growth performance indicators in the European Semester’s standard country tables (Table C.6 of the Country Reports in 2019)⁹

Macroeconomic	Sectoral	Security of energy supply
Resource intensity	Sectoral Industry energy intensity	Energy import dependency
Energy balance of trade	Share of energy-intensive industries in the economy %	Aggregated supplier concentration index HHI
Weighting of energy in HICP	Real unit energy cost for manufacturing industry excl. refining % of value added	Diversification of energy mix HHI
Energy intensity	Electricity prices for medium-sized industrial users	
Difference between energy price change and inflation	Gas prices for medium-sized industrial users	
Real unit of energy cost	Public R&D for energy	
Ratio of environmental taxes to labour taxes ratio	Public R&D for environmental protection	
Environmental taxes	Municipal waste recycling rate	
	Share of GHG emissions covered by ETS	
	Transport energy intensity	
	Transport carbon intensity	

⁸ Withana, S., Kretschmer, B. & Farmer, A. (2014), [Environmental Policy in the European Semester: assessing progress to date](#)

⁹ Annex C , Table C6 in Country Reports: [2019 European Semester: Country Reports](#)

four essential components of a successful European economy, together with stability, productivity and fairness. Key elements of sustainability mentioned in the strategy include boosting sustainable investment, green taxation, carbon neutrality and shifting to a carbon-neutral economy.

Moreover, the debate on beyond growth and wellbeing, which has been largely academic for the past 10 years, also seems to be at a turning point. The new Alliance between Wellbeing Economy Governments, which so far includes Scotland, Iceland and New Zealand is demonstrating that it is possible to include wellbeing at the heart of economic policies.¹⁵ To discuss the topic of wellbeing, the European Parliament organised the 'Beyond Growth' Conference in 2018; the conference will take place again in September 2020.

In October 2019, the European Council adopted conclusions regarding the Economy of Wellbeing¹⁶, showing a willingness to redefine quality growth by going beyond currently used indicators. The conclusions outlined that:

"People's wellbeing is a principal aim of the European Union. [...] sustainable and inclusive economic growth and resilience function as enablers for the wellbeing of people, societies and the planet. [...] It is widely accepted that GDP alone does not provide a comprehensive picture of people's wellbeing. Therefore, further collaborative and intensified efforts across sectors are required to make better use of and improve existing instruments, and to build on them for the development of a common approach to measuring the different dimensions of the Economy of Wellbeing."

¹⁵ Wellbeing economy alliance (2019), [Wego](#)

¹⁶ Council of the European Union (2019), [The Economy of Wellbeing – Draft Council Conclusions](#)

¹⁷ DG COMM (2019), [Special Eurobarometer 490: Climate change](#)

As part of this work programme, the European Commission has announced its intention to publish a Communication on wellbeing later during the year.

These emerging policy developments are taking place in a context in which a large majority of citizens in all the European Member States no longer believe that there is a trade-off between protecting both the climate and competitiveness and growth. This is demonstrated by the outcomes of the April 2019 Eurobarometer survey¹⁷:

- More than nine in 10 Europeans (92%) agree that greenhouse gas emissions should be reduced to a minimum while offsetting the remaining emissions, in order to *make the EU economy climate neutral by 2050*.
- Almost eight in 10 (79%) agree that taking action on climate change will lead to innovation that will make *EU companies more competitive*.
- More than eight in 10 (81%) agree that promoting EU expertise in clean technologies to countries outside the EU can *benefit the EU economically*.
- More than seven in 10 (72%) agree that reducing fossil fuel imports from outside the EU can increase energy security and *benefit the EU economically*.

There is also clear evidence that people see a link between the state of the environment and their health and daily life.¹⁸ In 2017, four in five Europeans (81%) agreed that environmental issues have a direct effect on their daily life and their health. The highest proportions were in Cyprus (97%), Greece (96%) and Malta (93%). By contrast, the level of agreement was lowest among people in Denmark (64%), the Netherlands

¹⁸ DG COMM (2017) [Special Eurobarometer 468. Attitudes of European Citizens towards the Environment](#)

(66%) and Finland (69%). There is no Europe-wide data yet on whether European citizens see a trade-off or synergies between greater environmental protection and their wellbeing. What is known is that there is an increased awareness of the need for citizens, alongside other actors, to act on fighting climate change, as well as an increased

willingness to take individual actions. In all but one EU country, the number of citizens who think that they are personally responsible for fighting climate change has grown since 2017, with the biggest increases seen in the United Kingdom (43%, +29 percentage points), Germany (48%, +25 pp) and Estonia (33%, +18 pp).¹⁹

¹⁹ DG COMM (2019), [Special Eurobarometer 490: Climate change](#)



Towards an environmental sustainability scoreboard for the European Semester

A key question for the successful integration of the environmental sustainability leg of the SDGs in the economic policy of the new European Semester will be the choice of indicators.

To ensure take up and ownership by Member States, this paper recommends the following approach:

- **A continued focus on sustainable economy**, in line with the economic focus of the Semester, but with a broader understanding of what constitutes a sustainable economy than what the current indicators suggest. Such continued focus on the sustainable economy would build complementarity with other processes, such as the Environment Action Programme (EAP) or the Environmental Implementation Review (EIR). This would also enable better-informed discussions about synergies and dilemmas between the economic, social and environmental dimensions of the growth policies of the European Union.
- **A limited number of indicators:** This paper proposes to include 8 dimensions illustrated by 15 indicators. A plethora of indicators, attached to policies, regulations and directives, would be detrimental to the take up by Member States in a context in which there is already a multitude of indicators attached to different strategies, regulations and directives.
- **A pragmatic approach**, by choosing from existing indicators that can be integrated already in the 2021 cycle and by setting a timeline for introducing improved indicators at a mid-mandate for the European Commission.
- **Integration with the social scoreboard:** Synergies with the social objectives of the EU and the social scoreboard of the Semester could be explored by measuring employment in the circular economy or tracking just transition funding in Member States.
- **Start to introduce the concept of sustainable wellbeing economy** (see box 1): Measuring progress towards a sustainable wellbeing economy will be critical in the medium-term. In this paper, we propose to get started on this journey by including an indicator on health outcomes of air pollution.

Box 1: Measuring a sustainable wellbeing economy

The OECD (2019) defines the economy of wellbeing as the “*capacity to create a virtuous circle in which citizens’ wellbeing drives economic prosperity, stability and resilience, and good macroeconomic outcomes allow to sustain wellbeing investments over time*”. An economy of wellbeing aims at expanding opportunities for upward social mobility and for

improving people's lives; ensuring opportunities translate into enhanced wellbeing for all, including for those "at the bottom of the income distribution, while reducing inequalities; and ensuring environmental and social sustainability." Hough-Stewart, Trebeck, Sommer and Wallis (2019) define a wellbeing economy as an *equitable distribution of wealth, health and wellbeing, while protecting the planet's resources for future generation and other species*.

Several countries, including Iceland, New Zealand and Scotland, have developed performance indicators for all their policies, including economic ones, which attempt to include different dimensions of sustainable wellbeing.

In 2018, the Treasury of New Zealand designed the Living Standards Framework (LSF) "to consider the collective impact of policies on intergenerational wellbeing" and to "understand ways to measure living standards"²⁰. One of the key dimensions of the LSF is the attempt to measure the capitals (*see below*) that determine the ability to have great future wellbeing. Indicators within this framework include for instance climate regulations or life expectancy data.



The Treasury of New Zealand (2018)

Scotland's National Performance Framework includes 81 indicators, some of which are classical indicators for measuring environmental sustainability such as waste, the sustainability of fish stocks or energy efficiency. However, the framework also includes classic wellbeing indicators such as healthy life expectancy, but also more innovative indicators which attempt to track sustainable wellbeing, such as access to green and blue space, journey by active travel or visit to the outdoors.

Iceland's 39 indicators for its framework for measuring wellbeing, adopted in 2019, include indicators to measure social capital, life expectancy, mental health, housing quality,

²⁰ Burton, T. (2018), [The Treasury Approach to the Living Standards Framework](#)

as well as air quality and sustainable land use. This new framework is meant to reflect the opinions of the general public in Iceland, who view health (i.e. good health and access to healthcare) to be the most significant factor in the quality of life, followed by relationships (i.e. with friends, family, neighbours and colleagues), housing (secure housing, cost of housing, supply of housing) and making a living (income and assets).

Sources:

OECD (2019), [The Economy of Wellbeing](#)

The Treasury (2019), [Measuring wellbeing: the LSF Dashboard](#)

Government of Iceland (2019), [Indicators for Measuring Wellbeing](#)

Scottish Government (2019), [Scotland's Wellbeing – Delivering the National Outcomes](#)

8 dimensions of a sustainable economy

1. **Size of the green economy:** While there is a debate about the relevance of this indicator vis-à-vis the greening of the whole economy, this indicator would clearly show whether policies from Member States are creating economic opportunities for actors of the green economy.
2. **Long-term sustainability of the economy:** Measuring trends in stocks of natural capital would allow showing whether or not Europe's growth is preventing depletion of the natural capital, including fresh air and water, soil and forestry.
3. **Sustainable public finance²¹:** The Green Deal addresses the need for greening Member State budgets, which are much bigger levers for change than Europe's own budget. To ensure comparability and rigour amongst Member States, agreeing on common metrics would be essential. Such indicators are also key inputs to allow for green public investments to be treated differently from other public expenditures within the growth and stability pact.
4. **Green incentives, taxes and subsidies:** Market-based instruments can help to address the lack of internalisation of externalities, more specifically state aid, tax reform, as well as the phase-out of fossil subsidies, which are rising in importance on the European policy agenda.
5. **Measuring green R&D and Innovation:** The Semester already includes the gross domestic expenditure on research and development as an indicator. Given the importance put on innovation within the Green Deal and Horizon Europe and in a global context of heightened competition on green technologies, it is essential to monitor progress at the Member State level on green innovation.
6. **Sustainable Industry:** Monitoring the degree of transformation of key sectors towards circularity and carbon neutrality, a key pillar of the Green Deal, would be an important litmus test of the

²¹ While it would be desirable to also measure trends in private finance, the lack of indicators, data or the ability to measure trends meaningfully at Member State level means that we are not including this crucial dimension in the paper.

effectiveness of both European and Member State policies in this critical area.

7. **Climate change risk:** Indicators that would assess climate-related risks to growth and to the stability of the economy as a whole, as well as the effectiveness of the mitigation measures against such risks, would complement existing economic risk metrics included in the Semester based on the work currently developed by the Central Banks and Supervisors Network for Greening

the Financial System (NGFS) and the European Systemic Risk Board (ESRB).

8. **Negative spill-over effects of Europe's economic and industrial policies on third countries' decarbonisation pathways:** There is a need to measure the net carbon and materials embedded into exports and imports, to assess if a reduction in domestic material consumption is not dwarfed by an increase in net imports of unsustainable products.

15 sustainability indicators

Table 1: Proposing indicators for the sustainability scoreboard (bold indicates the preferred indicator)

Key dimensions	Example of existing indicators within official statistics	To be developed
Size of green economy	<ul style="list-style-type: none"> • Private investment, jobs and gross value added related to circular economy sectors (Circular economy action plan) • Environmental goods and service sector²² (Eurostat) • Gross value added from market output of the EU environmental economy (Eurostat) • Employment from market output of the EU environmental economy (Eurostat) 	<ul style="list-style-type: none"> • Green Gross Fixed Capital Formation/GDP • Private investment, jobs and gross value added related to <i>low-carbon</i> and circular economy sectors

²² Environmental goods and services are products manufactured or services rendered for the main purpose of: preventing or minimising pollution, degradation or natural resources depletion; repairing damage to air, water, waste, noise, [biodiversity](#) and landscapes; reducing, eliminating, treating and managing pollution, degradation and natural resource depletion; carrying out other activities such as

measurement and monitoring, control, research and development, education, training, information and communication related to environmental protection or resource management. The methodology for data recording is in line with the [United Nations' \(UN\) system of integrated environmental and economic accounting \(SEEA\)](#), which is an international statistical standard.

Overall long-term sustainability of the economy	<ul style="list-style-type: none"> • Natural capital accounting indicators, and/or: • Share of forest area (Eurostat) • Soil sealing index (Eurostat) • Water bodies in good ecological status (%) • Water exploitation index (Eurostat) 	<ul style="list-style-type: none"> • Indicators for Good Environmental Status of Marine Waters ²³ • Absolute decoupling indicators • Additional indicators measuring also the human, social and financial/physical capitals
Sustainable investment and finance	<ul style="list-style-type: none"> • Environmental protection expenditure of the public sector by type²⁴ (Eurostat) • Contribution to the international 100bn USD commitment on climate-related expending (Eurostat) 	<ul style="list-style-type: none"> • Indicators of climate and biodiversity mainstreaming of public budgets at MS level based on an improved EU methodology for the MFF
Green incentives, taxes and subsidies	<ul style="list-style-type: none"> • Fossil fuel subsidies (IMF) • Environmental tax revenues (Eurostat) 	<ul style="list-style-type: none"> • Green public procurement as share of total public procurement
Green R&D and Innovation	<ul style="list-style-type: none"> • Eco-innovation index (DG-ENV) • Number of patents related to recycling and secondary raw materials (Eurostat) 	

²³ Research on compositive indicators is underway under the Marine Strategy Framework Directive, [DG Environment: Good Environmental Status](#)

²⁴ environmental investments, environmental current expenditure and environmental subsidies/transfers

<p>Low-carbon, circular economy and industry development: transformation of key sectors</p>	<ul style="list-style-type: none"> • Industrial emissions intensity (Eurostat) • Greenhouse gas emissions from transport (Eurostat) • Greenhouse gas emissions from agriculture (Eurostat) • Domestic material consumption per capita (Eurostat) • Energy consumption in households (Eurostat) • Generation of waste excluding major mineral waste (circular economy action plan) • Per capita waste generation (EEA) 	<ul style="list-style-type: none"> • Material footprint per capita • Greenhouse gas emissions of the digital sector • Greenhouse gas emissions of the chemical sector • Level of take-up in corporate sustainability schemes (such as EMAS)
<p>Economy-wide risks of climate change (and climate action) as well as mitigation measures</p>	<ul style="list-style-type: none"> • Risks to human capital: Years of life lost due to exposure to particulate matter (Eurostat, EEA) • Economic risks: Climate-related economic losses (Eurostat, SDGs) 	<ul style="list-style-type: none"> • Climate adaptation & DRR expenditures as a share of GDP • Public funding for just transition • Indicators for Integrating climate-related risks into financial stability monitoring and micro-supervision

Box 2: Assessing climate risks to Europe's financial system and the eurozone

The current Semester process rightly places a strong emphasis on financial market indicators, with 13 indicators covering financial risk issues such as the share of assets of the five largest banks (% of total assets), non-performing loans (% of total loans) capital adequacy ratio (%), Central Bank liquidity as per cent of liabilities or private debt (% of GDP). These should be complemented by new indicators of climate risk. The Central Banks and Supervisors Network for Greening the Financial System (NGFS), of which the European Central Bank is a member, recommends integrating climate-related risks into financial stability monitoring and micro-supervision.

A 2016 paper by the European Systemic Risk Board's Advisory Scientific Committee highlights the potential impacts of physical and transition risks on the European financial

system in a case of a too late, too sudden decarbonisation pathway through the macroeconomic impact of sudden changes in energy use; the revaluation of carbon-intensive assets; and the rise in the incidence of natural catastrophes. Based on this study, the Advisory Scientific Committee recommends that authorities consider developing climate stress-test methodologies.

Integrating these future indicators into useful tools for the Semester should be explored to complete other risk indicators already included in the Semester and to ensure that each Member State is able to assess and shows progress in mitigating against climate financial risks.

Sources

ESRB Advisory Scientific Committee (2016), [Reports of the Advisory Scientific Committee](#)
European Central Bank (2019), [Climate change and financial stability](#)
Network for Greening the Financial System (2019), [A call for action. Climate change as a source of financial risk](#)



An integrated framework for structural sustainability reform in Member States

1. Aligning the Semester process with key climate and environmental policy targets of the European Union

Currently, the EU has at least 64 quantitative policy targets that are relevant to climate and the environment (IEEP, 2020, forthcoming). It also has 12 quantitative policy targets related to other dimensions of sustainability, according to Eurostat²⁵. Amongst environmental targets, at least 16 are translated into Member State-level targets. The process of the Semester should be used to assess progress towards the achievement of targets by each Member State and to tailor recommendations according to the distance to target and to back-casting methodologies. Plans that Member States have to produce to demonstrate how they will achieve national targets, such as the NECPs, the LTS plans, as well as the future CAP strategic plans, Member State reports and independent reviews of progress (e.g. National Emissions Ceiling Directive reporting) should be

reviewed and assessed as part of the Semester process.

2. Supporting greater policy coherence for sustainable development at Member State level

The sustainability scoreboard of the Semester should seek to add value to, and coherence with existing processes that aim to support the implementation of European policies and the achievement of European policy objectives by Member States. In its 2017 Environmental Implementation Review²⁶, the European Commission also concluded that the implementation gap is partly due to a lack of integration and policy coherence within Member States, as well as ineffective governance of implementation, marked by a lack of capacity and/or coordination amongst competent authorities at Member State level. Greater Policy Coherence for Sustainable Development (PCSD) should, therefore, be one of the objectives of the integration of the SDGs in the Semester.

This means a whole-of-Commission approach towards policy recommendations for Member States from the European Commission to Member States. Such a change can only be achieved through reforms in the structures of the European Commission to break away from siloes, as well as the strengthening of the DG in charge of current structural reform support. This DG should have equal expertise in, and competence over, the three key dimensions of sustainability. Greater coherence should also be ensured through approval by the College of Commissioners of country

²⁵ Eurostat (2019), [Sustainable development in the European Union](#)

²⁶ European Commission (2017), [The EU Environmental Implementation Review: Common](#)

[challenges and how to combine efforts to deliver better results](#)

recommendations in the Semester, in contrast with the current situation in which only ECFIN approves the recommendations. Finally, the forthcoming 8th Environment Action Programme is expected to provide an overarching framework for implementing and reporting on the progress in the Green Deal. As such, there should be complementarity and synergies between indicators within the Semester – whose main audience objectives would be policy-makers in charge of macroeconomic, financial and industrial policies within Member States – and the wider set of environmental indicators of the 8th EAP, whose audience would include a wider set of stakeholders in Member States, including those in charge of implementation and enforcement of the *acquis*. Likewise, there should be complementarity between indicators within the Semester and indicator sets within major flagship policies. In the farm to fork strategy, for instance, other environmental indicators should be added, including nitrogen balance on land and pesticides sales, alongside GHG emissions – which would be the main indicator in the Semester.

3. Towards an integrated policy review roadmap

Member States have to submit a wide range of reports and evaluations to the European Commission in areas covered by EU legislation. At the moment, it is quite difficult to make sense of the different, partly overlapping timelines of these processes. Examples of key processes include reporting for 2020 targets, National Energy and Climate Plans (NECPs), national long-term strategies (LTS), river basin management plans, Birds and Habitat directive implementation, the forthcoming Common Agricultural Policy's (CAP) strategic plans. This lack of convergence contributes to increasing complexity and reinforcing siloed

policy-making in the national parliaments and governments.

To support coherent decision-making at Member State level, efforts could be made, for instance, to align and/or sequence Semester country recommendations, the Environmental Implementation Review (EIR) country recommendations and the review processes for national plans with specific legislations or country programming processes under InvestEU and other relevant European funds.

As the measurement of progress on all sustainability policies on an annual basis would be a cumbersome and daunting exercise, and one not necessarily leading to meaningful outcomes due to time lags in implementing policies, specific emphasis to subset of the policy areas included in the Semester could be allocated to specific years, similar to the thematic foci within the United Nations High-Level Political Forum (UNHLPF) process.

4. Aligning funding, incentives and compliance mechanisms

Two of the key reasons for the failure in implementing the European environmental *acquis* and achieving policy objectives of the EU are the lack of adequate funding and the lack of effective compliance-assurance mechanisms.

More adequate EU funding for structural reform in Member States will partly depend on financial resources allocated under the Just Transition Mechanism and the mainstreaming within the multiannual financial framework (MFF) for 2021-2027. But it will also be important to ensure the full alignment of programming exercises with each Member State. These should be based on an assessment of needs from Member States based on the distance to targets.

Where the European Semester could be useful is in shedding light during the implementation period of the MFF on how a Member State is using funding available to support structural reform.

To deliver the Green Deal, it would also be essential to foster climate and biodiversity mainstreaming in Member State budgets. The Communication on the Green Deal²⁷ rightly calls for a process to support the greening of national budgets of the Member States. Ideally, the same methodology would be used for the EU and Member State budgets.

Relevant indicators deriving from this methodology should feature in the environmental sustainability scoreboard of the Semester. Moreover, the Semester should assess progress in the greening of economic instruments, such as taxation, subsidies and public procurement at the Member State level; and make relevant recommendations to support relevant structural reform in these crucial areas. Finally, the Semester should support greater compliance by analysing records of relevant infringement procedures by each Member State, so that the incentives to comply are fully aligned: Over the last five years, a total of 1562 environmental infringement procedures have been initiated by DG Environment²⁸. Most of the cases in 2018 have focused on water and nature²⁹.

5. Enhancing democracy to promote public support

Structural reform fatigue is prevalent in most Member States. This is partly due to a lack of understanding of reforms by citizens. The European Semester is not well-known by EU citizens; hence its content is not discussed in the public sphere. This can allow policymakers and opinion shapers to misrepresent recommendations from the EU institutions or to dilute responsibilities for the lack of progress. Making the process more visible and accessible would increase the likelihood of greater public support and would enhance the accountability of the Commission and Member States to citizens.

At a minimum, citizens, parliamentarians and relevant governmental authorities, as well as mainstream media, should have the capacity to see how their country is performing across sustainability dimensions; to be aware of upcoming review processes for key policy areas; to get access to the Commission recommendations, the Country Reports and the submissions to the European Commission, in addition to independent evaluations of progress towards the implementation or the achievement of policy objectives.

One of the ways to achieve higher transparency would be to create a one-stop shop websites for each Member State. This transparency process should be also ideally accompanied by opportunities for inputs by national parliaments and civil society in each Member States into the country recommendation process.

²⁷ European Commission (2019) [The Communication on the European Green Deal](#)

²⁸ DG ENV (2020), [Statistics on environmental infringements](#)

²⁹ DG ENV (2020), [Infringement cases](#)

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